

**LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

DOUGLAS WINKLER, TREASURER



Dave Yost • Auditor of State

Board of Education
Louisville City School District
504 East Main Street
Louisville, Ohio 44641

We have reviewed the *Independent Auditor's Report* of the Louisville City School District, Stark County, prepared by Julian & Grube, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 20, 2011

This Page is Intentionally Left Blank.

**LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	18
Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Fund.....	19
Statement of Cash Flows - Internal Service Fund	20
Statement of Fiduciary Assets and Liabilities - Agency Fund	21
Notes to the Basic Financial Statements.....	22 - 49
Supplementary Data:	
Schedule of Receipts and Expenditures of Federal Awards	51 - 52
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	53 - 54
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i>	55 - 56
Schedule of Findings <i>OMB Circular A-133 § .505</i>	57 - 58



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education
Louisville City School District
504 East Main Street
Louisville, Ohio 44641

To the Members of the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Louisville City School District, Stark County, Ohio as of and for the fiscal year ended June 30, 2010, which collectively comprise the Louisville City School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Louisville City School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Louisville City School District, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2010 on our consideration of the Louisville City 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting of the required supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Report
Louisville City School District
Page Two

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 24, 2010

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The management's discussion and analysis of Louisville City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2010 are as follows:

- The School District issued \$8,500,000 in bonds to construct one elementary school to replace three existing elementary schools and to do additional renovations at the Louisville High School. This local money is being used in conjunction with funding from the Ohio School Facilities Commission (OSFC). A portion of work done on the project was recorded as construction in progress which accounts for a large portion of the increase in capital assets.
- Revenue was received from the OSFC which decreased the intergovernmental receivable and provided cash for the building project to move forward.
- The School District entered into a lease agreement to renovate the football stadium. The project included new bleachers, concession stand, locker room and artificial turf. Specifically, the financing was for bleachers and foundations to bleachers. With the exception of bleachers and stadium fencing, the balance of the project was provided with funds that were raised privately.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes pertaining to those statements. The statements are organized so the reader can understand the Louisville City School District as a financial whole, or complete operating entity.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain 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 Louisville City School District, the general fund, bond retirement debt service fund and Ohio school facilities capital projects fund are the most significant funds.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2010?" The *Statement of Net Assets* and *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. Accrual accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

These two statements report the School District's net assets and changes in those net assets. The amount of net assets, the difference between assets and liabilities, is one measure of the School District's financial health, or financial position. The 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. Assessing the overall health of the School District involves many factors. Non-financial factors may include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency and fiscal capacity.

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 of food service, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement debt service fund and the Ohio school facilities capital projects funds.

Governmental Funds

Most of the School District's activities are reported as governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are 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.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The School District as a Whole

You may 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 2010 compared to 2009:

Table 1
Net Assets
Governmental Activities

	2010	2009	Change
Assets			
Current and Other Assets	\$60,886,805	\$62,888,178	(\$2,001,373)
Capital Assets, Net	32,048,807	30,764,491	1,284,316
<i>Total Assets</i>	<u>92,935,612</u>	<u>93,652,669</u>	<u>(717,057)</u>
Liabilities			
Current Liabilities	11,890,087	10,698,745	1,191,342
Long-Term Liabilities:			
Due Within One Year	866,025	471,804	394,221
Due in More Than One Year	33,419,835	32,789,447	630,388
<i>Total Liabilities</i>	<u>46,175,947</u>	<u>43,959,996</u>	<u>2,215,951</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	7,982,661	7,338,247	644,414
Restricted	38,182,559	40,749,701	(2,567,142)
Unrestricted	594,445	1,604,725	(1,010,280)
<i>Total Net Assets</i>	<u>\$46,759,665</u>	<u>\$49,692,673</u>	<u>(\$2,933,008)</u>

Total assets decreased as a result of receiving a portion of the OSFC funds for the building project, lowering the intergovernmental receivable. The School District anticipates receiving an additional \$21 million over the next several years from the OSFC, which is recorded as an intergovernmental receivable and is included in the total for Current and Other Assets above.

Total liabilities increased due to the inception of a capital lease for \$1,050,300 and a large contracts payable amount due to a number of construction projects contracts existing at the end of the fiscal year.

The vast majority of revenue supporting all governmental activities is general revenue. The most significant portions of the general revenue are grants and entitlements, which is primarily State foundation funding, and local property tax. Grants and Entitlements revenue decreased significantly due to a large OSFC receivable being recognized as revenue in 2009. The remaining revenue was program revenues, which consist of charges for services provided by the School District and State and Federal grants.

Table 2 shows the changes in net assets for fiscal years 2010 and 2009.

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2
Changes in Net Assets
Governmental Activities

	2010	2009	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,781,635	\$1,696,359	\$85,276
Operating Grants and Contributions	4,066,982	3,944,103	122,879
Capital Grants and Contributions	69,825	130,970	(61,145)
Total Program Revenues	5,918,442	5,771,432	147,010
General Revenues:			
Property Taxes	7,998,305	8,470,847	(472,542)
Grants and Entitlements	15,336,869	52,756,893	(37,420,024)
Payments in Lieu of Taxes	31,412	81,863	(50,451)
Investment Earnings	108,057	179,033	(70,976)
Miscellaneous	73,765	99,900	(26,135)
Total General Revenues	23,548,408	61,588,536	(38,040,128)
Total Revenues	29,466,850	67,359,968	(37,893,118)
Program Expenses			
Instruction:			
Regular	12,854,838	12,625,165	(229,673)
Special	3,852,396	3,280,444	(571,952)
Vocational	477,350	483,922	6,572
Student Intervention Services	878,180	794,966	(83,214)
Support Services:			
Pupils	1,614,040	1,240,612	(373,428)
Instructional Staff	961,603	857,538	(104,065)
Board of Education	58,653	55,000	(3,653)
Administration	1,864,747	1,902,497	37,750
Fiscal	609,441	497,198	(112,243)
Business	112,986	90,535	(22,451)
Operation and Maintenance of Plant	3,518,378	2,435,898	(1,082,480)
Pupil Transportation	1,225,934	1,327,384	101,450
Central	14,840	2,402	(12,438)
Food Service Operations	1,181,913	1,249,782	67,869
Operation of Non-Instructional Services	476,508	582,597	106,089
Extracurricular Activities	1,114,303	897,184	(217,119)
Interest and Fiscal Charges	1,583,748	1,201,126	(382,622)
Total Program Expenses	32,399,858	29,524,250	(2,875,608)
Increase (Decrease) in Net Assets	(2,933,008)	37,835,718	(40,768,726)
<i>Net Assets Beginning of Year</i>	<i>46,692,673</i>	<i>11,856,955</i>	<i>34,835,718</i>
<i>Net Assets End of Year</i>	<i>\$43,759,665</i>	<i>\$49,692,673</i>	<i>(\$5,933,008)</i>

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. 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 costs.

