



**Auditor of State  
Betty Montgomery**



LOUISVILLE CITY SCHOOL DISTRICT  
STARK COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Louisville City School District  
Stark County  
418 E. Main Street  
Louisville, Ohio 44641

To 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 Louisville City School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Louisville City School District, Stark County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. In addition, as described in Note 2G, the District increased its capitalization threshold for capital assets from \$500 to \$5,000 during the year ended June 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2004, of our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the 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 also 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, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

January 14, 2004

**Louisville City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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The 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, 2003. 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 2003 are as follows:

- In total, net assets increased by \$1,198,476.
- Revenues for governmental activities totaled \$24,706,240 in 2003. Of this total, 88.5 percent consisted of general revenues while program revenues accounted for the balance of 11.5 percent.
- Program expenses totaled \$23,507,764. Instructional expenses made up 57.6 percent of this total while support services accounted for 28.4 percent. Other expenses rounded out the remaining 14.0 percent.
- Outstanding general obligation bonded debt decreased to \$26,135,000 from \$26,775,000 in 2003.

### **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, the bond retirement fund and the facilities construction 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 2003?" The *Statement of Net Assets* and *Statement of Activities* answers 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.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors. Non-financial factors may include the School District's performance, demographic and socioeconomic

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*Management's Discussion and Analysis*  
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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, fiscal capacity and risk and exposure.

In the Statement of Net Assets and the Statement of Activities, the School District is classified into governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance, pupil transportation, operation of food service 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, the bond retirement fund, and the facilities construction fund.

#### *Governmental Funds*

All 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.

### **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 2003 compared to 2002:



**Louisville City School District**  
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**Table 1**  
**Net Assets**  
**Governmental Activities**

	2003	2002
<b>Assets</b>		
Current and Other Assets	\$37,803,596	\$41,283,304
Capital Assets, Net	11,800,250	4,696,546
<i>Total Assets</i>	<u>49,603,846</u>	<u>45,979,850</u>
<b>Liabilities</b>		
Current Liabilities	15,362,744	12,360,217
Long-Term Liabilities:		
Due Within One Year	1,284,230	1,038,715
Due in More Than One Year	25,945,157	26,767,679
<i>Total Liabilities</i>	<u>42,592,131</u>	<u>40,166,611</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	3,380,415	2,622,981
Restricted for:		
Setasides	0	21,900
Capital Projects	1,928,807	1,435,418
Debt Service	663,762	182,787
Other Purposes	486,505	543,561
Unrestricted	552,226	1,006,592
<i>Total Net Assets</i>	<u>\$7,011,715</u>	<u>\$5,813,239</u>

Total assets increased by \$3,623,996. The majority of this increase can be attributed directly to the area of construction in progress. A bond issue levy was passed for 5.8 mills in May 2001, to bring the facilities construction revenue in for the costs of the Ohio School Facilities Commission's Expedited Local Partnership Program building projects.

Total liabilities increased by \$2,425,520, due to associated costs of the Ohio School Facilities Commission, Expedited Local Partnership Program building projects.

By comparing assets and liabilities, one can see the overall position of the School District has increased as evidenced by the increase in net assets of \$1,198,476.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$21,867,403 or 88.5 percent of the total revenue. The most significant portions of the general revenue is grants and entitlements, and local property tax. The remaining amount of revenue received was in the form of program revenues, which equates to \$2,838,837 or 11.5 percent of total revenue.

Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year that the School District prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

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*Management's Discussion and Analysis*  
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**Table 2**  
**Changes in Net Assets**  
**Governmental Activities**

	2003
<b>Revenues</b>	
Program Revenues:	
Charges for Services	\$1,174,527
Operating Grants and Contributions	1,613,021
Capital Grants and Contributions	51,289
Total Program Revenues	2,838,837
General Revenues:	
Property Taxes	9,229,164
Income Taxes	0
Grants and Entitlements	12,006,829
Investments	596,773
Special Assessments	0
Miscellaneous	34,637
Total General Revenues	21,867,403
Total Revenues	24,706,240
<b>Program Expenses</b>	
Instruction:	
Regular	10,132,666
Special	3,070,842
Vocational	339,273
Support Services:	
Pupils	864,724
Instructional Staff	814,606
Board of Education	74,275
Administration	1,629,980
Fiscal	386,270
Business	155,285
Operation and Maintenance of Plant	1,673,531
Pupil Transportation	1,077,869
Central	5,130
Food Service Operations	1,017,419
Operation of Non-Instructional Services	445,030
Extracurricular Activities	623,658
Interest and Fiscal Charges	1,197,206
Total Program Expenses	23,507,764
Increase in Net Assets	1,198,476
<i>Net Assets Beginning of Year - Restated</i>	5,813,239
<i>Net Assets End of Year</i>	\$7,011,715

**Louisville City School District**  
*Management's Discussion and Analysis*  
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**Governmental Activities**

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. A permanent improvement renewal levy for capital expenditures was approved in March 2000 for 1.9 mills. This levy lessens the burden of ongoing building maintenance and repair costs to the general fund and will run for five years, generating approximately \$400,000 in tax revenue per year.

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.