The majority of the School District's expenses are for instruction. Additional supporting services for pupils, staff, pupil transportation and business operations are the next largest area of expenses. The remaining amount of program expenses are to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Governmental Activities:				
Instruction:				
Regular	\$12,854,838	\$10,900,863	\$12,625,165	\$12,109,120
Special	3,852,396	3,390,581	3,280,444	1,668,012
Vocational	477,350	471,630	483,922	472,382
Student Intervention Services	878,180	860,920	794,966	741,045
Support Services:				
Pupils	1,614,040	1,326,308	1,240,612	1,028,820
Instructional Staff	961,603	915,831	857,538	841,182
Board of Education	58,653	58,653	55,000	54,177
Administration	1,864,747	1,633,982	1,902,497	1,683,872
Fiscal	609,441	601,457	497,198	231,062
Business	112,986	111,129	90,535	89,175
Operation and Maintenance of Plant	3,518,378	3,417,271	2,435,898	2,398,741
Pupil Transportation	1,225,934	541,623	1,327,384	537,394
Central	14,840	14,840	2,402	2,402
Food Service Operations	1,181,913	(69,094)	1,249,782	(3,481)
Operation of Non-Instructional Services	476,508	129,176	582,597	146,257
Extracurricular Activities	1,114,303	592,498	897,184	551,532
Interest and Fiscal Charges	1,583,748	1,583,748	1,201,126	1,201,126
Total	\$32,399,858	\$26,481,416	\$29,524,250	\$23,752,818

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 24 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support a majority of expenses. The amount for fiscal year 2009 is inflated by recognizing the revenue related to the OSFC receivable. Program revenues account for just over 18 percent of all governmental expenses.

School District's Funds

Information regarding the School District's major funds can be found on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$43,581,903 and expenditures of \$42,639,784. The net change in fund balance for the year was most significant in the Ohio School Facilities Construction fund with an increase of \$11,074,318, as a result of \$13,948,441 in cash payments from the OSFC increasing cash significantly.

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 fund to be budgeted is the main operating fund of the School District, the general fund.

During the course of fiscal year 2010, the School District amended its general fund budget numerous times, none significant. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenditures but provide flexibility for program based decision and management.

For the general fund, the final budget basis estimated revenue totaled \$22,558,264, which is slightly less than the original estimate of \$23,960,367. Final budget basis appropriations for expenditures totaled \$24,785,128 compared to the original estimate of \$24,273,927.

The total revenue variance between final budget and actual was \$8,464. The total expenditure variance between final budget and actual amounted to \$1,585,386 or 6.40 percent of final budget expenditures.

The general fund's unencumbered ending cash balance totaled \$4,343,951, which was \$1,633,322 more than the final budgeted amount of \$2,710,629.

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal 2010 values compared to 2009. More detailed information is presented in Note 9 to the basic financial statements.

Table 4
Capital Assets at June 30
Governmental Activities

	2010	2009
Land	\$2,745,169	\$2,678,088
Construction in Progress	3,219,476	680,060
Buildings and Improvements	22,500,507	23,142,898
Furniture, Fixtures and Equipment	2,336,749	2,738,105
Textbooks and Library Books	102,068	319,718
Vehicles	1,144,838	1,205,622
<i>Total Capital Assets</i>	\$32,048,807	\$30,764,491

All capital assets, except land and construction in progress are reported net of depreciation. As one can see, there was a increase in capital assets during the fiscal year, due to large additions to construction in progress and no deletions in the current year. Construction in progress was related to the school building project and the stadium renovation.

Debt

Table 5 summarizes the bonds, capital leases and notes outstanding. More detailed information is presented in Note 10 to the basic financial statements.

Table 5
Outstanding Debt at Year End
Governmental Activities

	2010	2009
School Facilities Bonds	\$30,795,000	\$22,905,000
Energy Conservation Bonds	240,000	280,000
Capital Leases	1,241,471	241,244
Bond Anticipation Notes	0	8,500,000
<i>Total</i>	\$32,276,471	\$31,926,244

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The 2001 school facilities bonds were issued for the local share of the School District's approved master plan with the Ohio School Facilities Commission, Expedited Local Partnership Program. These bonds will be fully repaid in calendar year 2029. The energy conservation bonds were issued for capital improvements under House Bill 264. Improvements were approved by the Ohio Department of Education for energy conservation measures resulting in operating cost savings. These bonds will be fully repaid in calendar year 2015.

The School District issued \$8,500,000 in bonds to retire notes that were issued to construct one elementary school to replace three existing elementary schools and to do additional renovations at the Louisville High School. This local money is being used in conjunction with funding from the Ohio School Facilities Commission (OSFC).

The School District's overall legal debt margin was \$1,308,833 with an unvoted debt margin of \$340,697 as of June 30, 2010.

Current Issues Affecting Financial Condition

The School District has received the State Report Card rating of "Excellent with Distinction" for the years 2007-2008, 2008-2009 and 2009-2010 respectively. This designation is shared by a select number of school districts in the State. In addition, Fairhope Elementary School received the National Department of Education's Blue Ribbon School Award in 2009 and was given the designation as a "School of Promise" by the Ohio Department of Education for the 2009-2010 school year. The School of Promise Award was enjoyed by only 94 elementary schools in Ohio for 2009-2010.

On November 4, 2008, the voters of the Louisville City School District approved a 1.5 mill, \$8,500,000 bond issue to provide the opportunity for the School District to participate in the Classroom Facilities Assistance Program (CFAP) program. The School District is constructing one elementary school to replace three existing elementary schools and is completing additions and renovations to Louisville High School. As a dual issue, voters approved a 1.3 mill continuing levy for permanent improvements. This will provide the required .5 mill of maintenance for the CFAP program and also monies for other permanent improvement needs of the School District. In addition the Board ceased collection of the existing 1.9 voted mills for permanent improvements due to expire in tax year 2009.

General Operations: The School District has communicated to the community that they rely heavily upon their support for its operations, and will continue to work diligently to plan expenses, staying carefully within the School District's financial five-year plan. The community also realizes the income generated by local levies remains relatively constant, therefore, forcing the School District to come back to the voters from time to time to ask for additional support. The last approved operating levy for the School District was in 1992. The November 2006 request for a continuing 9.85 mill operating levy was soundly defeated (70 percent-30 percent). The Board made budget cuts in three phases totaling \$2.1 million, in order to live within the means of our revenue and available resources. These budget cuts included the textbooks budget, building supplies budgets, bus purchases, staff (through attrition), supplemental and extended time contracts, 1 bus route, and instituted pay-to-participate athletics and student activity fees at the high school and middle school. The Board has continued staff reductions and through attrition has not replaced three teaching positions for 2009-10. The Board also approved a two year Early Retirement Incentive program with STRS. The program will allow for improved cash flow and further reductions in professional staff costs. The School District successfully negotiated with both teaching and non-teaching labor groups, agreeing to 1.25 percent, 1.00 percent and 1.00 percent increases for 2009-10 through 2011-12 respectively. The contract continues participation in the Stark County Council of Governments insurance consortium for medical, dental, vision and life insurance.

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Following a statistically verifiable community survey and budget cuts in place, the Board submitted a second request for voter-approval of an operating levy in May 2007. This request was asking for an incremental continuing operating levy to be phased in with three smaller tax increases over the course of four years, of 5.9 mills the first and second year, with additional 1.9 mills added in the third and fourth years, total 9.7 mills. This request failed at the polls by a 71-29 margin. The third request for an operating levy also failed (63-37) in November 2007. Ohio has chosen to use dollars from the American Recovery and Reinvestment Act (Federal Funds known as stimulus dollars) to subsidize the funds typically provided to schools through State dollars. The funds represent approximately 6-7 percent of the formula funding. Not only has this created much more red tape for the schools, but it has created a question as to dollars available after 2010-11 (the current biennium). The School District lost over \$150,000 in State funding for fiscal year 2010 and will be reduced by approximately \$300,000 for fiscal year 2011 (about \$600,000 in total for the biennium). This is a disturbing trend. Current problems with funding from the State of Ohio will cause the School District to carefully monitor developments related to reductions in State funding and the need to request additional levies locally. Subsequent to the close of fiscal year 2010, the School District did receive notice of \$771,838 available in the Federal Ed Jobs program. These monies will be used primarily to avoid staff layoffs.

The financial future of the School District is not without its challenges. These challenges will continue to exist, as the School District must continue to rely heavily on local property taxes to fund operations. The Board of Education and administration closely monitor revenues and expenditures in accordance with the financial forecast. Since the School District receives approximately 64 percent of revenues for general operations from the State and Federal Government (stimulus dollars), the expected budget shortfall for the State of Ohio is of great concern.

Management recognizes that net assets in the general fund increased in fiscal year 2010 due to the conscious budget cuts made by the Board to stabilize the general fund balance. The School District did authorize a one-time transfer of \$993,834 to the general operating fund from the self-insurance fund since it is no longer active. The transferred funds will be used to pay for State Teachers Retirement System early retirement incentives at the conclusion of the 2010 and 2011 fiscal years. The early retirement incentive program will lower costs and have a positive impact on future cash flow. The trend to increase the general operating balance has continued through fiscal year 2010, but this is a short-term fix. Management will make further spending cuts if the efforts to increase revenues are not successful and State revenues fall short of expected needs. Management continues to measure its need for a future operating levy.

Louisville City School District is anticipating reductions in State revenue due to the State of Ohio budget deficit. Also, school districts are being instructed to expect no additional federal stimulus dollars. Reductions in local property values are also preventing any increase in local tax revenues.

As a result of the challenges mentioned above, it is imperative the School District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years.

In summary, the Louisville City School District has committed itself to financial and educational excellence for many years to come.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers and 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 Doug Winkler, Treasurer, at Louisville City School District, 504 E. Main Street, Louisville, Ohio 44641, or email at dwinkler@louisville.sparcc.org.

Louisville City School District

Statement of Net Assets

June 30, 2010

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$31,032,530
Accounts Receivable	3,233
Accrued Interest Receivable	411
Intergovernmental Receivable	21,259,830
Inventory Held for Resale	21,476
Materials and Supplies Inventory	66,277
Revenue in Lieu of Taxes Receivable	29,012
Property Taxes Receivable	8,428,711
Deferred Charges	45,325
Nondepreciable Capital Assets	5,964,645
Depreciable Capital Assets, Net	26,084,162
<i>Total Assets</i>	<u>92,935,612</u>
Liabilities	
Accounts Payable	40,875
Contracts Payable	719,969
Accrued Wages Payable	2,701,399
Matured Compensated Absences Payable	424
Intergovernmental Payable	680,613
Deferred Revenue	7,622,591
Accrued Interest Payable	124,216
Long-Term Liabilities:	
Due Within One Year	866,025
Due In More Than One Year	33,419,835
<i>Total Liabilities</i>	<u>46,175,947</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	7,982,661
Restricted for:	
Capital Projects	36,224,988
Debt Service	1,053,731
Set Asides	218,721
District Managed Student Activities	232,765
Uniform School Supplies	54,316
Summer School	26,777
Public School Support	38,555
Other Purposes	332,706
Unrestricted	594,445
<i>Total Net Assets</i>	<u>\$46,759,665</u>

See accompanying notes to the basic financial statements

Louisville City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$12,854,838	\$282,877	\$1,666,098	\$5,000	(\$10,900,863)
Special	3,852,396	38,992	422,823	0	(3,390,581)
Vocational	477,350	5,720	0	0	(471,630)
Student Intervention Services	878,180	14,260	3,000	0	(860,920)
Support Services:					
Pupils	1,614,040	21,799	265,933	0	(1,326,308)
Instructional Staff	961,603	13,704	32,068	0	(915,831)
Board of Education	58,653	0	0	0	(58,653)
Administration	1,864,747	118,007	112,758	0	(1,633,982)
Fiscal	609,441	7,984	0	0	(601,457)
Business	112,986	1,857	0	0	(111,129)
Operation and Maintenance of Plant	3,518,378	36,282	0	64,825	(3,417,271)
Pupil Transportation	1,225,934	18,011	666,300	0	(541,623)
Central	14,840	0	0	0	(14,840)
Food Service Operations	1,181,913	742,623	508,384	0	69,094
Operation of Non-Instructional Services	476,508	0	347,332	0	(129,176)
Extracurricular Activities	1,114,303	479,519	42,286	0	(592,498)
Interest and Fiscal Charges	1,583,748	0	0	0	(1,583,748)
Totals	\$32,399,858	\$1,781,635	\$4,066,982	\$69,825	(26,481,416)
General Revenues					
Property Taxes Levied for:					
					6,205,073
					1,414,847
					230,915
					147,470
					15,336,869
					31,412
					108,057
					73,765
					<u>23,548,408</u>
					(2,933,008)
					<u>49,692,673</u>
					<u>\$46,759,665</u>

See accompanying notes to the basic financial statements

Louisville City School District

*Balance Sheet
Governmental Funds
June 30, 2010*

	General	Bond Retirement	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$5,298,349	\$1,388,643	\$21,308,874	\$2,814,602	\$30,810,468
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	222,062	0	0	0	222,062
Accounts Receivable	1,057	0	902	1,274	3,233
Accrued Interest Receivable	411	0	0	0	411
Interfund Receivable	15,617	0	0	0	15,617
Intergovernmental Receivable	1,877	0	21,150,669	107,284	21,259,830
Inventory Held for Resale	0	0	0	21,476	21,476
Materials and Supplies Inventory	59,516	0	0	6,761	66,277
Revenue in Lieu of Taxes Receivable	29,012	0	0	0	29,012
Taxes Receivable	6,639,878	1,387,955	0	400,878	8,428,711
Total Assets	\$12,267,779	\$2,776,598	\$42,460,445	\$3,352,275	\$60,857,097
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$36,882	\$0	\$0	\$3,993	\$40,875
Contracts Payable	0	0	714,761	5,208	719,969
Accrued Wages Payable	2,325,680	0	0	375,719	2,701,399
Interfund Payable	0	0	0	15,617	15,617
Matured Compensated Absences Payable	424	0	0	0	424
Intergovernmental Payable	539,317	0	0	141,296	680,613
Deferred Revenue	6,400,758	1,335,495	20,997,508	399,422	29,133,183
Total Liabilities	9,303,061	1,335,495	21,712,269	941,255	33,292,080
Fund Balances					
Reserved for Encumbrances	1,139,899	0	14,494,202	106,392	15,740,493
Reserved for Property Taxes	239,120	52,460	0	15,160	306,740
Reserved for Textbooks	218,721	0	0	0	218,721
Reserved for Unclaimed Monies	3,341	0	0	0	3,341
Unreserved, Undesignated Reported in:					
General Fund	1,363,637	0	0	0	1,363,637
Special Revenue Funds	0	0	0	510,887	510,887
Debt Service Fund	0	1,388,643	0	0	1,388,643
Capital Projects Funds	0	0	6,253,974	1,778,581	8,032,555
Total Fund Balances	2,964,718	1,441,103	20,748,176	2,411,020	27,565,017
Total Liabilities and Fund Balances	\$12,267,779	\$2,776,598	\$42,460,445	\$3,352,275	\$60,857,097

See accompanying notes to the basic financial statements

Louisville City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010*

Total Governmental Funds Balances	\$27,565,017
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	32,048,807
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes and intergovernmental receivable.	
Property Taxes	499,380
Intergovernmental	<u>21,011,212</u>
Total	21,510,592
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(124,216)
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in funds.	45,325
Long-term liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:	
School Facilities Bonds	(30,765,000)
Energy Conservation Bonds	(240,000)
Capital Appreciation Bonds	(30,000)
Accretion	(7,569)
Premium on Bonds	(336,246)
Compensated Absences	(1,403,661)
Early Retirement Incentive	(261,913)
Capital Leases	<u>(1,241,471)</u>
Total	<u>(34,285,860)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$46,759,665</u></u>

See accompanying notes to the basic financial statements

Louisville City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Bond Retirement	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$6,151,763	\$1,421,587	\$0	\$376,475	\$7,949,825
Intergovernmental	15,846,051	242,780	14,101,602	3,387,213	33,577,646
Interest	18,998	0	87,461	1,598	108,057
Tuition and Fees	202,022	0	0	105,778	307,800
Extracurricular Activities	90,450	0	0	561,876	652,326
Contributions and Donations	0	0	0	60,909	60,909
Customer Sales and Services	25,767	0	0	742,623	768,390
Rentals	53,119	0	0	0	53,119
Payments in Lieu of Taxes	30,984	345	0	83	31,412
Miscellaneous	25,591	0	2,372	44,456	72,419
<i>Total Revenues</i>	<u>22,444,745</u>	<u>1,664,712</u>	<u>14,191,435</u>	<u>5,281,011</u>	<u>43,581,903</u>
Expenditures					
Current:					
Instruction:					
Regular	10,533,760	0	0	1,305,783	11,839,543
Special	2,315,558	0	0	951,431	3,266,989
Vocational	343,813	0	0	0	343,813
Student Intervention Services	853,075	0	0	25,105	878,180
Support Services:					
Pupils	1,273,141	0	0	271,735	1,544,876
Instructional Staff	808,192	0	0	39,071	847,263
Board of Education	58,653	0	0	0	58,653
Administration	1,561,593	0	0	223,470	1,785,063
Fiscal	468,065	110,485	13,825	6,927	599,302
Business	111,780	0	0	950	112,730
Operation and Maintenance of Plant	2,168,225	0	0	226,733	2,394,958
Pupil Transportation	1,058,345	0	0	16,790	1,075,135
Central	14,840	0	0	0	14,840
Operation of Non-Instructional Services	9,963	0	0	1,542,428	1,552,391
Extracurricular Activities	536,005	0	0	542,987	1,078,992
Capital Outlay	72,965	0	3,103,292	1,200,874	4,377,131
Debt Service:					
Principal Retirement	0	9,150,000	0	50,073	9,200,073
Interest and Fiscal Charges	0	1,614,246	0	8,856	1,623,102
Issuance Costs	0	46,750	0	0	46,750
<i>Total Expenditures</i>	<u>22,187,973</u>	<u>10,921,481</u>	<u>3,117,117</u>	<u>6,413,213</u>	<u>42,639,784</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>256,772</u>	<u>(9,256,769)</u>	<u>11,074,318</u>	<u>(1,132,202)</u>	<u>942,119</u>
Other Financing Sources (Uses)					
Inception of Capital Lease	0	0	0	1,050,300	1,050,300
General Obligation Bonds Issued	0	8,500,000	0	0	8,500,000
Premium on Bonds Issued	0	346,820	0	0	346,820
Transfers In	993,834	54,912	0	0	1,048,746
Transfers Out	(54,912)	0	0	0	(54,912)
<i>Total Other Financing Sources (Uses)</i>	<u>938,922</u>	<u>8,901,732</u>	<u>0</u>	<u>1,050,300</u>	<u>10,890,954</u>
<i>Net Change in Fund Balances</i>	1,195,694	(355,037)	11,074,318	(81,902)	11,833,073
<i>Fund Balances Beginning of Year</i>	<u>1,769,024</u>	<u>1,796,140</u>	<u>9,673,858</u>	<u>2,492,922</u>	<u>15,731,944</u>
<i>Fund Balances End of Year</i>	<u>\$2,964,718</u>	<u>\$1,441,103</u>	<u>\$20,748,176</u>	<u>\$2,411,020</u>	<u>\$27,565,017</u>

See accompanying notes to the basic financial statements

Louisville City 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, 2010*

Net Change in Fund Balances - Total Governmental Funds \$11,833,073

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

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

Capital Outlay	2,746,485	
Depreciation	(1,462,169)	
Total		1,284,316

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

Property Taxes	48,480	
Intergovernmental	(14,164,879)	
Total		(14,116,399)

Other financing sources in the governmental funds, such as inception of capital lease, increase long-term liabilities in the statement of net assets.

Ohio School Facilities Bonds	(8,500,000)	
Premium on Ohio School Facilities Bonds	(346,820)	
Inception of Capital Lease	(1,050,300)	
Total		(9,897,120)

In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when the bonds are issued.

46,750

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

9,200,073

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

Accrued Interest on Bonds	37,774	
Amortization of Premium	10,574	
Amortization of Issuance Costs	(1,425)	
Bond Accretion	(7,569)	
Total		39,354

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

Compensated Absences	(119,979)	
Early Retirement Incentive	(210,588)	
Total		(330,567)

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

(992,488)

Change in Net Assets of Governmental Activities

(\$2,933,008)

See accompanying notes to the basic financial statements

Louisville City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$6,517,398	\$6,251,983	\$6,251,983	\$0
Intergovernmental	16,771,057	15,867,709	15,864,710	(2,999)
Interest	244,032	20,895	21,045	150
Tuition and Fees	177,000	202,022	202,022	0
Extracurricular Activities	146,000	89,850	90,450	600
Customer Sales and Services	20,000	15,059	25,767	10,708
Rentals	7,600	53,119	53,119	0
Payments in Lieu of Taxes	60,000	33,206	33,206	0
Miscellaneous	17,280	24,421	24,426	5
<i>Total Revenues</i>	<u>23,960,367</u>	<u>22,558,264</u>	<u>22,566,728</u>	<u>8,464</u>
Expenditures				
Current:				
Instruction:				
Regular	11,759,964	11,878,091	11,383,920	494,171
Special	2,449,633	2,452,523	2,282,814	169,709
Vocational	364,896	412,396	360,166	52,230
Student Intervention Services	986,703	1,080,303	957,932	122,371
Support Services:				
Pupils	1,214,298	1,373,320	1,354,749	18,571
Instructional Staff	826,701	871,486	790,026	81,460
Board of Education	122,581	115,581	64,288	51,293
Administration	1,595,022	1,600,005	1,550,594	49,411
Fiscal	469,891	487,285	468,080	19,205
Business	203,189	200,789	106,351	94,438
Operation and Maintenance of Plant	2,517,894	2,443,394	2,197,156	246,238
Pupil Transportation	1,192,722	1,199,522	1,052,103	147,419
Central	12,824	28,324	14,880	13,444
Operation of Non-Instructional Services	15,491	16,591	10,042	6,549
Extracurricular Activities	531,118	549,018	533,676	15,342
Capital Outlay	11,000	76,500	72,965	3,535
<i>Total Expenditures</i>	<u>24,273,927</u>	<u>24,785,128</u>	<u>23,199,742</u>	<u>1,585,386</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(313,560)</u>	<u>(2,226,864)</u>	<u>(633,014)</u>	<u>1,593,850</u>
Other Financing Sources (Uses)				
Transfers In	0	993,834	993,834	0
Transfers Out	(60,000)	(60,000)	(54,912)	5,088
Advance In	572	571	572	1
Advances Out	(50,000)	(50,000)	(15,617)	34,383
<i>Total Other Financing Sources (Uses)</i>	<u>(109,428)</u>	<u>884,405</u>	<u>923,877</u>	<u>39,472</u>
<i>Net Change in Fund Balance</i>	(422,988)	(1,342,459)	290,863	1,633,322
<i>Fund Balance Beginning of Year</i>	3,901,403	3,901,403	3,901,403	0
Prior Year Encumbrances Appropriated	151,685	151,685	151,685	0
<i>Fund Balance End of Year</i>	<u>\$3,630,100</u>	<u>\$2,710,629</u>	<u>\$4,343,951</u>	<u>\$1,633,322</u>

See accompanying notes to the basic financial statements

Louisville City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2010*

	Insurance
Operating Revenues	
Other	\$1,346
<i>Total Operating Revenues</i>	1,346
<i>Income Before Transfers</i>	1,346
Transfers Out	(993,834)
<i>Change in Net Assets</i>	(992,488)
<i>Net Assets Beginning of Year</i>	992,488
<i>Net Assets End of Year</i>	\$0

See accompanying notes to the basic financial statements

Louisville City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2010

	Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Other Revenue	\$1,346
Cash Payments for Claims	(1,347)
<i>Net Cash Used by Operating Activities</i>	(1)
Cash Flows from Noncapital Financing Activities	
Transfer Out	(993,834)
<i>Net Cash Used in Operating Activities</i>	(993,835)
<i>Cash and Cash Equivalents Beginning of Year</i>	993,835
<i>Cash and Cash Equivalents End of Year</i>	\$0
 <i>Reconciliation of Operating Income to Net Cash Used in Operating Activities</i>	
<i>Operating Income</i>	\$1,346
Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities	
Decrease in Claims Payable	(1,347)
<i>Net Cash Used in Operating Activities</i>	(\$1)
 See accompanying notes to the basic financial statements	

Louisville City School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2010

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$95,860</u></u>
--	------------------------

Liabilities

Due to Students	<u><u>\$95,860</u></u>
-----------------	------------------------

See accompanying notes to the basic financial statements

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 1 - Description of the School District and Reporting Entity

Louisville City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board of Education (the "Board") form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by State statute and Federal guidelines.

The School District is located in Stark County and encompasses the entire City of Louisville, and a portion of Nimishillen Township. The School District has 7 instructional facilities, 1 bus garage, and 1 administrative facility, staffed by 147 classified employees and 229 certificated employees who provide services to 3,260 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Louisville City School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Non-public Schools - Within the School District boundaries, St. Thomas Aquinas High School, St. Louis Elementary and Sacred Heart Elementary are operated as non-public schools. Current State legislation provides funding to these schools. These monies are received and disbursed on behalf of the non-public schools by the Treasurer of the School District, as directed by the non-public schools. These transactions are reported in a special revenue fund as a governmental activity 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 provide 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 has no component units.

The School District is associated with Stark/Portage Area Computer Consortium, the R.G. Drage Career Center and the Stark County Tax Incentive Review Council, jointly governed organizations; the Louisville Public Library, a related organization; and the Stark County Schools Council of Government Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 12, 13 and 14 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Louisville City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

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.

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. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental 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 limited exceptions. 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 major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

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 are the School District's major governmental funds:

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

General Fund The general fund is the operating fund of the School District and is used to account 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.

Bond Retirement Debt Service Fund The bond retirement debt service fund is used to account for the accumulation of property tax revenue for the payment of general obligation bonds.

Ohio School Facilities Capital Projects Fund The Ohio school facilities capital projects fund accounts for the proceeds of notes and bonds as well grants for the building and equipping of the classroom facilities.

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

Proprietary Fund Type Proprietary funds reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund is a self insurance fund that accounts for health and dental claims of School District employees dated prior to October 31, 2007.

Fiduciary Fund Type 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. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

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 (e.g., revenues and other financing sources) and uses (e.g., 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.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. The statement of changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total 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.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). 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 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 nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, 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, 2010, but which were levied to finance fiscal year 2011 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.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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.

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds 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 2010, investments were limited to STAROhio, federal home loan bank notes, federal national mortgage association notes, United States treasury notes, federal home loan mortgage corporation notes and a First American Money Market Mutual Fund.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements 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, 2010.

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 Ohio school facilities fund during fiscal year 2010 amounted to \$87,461, which includes \$13,262 assigned from other School District funds.

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

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or the laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets on the balance sheet represent cash and cash equivalents required by State statute to be set aside for textbooks and unclaimed monies.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventories consist of donated and purchased food and supplies held for resale, and supplies held for consumption. Inventory is recorded at fair market value for commodities.

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. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land and construction in progress, 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:

Description	Governmental Activities Estimated Lives
Buildings	40 years
Furniture, Fixtures and Equipment	10 years
Textbooks and Library Books	8 years
Vehicles	15 years

Interfund Balances

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

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. The School District records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District had identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees within three years of retirement.

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has accumulated unpaid leave is paid.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and capital leases are recognized as a liability on the governmental fund financial statements when due.

Internal Activity

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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.

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 appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, textbooks and unclaimed monies.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include food service, auxiliary services and professional development.

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 are the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as nonoperating.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

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.

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 set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level 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 amended certificate that was in effect at the time the final appropriations were passed by the Board of Education.

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 represent the final appropriation amounts passed by the Board during the year.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 3 – Change in Accounting Principles

For fiscal year 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, “Accounting and Reporting for Intangible Assets”, Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the School District’s financial statements.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This Statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of this statement did not result in any change to the School District’s financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District’s financial statements.

Note 4 - Fund Deficits

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

Nonmajor Governmental Funds:	
Fiscal Stabilization	\$138,132
Title VI-B	20,915

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$1,195,694
Net Adjustment for Revenue Accruals	121,983
Advances In	572
Net Adjustment for Expenditure Accruals	164,691
Advances Out	(15,617)
Encumbrances	<u>(1,176,460)</u>
Budget Basis	<u><u>\$290,863</u></u>

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 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.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances of training requirement have been met.

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. Investments may only be made through specified dealers and institutions.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Investments

As of June 30, 2010, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Investment Maturities (in years)	
		Less than 1	1-2
STAROhio	\$3,196,045	\$3,196,045	\$0
Federal Home Loan Bank Notes	2,219,753	1,713,813	505,940
Federal National Mortgage Association Notes	2,019,380	2,019,380	0
United States Treasury Notes	1,508,225	1,508,225	0
Federal Home Loan Mortgage Corporation Notes	1,388,750	1,388,750	0
First American Money Market Mutual Fund	62,814	62,814	0
Total Investments	<u>\$10,394,967</u>	<u>\$9,889,027</u>	<u>\$505,940</u>

Interest Rate Risk The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk STAROhio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Federal Home Loan Bank Notes, National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes and First American Money Market Mutual Fund carry a rating of AAA by Fitch. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2010:

	Percentage of Investments
STAROhio	30.7 %
Federal Home Loan Bank Notes	21.4
Federal National Mortgage Association Notes	19.4
United States Treasury Notes	14.5
Federal Home Loan Mortgage Corporation Notes	13.4
First American Money Market Mutual Fund	0.6

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The underlying securities for the School District's repurchase agreements are held by the Federal Reserve Bank not in the name of the School District.

Note 7 - Property Taxes

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

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

Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

The School District receives property taxes from Stark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2010, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations and are reflected 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.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The amount available as an advance at June 30, 2010 was \$239,120 in the general fund, \$52,460 in the bond retirement debt service fund, and \$15,160 in the permanent improvements capital projects fund. The amount available as an advance at June 30, 2009, was \$339,340 in the general fund, \$91,620 in the bond retirement debt service fund, and \$22,040 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 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$340,217,320	97.64 %	\$333,434,560	97.60 %
Public Utility Personal	7,595,720	2.18	7,563,190	2.21
Tangible Personal Property	621,914	0.18	632,120	0.19
Total	\$348,434,954	100.00 %	\$341,629,870	100.00 %
Tax rate per \$1,000 of assessed valuation	\$53.80		\$49.10	

Note 8 - Receivables

Receivables at June 30, 2010, consisted of taxes, accounts (rent and student fees), tuition, interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except for OSFC monies and a portion of the delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Ohio School Facilities	\$21,150,669
IDEA-B	43,301
Title I	47,859
Title II-A	9,808
Title IV-A	4,887
Miscellaneous	1,877
Stimulus Title II	1,279
Early Childhood Special Education	150
<i>Total Governmental Activities</i>	<i>\$21,259,830</i>

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Balance 7/1/09	Additions	Deductions	Balance 6/30/10
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$2,678,088	\$67,081	\$0	\$2,745,169
Construction in Progress	680,060	2,539,416	0	3,219,476
Total Capital Assets not being Depreciated	<u>3,358,148</u>	<u>2,606,497</u>	<u>0</u>	<u>5,964,645</u>
Capital Assets, being Depreciated:				
Buildings and Improvements	33,127,021	69,245	0	33,196,266
Furniture, Fixtures and Equipment	6,175,891	5,440	0	6,181,331
Textbooks and Library Books	2,379,090	0	0	2,379,090
Vehicles	2,361,191	65,303	0	2,426,494
Total Capital Assets, being Depreciated	<u>44,043,193</u>	<u>139,988</u>	<u>0</u>	<u>44,183,181</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(9,984,123)	(711,636)	0	(10,695,759)
Furniture, Fixtures and Equipment	(3,437,786)	(406,796)	0	(3,844,582)
Textbooks and Library Books	(2,059,372)	(217,650)	0	(2,277,022)
Vehicles	(1,155,569)	(126,087)	0	(1,281,656)
Total Accumulated Depreciation	<u>(16,636,850)</u>	<u>(1,462,169) *</u>	<u>0</u>	<u>(18,099,019)</u>
Total Capital Assets, being Depreciated, net	<u>27,406,343</u>	<u>(1,322,181)</u>	<u>0</u>	<u>26,084,162</u>
Governmental Activities Capital Assets, Net	<u>\$30,764,491</u>	<u>\$1,284,316</u>	<u>\$0</u>	<u>\$32,048,807</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$866,785
Special	43,122
Vocational	7,336
Support Services:	
Pupils	27,430
Instructional Staff	99,385
Administration	33,810
Operation and Maintenance of Plant	105,947
Pupil Transportation	132,024
Operation of Non-Instructional Services	111,327
Extracurricular Activities	35,003
Total Depreciation Expense	<u>\$1,462,169</u>

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 10 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2010 were as follows:

	Amount			Amount	Amounts
	Outstanding 6/30/09	Additions	Deletions	Outstanding 6/30/10	Due in One Year
Governmental Activities					
School Facilities Bonds (2.25%-5.0%)	\$22,905,000	\$0	\$275,000	\$22,630,000	\$310,000
2009 School Facilities Bonds (2.00%-5.00%)					
Serial Bonds	0	2,660,000	335,000	2,325,000	115,000
Term Bonds	0	5,810,000	0	5,810,000	0
Capital Appreciation Bonds	0	30,000	0	30,000	0
Accretion on Capital Appreciation Bonds	0	7,569	0	7,569	0
Premium	0	346,820	10,574	336,246	0
Total 2009 School Facilities Bonds	<u>0</u>	<u>8,854,389</u>	<u>345,574</u>	<u>8,508,815</u>	<u>115,000</u>
Energy Conservation Bonds (6.125%)	280,000	0	40,000	240,000	40,000
OSFC Construction and Improvement Notes (3.20%)	8,500,000	0	8,500,000	0	0
Capital Leases	241,244	1,050,300	50,073	1,241,471	162,864
Compensated Absences	1,283,682	210,599	90,620	1,403,661	96,588
Early Retirement Incentive	51,325	240,258	29,670	261,913	141,573
Total Governmental Activities	<u>\$33,261,251</u>	<u>\$10,355,546</u>	<u>\$9,330,937</u>	<u>\$34,285,860</u>	<u>\$866,025</u>

On October 15, 2001, Louisville City School District issued \$26,270,000 in voted general obligation serial bonds for the construction of a new Middle School, and renovations and additions to North Nimishillen Elementary and to the High School. The bonds were issued for a twenty-nine year period with final maturity at December 1, 2029.

On September 15, 1997, Louisville City School District issued \$555,000 in energy conservation bonds. The bonds were issued for a fifteen-year period with final maturity at June 1, 2015.

The school facilities bonds and the energy conservation bonds will be paid from the debt service fund. Compensated absences and the early retirement incentive are to be paid from the general fund, food service, auxiliary services, and title I special revenue funds.

On August 27, 2009 the School District issued \$8,500,000 in Ohio School Facilities Commission bonds which included serial, term and capital appreciation bonds in the amounts of \$2,660,000, \$5,810,000 and \$30,000 respectively. The bonds were issued to construct one elementary school to replace three existing elementary schools and to do additional renovations at the Louisville High School. The bonds were issued at an interest rate of 2 to 5 percent for a 27 year period with a maturity date at December 1, 2036.

The serial, term, and capital appreciation bonds remained outstanding at June 30, 2010. Interest on the capital appreciation bonds will be accreted annually until the point of maturity of the capital appreciation bonds which is 2020 through 2022.

The final maturity amount of outstanding capital appreciation bonds at June 30, 2010 is \$590,000. The accretion recorded for 2010 was \$7,569, for a total outstanding bond liability of \$37,569.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The term bonds maturing on December 1, 2027 are subject to mandatory sinking fund. The mandatory redemption is to occur on December in each of the years 2024 through 2026 (with the remaining principal amount of \$245,000 to be paid at stated maturity on December 1, 2027) at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2024	\$180,000
2025	295,000
2026	305,000

The term bonds maturing on December 1, 2032 are subject to mandatory sinking fund. The mandatory redemption is to occur on December in each of the years 2030 through 2031 (with the remaining principal amount of \$650,000 to be paid at stated maturity on December 1, 2032) at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2030	\$590,000
2031	615,000

The term bonds maturing on December 1, 2036 are subject to mandatory sinking fund. The mandatory redemption is to occur on December in each of the years 2033 through 2035 (with the remaining principal amount of \$785,000 to be paid at stated maturity on December 1, 2036) at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2033	\$680,000
2034	715,000
2035	750,000

The overall debt margin of the School District as of June 30, 2010 was \$1,308,833 with an unvoted debt margin of \$340,697.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010 are as follows:

	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$425,000	\$1,469,918	\$0	\$0	\$0	\$0
2012	460,000	1,454,651	0	0	0	0
2013	505,000	1,436,431	0	0	0	0
2014	635,000	1,415,763	0	0	0	0
2015	685,000	1,390,566	0	0	0	0
2016-2020	4,520,000	6,075,195	0	0	10,000	342,730
2021-2025	6,975,000	4,063,510	180,000	323,895	20,000	685,460
2026-2030	10,750,000	1,864,914	845,000	899,935	0	0
2031-2035	0	0	3,250,000	883,230	0	0
2036-2037	0	0	1,535,000	116,000	0	0
Total	\$24,955,000	\$19,170,948	\$5,810,000	\$2,223,060	\$30,000	\$1,028,190

	2007 Energy Conservation Note	
	Principal	Interest
2011	\$40,000	\$14,700
2012	45,000	12,250
2013	50,000	9,494
2014	50,000	6,431
2015	55,000	3,369
Total	\$240,000	\$46,244

Note 11 - Capital Leases

During 2010, the School District entered into a lease agreement for football stadium bleachers. These lease obligations meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, "Accounting for Leases," and have been recorded on the government-wide statements. The payments for these capital leases are shown on a GAAP basis as debt service expenditures in permanent improvement capital projects fund.

	Governmental Activities
Asset:	
Vehicles and Bleachers	\$1,316,496
Less: Accumulated depreciation	(22,559)
Current Book Value	<u>\$1,293,937</u>

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

	Governmental Activities
2011	\$218,147
2012	218,147
2013	218,147
2014	188,683
2015	159,218
2016-2018	477,655
Total Minimum Lease Payment	1,479,997
Less: Amount Representing Interest	(238,526)
Present Value of Minimum Lease Payments	\$1,241,471

Note 12 - Jointly Governed Organizations

Stark/Portage Area Computer Consortium The Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization created as a regional council of governments pursuant to State statutes made up of public school districts and educational service centers from Stark, Portage, and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC.

SPARCC is governed by a board of directors comprised of each Superintendent within the Consortium. The Stark County Educational Service Center serves as the fiscal agent of the Consortium and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of SPARCC is limited to its voting authority and any representation it may have on the board of directors. The continued existence of SPARCC is not dependent on the School District's continued participation and no equity interest exists. Louisville City School District paid \$95,182 to SPARCC during fiscal year 2010 for services. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 2100 38th Street N.W., Canton, Ohio 44709.

R.G. Drage Career Center The Stark County Area Vocational School (R.G. Drage) is a joint vocational school which is a jointly governed organization among six school districts. It is operated under the direction of a seven member Board consisting of one representative from each of the six participating school district's boards and one board member that rotates from each participating district. R.G. Drage offers vocational education. The Board has its own budgeting and taxing authority. Financial information can be obtained by writing the R.G. Drage Career Center, 6805 Richville Drive S.W., Massillon, Ohio 44646.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Stark County Tax Incentive Review Council The Stark County Tax Incentive Review Council (TIRC) is a jointly governed organization, created as a regional council of governments pursuant to State statutes. TIRC has 24 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, ten members appointed by township trustees, one member from the county auditor's office and six members appointed by boards of education located within the enterprise zones of Stark County. The TIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of this Council. The continued existence of the TIRC is not dependent upon the School District's continued participation and no measurable equity interest exists.

Note 13 – Related Organization

The Louisville Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Louisville City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Louisville Public Library, 700 Lincoln Avenue, Louisville, Ohio 44641.

Note 14 - Insurance Purchasing Pool

The Stark County Schools Council of Government Workers' Compensation Group Rating Program has created a group insurance pool for the purpose of creating a group rating plan for workers' compensation. The governing body is comprised of the superintendents and representatives who have been appointed by the respective governing body of each member.

The intent of the pool is to achieve a reduced rate for the School District by the group with other members of the group. The injury claim history of all participating members is used to calculate a common rate for the group. An annual fee is paid to Comp Management, Inc. to administer the group and to manage any injury claims. Premium savings created by the group are prorated to each member entity annually based on the percentage created by comparing its payroll to the total payroll of the group.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 15 - Risk Management

Property and Liability

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. During fiscal year 2010, the School District's contracted with Indiana Insurance for the following coverage:

Type of Coverage	Coverage	Deductible
Liability	\$1,000,000/\$2,000,000	\$5,000
School Leaders Errors/Omissions	\$1,000,000/\$1,000,000	\$2,500
Law Enforcement Liability	\$1,000,000/\$1,000,000	\$2,500
Sexual Misconduct/Molestation	\$1,000,000/\$1,000,000	\$0
Employers Stop Gap Liability	\$1,000,000/\$2,000,000	\$0
Employee Benefits Liability	\$1,000,000/\$3,000,000	\$1,000
Excess Liability/Umbrella	\$5,000,000/\$5,000,000	\$0
Fleet Insurance	\$1,000,000 liability	\$250/\$500
Property Insurance	\$81,315,978	\$5,000
Inland Marine	\$1,177,700	\$500
Crime	\$50,000	\$1,000
Employee Dishonesty	\$50,000	\$1,000
Terrorism Coverage	N/A	N/A

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

Worker's Compensation

The School District participates in the Stark County Schools Council of Government Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management Inc. provides administrative, cost control and actuarial services to the GRP, and the firm of AultComp provides medical review analysis services to the GRP.

Employee Insurance Benefits

As of November 1, 2007, the School District is no longer self insured. The self insurance fund is being utilized for the transition period to account for any run off claims dated prior to October 31, 2007. In fiscal year 2010 the School District transferred the remaining activity in the internal service fund to the general fund

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

There is no claims liability reported in the internal service fund at June 30, 2010. Prior year claims liability is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, 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 claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claim Payments	Balance at End of Fiscal Year
2009	\$32,043	\$0	\$30,696	\$1,347
2010	1,347	0	1,347	0

Note 16 - Defined Benefit Pension Plans

School Employees Retirement System

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

Funding Policy - 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 and death benefits with the remainder being used to fund health care benefits; for fiscal year 2010, 12.74 and .04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$408,013, \$283,839, and \$289,419, respectively; 35.77 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal year 2009 and 2008.

State Teachers Retirement System

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligation was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,634,460, \$1,644,329, and \$1,614,938, respectively; 85.77 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$17,328 made by the School District and \$72,206 made by the plan members.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2010, no members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 17 - Postemployment Benefits

School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$63,281, \$129,898, and \$132,071 respectively; 35.77 percent has been contributed for fiscal years 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008, were \$15,378, \$23,419 and \$20,853 respectively; 35.77 percent has been contribution for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$125,728, \$126,487, and \$124,226 respectively; 85.77 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 18 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Eligible employees earn three days of personal leave per year, which may not be accumulated. Full-time classified employees earn five to twenty days of vacation per year, depending upon length of service; part-time 12-month employees earn vacation on a prorated basis. Up to one year's maximum accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with a maximum of 276 days for both classified and certified employees and unlimited for administrators. Upon retirement of a classified employee, payment is made for one-fourth of total sick leave accumulation, for a maximum payment of 69 days. Upon retirement of a certified employee, payment is made for one-fourth of accumulated but unused sick leave credit to a maximum of 69 days. Upon retirement of administrators, payment is made for one-fourth of total sick leave accumulation, for an unlimited amount of days. Employees receiving such payment must meet the retirement provisions set by STRS or SERS.

Early Notification of Retirement Incentive

Any employee giving notice of retirement no later than February 1 in any year, will receive double severance pay up to a maximum of \$10,000 for the doubled portion. The Board does not limit the number of employees participating in the plan in any one year. Five employees retired in fiscal year 2009 and thirteen employees in fiscal year 2010 took advantage of the early retirement incentive offered by the School District. The doubled portion relating to these retirees totaled \$21,656 for fiscal year 2009 retirees and \$424 per year for the fiscal year 2010 retirees paid on July 30 and \$239,833 with half being paid on January 1, 2011 and the other half being paid January 1, 2012. These expenditures are reflected in the funds from which the employee's salary and severance are paid.

Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance through Fortis, to eligible employees.

Longevity

The Board pays a longevity allowance to classified personnel at 8 years, 12 years, 16 years, and 20 years of continuous service in the School District. The allowance amount is based on contract length, and is described in the negotiated agreement.

Insurance Benefits

The School District also provides medical/surgical insurance, prescription drug, vision and dental insurance through the Stark County Schools Council of Governments to all eligible employees. Employees have the option of choosing a traditional comprehensive plan with 80 percent co-payment of major medical expenses after deductibles or a Preferred Provider Organization (Medical Mutual or Aultcare) plan with a 90 percent co-pay of major medical expenses after deductibles.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 19 - Set Asides

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 and carried forward to be used for the same purposes in future years.

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

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2009	\$216,007	\$0
Current Year Set-aside Requirement	540,133	540,133
Current Year Offsets	0	(472,832)
Qualifying Disbursements	(537,419)	(76,936)
Totals	\$218,721	(\$9,635)
Set-aside Balance Carried Forward to Future Fiscal Years	\$218,721	\$0
Set-aside Reserve Balance as of June 30, 2010	\$218,721	\$0

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the two set-asides at the end of the fiscal year was \$218,721.

Note 20 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

Litigation

The School District is not party to legal proceedings.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 21 - Interfund Balances and Transfers

Interfund Balances

Interfund balances at June 30, 2010 consisted of the following

	Interfund Balances	
	June 30, 2010	
	Receivables	Payables
General Fund		
General	\$15,617	\$0
Nonmajor Funds		
<i>Special Revenue Fund:</i>		
Title VI-B	0	5,000
Summer School	0	4,500
Drug Free	0	4,456
Stimulus Title II	0	1,549
Uniform School Supplies	0	112
Total Nonmajor Funds	0	15,617
Total Governmental Funds	\$15,617	\$15,617

As of June 30, 2010, all interfund balances outstanding are anticipated to be repaid in one year. Advances were originally made to support operations in various funds.

Transfers

During fiscal year 2010, the general fund transferred \$54,912 to the bond retirement debt service fund for debt obligations. The internal service fund transferred \$993,834 to the general fund to eliminate the remaining balance in the internal service fund. The transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

Note 22 – Contractual Commitments

At June 30, 2010, the School District’s significant contractual commitments consisted of:

Project	Contract Amount	Amount Paid	Remaining on Contract
OSFC Construction Project	\$35,828,177	\$2,235,823	\$33,592,354
Osborn Engineering	48,750	45,990	2,760
Totals	\$35,876,927	\$2,281,813	\$33,595,114

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 23 – Subsequent Events

On July 15, 2010 the School District approved a bid for fencing work at the Louisville football stadium. Southway Fence Company received the project at a price of \$103,350.

On September 13, 2010 the School District approved a contract with Comfort Control Group Automation for temperature controls for the Louisville High School and the new Louisville Pre-K-5 building in the amounts of \$475,184 and \$483,816 respectively.

On October 11, 2010 the School District approved the issuance of bonds not to exceed \$21,970,000 for the purpose of advance refunding a portion of the bonds issued in October 2001 for the purpose of constructing a middle school; renovating, improving and constructing additions to existing school buildings and facilities.

(This Page Intentionally Left Blank)

SUPPLEMENTARY DATA

**LOUISVILLE CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Nutrition Cluster:</i>				
(C)(D) School Breakfast Program	10.553	2010	\$ 73,744	\$ 73,744
(D)(E) National School Lunch Program - Food Donation	10.555	2010	65,320	65,320
(C)(D) National School Lunch Program	10.555	2010	423,266	423,266
Total National School Lunch Program			488,586	488,586
Total Nutrition Cluster			562,330	562,330
Total U.S. Department of Agriculture			562,330	562,330
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Title I Cluster:</i>				
(G)(F) Title I Grants to Local Educational Agencies	84.010	2009	7,867	20,550
(G)(F) Title I Grants to Local Educational Agencies	84.010	2010	258,043	236,197
Total Title I Grants to Local Educational Agencies			265,910	256,747
(G) ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	110,568	106,428
Total Title I Cluster			376,478	363,175
<i>Special Education Cluster:</i>				
(H)(F) Special Education_Grants to States	84.027	2009	52,828	78,069
(H)(F) Special Education_Grants to States	84.027	2010	609,555	555,013
Total Special Education _Grants to States			662,383	633,082
(H) ARRA Special Education_Grants to States, Recovery Act	84.391	2010	300,300	284,886
(H) Special Education_Preschool Grants	84.173	2009	-	304
(H) Special Education_Preschool Grants	84.173	2010	17,170	15,301
Total Special Education_Preschool Grants			17,170	15,605
(H) ARRA Special Education_Preschool Grants, Recovery Act	84.392	2010	21,280	21,280
Total Special Education Cluster			1,001,133	954,853
Safe and Drug-Free Schools and Communities_State Grants	84.186	2009	571	2,185
Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	3,696	3,989
Total Safe and Drug-Free Schools and Communities_State Grants			4,267	6,174
Javits Gifted and Talented Students Education Grant Program	84.206	2010	1,000	1,000
Education Technology State Grants	84.318	2009	-	621
Education Technology State Grants	84.318	2010	1,441	2,720
Total Education Technology State Grants			1,441	3,341
Improving Teacher Quality State Grants	84.367	2009	-	12,379
Improving Teacher Quality State Grants	84.367	2010	99,564	87,797
Total Improving Teacher Quality State Grants			99,564	100,176
ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2010	945,630	945,630
Total U.S. Department of Education			2,429,513	2,374,349
Total Federal Financial Assistance			\$ 2,991,843	\$ 2,936,679

-Continued

**LOUISVILLE CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass through numbers for fiscal year 2010.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Nutrition Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market value.
- (F) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2010, the ODE authorized the following advances:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Title I Grants to Local Educational Agencies	84.010	2009	\$ 2,180	
Title I Grants to Local Educational Agencies	84.010	2010		\$ 2,180
Special Education_Grants to States	84.027	2009	12,995	
Special Education_Grants to States	84.027	2010		12,995
Total			\$ 15,175	\$ 15,175

- (G) Included as part of "Title I Cluster" in determining major programs.
- (H) Included as part of "Special Education Cluster" in determining major programs.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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 Accounting Standards***

Board of Education
Louisville City School District
504 East Main Street
Louisville, Ohio 44641

To the Members of the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Louisville City School District, Stark County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Louisville City School District's basic financial statements and have issued our report thereon dated November 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Board of Education
Louisville City School District

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 24, 2010



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Board of Education
Louisville City School District
504 East Main Street
Louisville, Ohio 44641

To the Members of the Board of Education:

Compliance

We have audited the compliance of the Louisville City 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 apply to each of its major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Louisville City School District's major federal programs. The Louisville City School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Louisville City 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Louisville City School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Louisville City School District's compliance with those requirements.

In our opinion, the Louisville City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

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

Board of Education
Louisville City School District

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

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 24, 2010

**LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Cluster: Title I Grants to Local Educational Agencies (CFDA #84.010) and ARRA Title I Grants to Local Educational Agencies, Recovery Act (CFDA #84.389); Special Education Cluster: Special Education Grants to States (CFDA #84.027), ARRA Special Education Grants to States, Recovery Act (CFDA #84.391), Special Education Preschool Grants (CFDA #84.173), and ARRA Special Education Preschool Grants, Recovery Act (CFDA #84.392); and ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (CFDA #84.394)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2010**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

LOUISVILLE CITY SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 1, 2011