Approximately 61.5 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff, transportation and business operations encompass 30.0 percent. The remaining amount of program expenses, 8.5 percent, is budgeted 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 2003	Net Cost of Services 2003
<b>Governmental Activities:</b>		
Instruction:		
Regular	\$10,132,666	(\$9,719,317)
Special	3,070,842	(2,615,032)
Vocational	339,273	(339,273)
Support Services:		
Pupils	864,724	(815,671)
Instructional Staff	814,606	(777,300)
Board of Education	74,275	(74,275)
Administration	1,629,980	(1,372,354)
Fiscal	386,270	(371,401)
Business	155,285	(150,685)
Operation and Maintenance of Plant	1,673,531	(1,671,785)
Pupil Transportation	1,077,869	(1,026,580)
Central	5,130	(2,433)
Food Service Operations	1,017,419	(47,337)
Operation of Non-Instructional Services	445,030	(70,154)
Extracurricular Activities	623,658	(418,124)
Interest and Fiscal Charges	1,197,206	(1,197,206)
<b>Total</b>	<b>\$23,507,764</b>	<b>(\$20,668,927)</b>

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*Management's Discussion and Analysis*  
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As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 39.2 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 51.0 percent, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues account for 12.1 percent of all governmental expenses.

**School District's Funds**

Information regarding the School District's major funds can be found on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$24,631,700 and expenditures of \$30,770,966. The net change in fund balance for the year was most significant in the facilities construction fund, of a decrease of \$6,528,398 due to use of the cash for construction costs.

**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 2003, 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 actual totaled \$18,658,997, which was very close to the original estimate of \$18,529,316. Final budget basis appropriations totaled \$19,420,982 compared to the original estimate of \$18,554,721. This difference was primarily due to changes in property and liability insurance cost and staffing changes.

The general fund's unencumbered ending cash balance totaled \$3,077,733, which was slightly below the original budgeted amount of \$3,396,538, due to State foundation cuts at the end of fiscal year 2003 of \$155,857.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2003, the School District had \$11,800,250 invested in land, buildings, furniture, fixtures and equipment, vehicles and construction in progress. Table 4 shows fiscal 2003 values compared to 2002. More detailed information is presented in Note 9 to the basic financial statements.

**Louisville City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
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**Table 4**  
**Capital Assets at June 30**  
**Governmental Activities**

	2003	2002
Land	\$758,383	\$758,383
Buildings	577,434	680,478
Furniture, Fixtures and Equipment	468,772	424,786
Textbooks and Library Books	905,238	684,222
Vehicles	492,944	578,660
Construction-In-Progress	8,597,479	1,570,017
<i>Total Capital Assets</i>	\$11,800,250	\$4,696,546

All capital assets, except land, are reported net of depreciation. As one can see, there was an increase in capital assets during the fiscal year, mainly due to construction in progress, as a result of the Ohio School Facilities Commission's Expedited Local Partnership Program building projects.

*Debt*

At June 30, 2003 the School District had \$25,655,000 of facilities construction bonds and \$480,000 of energy conservation bonds outstanding. Table 5 below summarizes the School District's bonds outstanding. More detailed information is presented in Note 10 to the basic financial statements.

**Table 5**  
**Outstanding Debt at Year End**  
**Governmental Activities**

	2003	2002
Energy Conservation Bonds	\$480,000	\$505,000
School Facilities Bond	25,655,000	26,270,000
<i>Total</i>	\$26,135,000	\$26,775,000

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 notes 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's overall legal debt margin was \$1,536,187 with an unvoted debt margin of \$295,060. The School District maintains a bond rating of A3 by Moody's.

**Louisville City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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**Current Issues Affecting Financial Condition**

Louisville City School District has a strong financial outlook. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The School District ranks among the top schools in Ohio for educational excellence. In 2003, Louisville City School District earned an effective rating with meeting 19 out of 22 score on the State Report Card.

The financial future of the School District is not without its challenges. These challenges are internal and external in nature. The internal challenges will continue to exist as the School District must continue to rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system, and budget cuts at the State level.

On November 1, 2000, the State Controlling Board approved the School District's participation in the Expedited Local Partnership Program (the "Expedited Program") under which the State will fund 52 percent of the School District's future facility needs after its issuance of the bonds.

Under the Expedited Program, a school district may enter into an agreement with the Ohio School Facilities Commission under which the school district proceeds with the new construction or major repairs of a separate and discrete portion of the school district's classroom facilities needs through the expenditure of "local resources." "Local resources" are defined as "any moneys generated in any manner" permitted for a school district portion of a school facilities project. In order to be eligible for the Expedited Program, a school district must submit a resolution passed by the school board certifying to the Commission the school district's request to participate in the Expedited Program.

Once the school district is approved for the Expedited Program, the Commission conducts an assessment and develops a current master plan for the school district. As with the Classroom Facilities Assistance Program, the Commission establishes a basic project cost, and subsequently, the state and local share percentage are determined pursuant to Chapter 3318, Ohio Revised Code. Once the master plan is complete, the school district may proceed with and pay for the discrete portion of the master plan with local resources, and may choose to fund the maintenance obligation that will be ultimately required when the school district qualifies for the Classroom Facilities Assistance Program. The master plan expenditures, if qualifying under the Ohio School Design Manual, will then count toward the local share of the Classroom Facilities Assistance Program when the school district becomes eligible. At that time, the Commission will conduct a new assessment of the school district's facilities and may determine that additional facility improvements are required. In some cases, this would require the school district to provide additional local resources to meet its local share percentage, possibly including seeking voter approval for an additional bond issue.

Although the School District relies heavily on its property taxpayers to support its operations, the community support for the School District is quite strong. As mentioned earlier, the Louisville City School District voters had passed a 5.8 mill facilities construction bond issue levy in May of 2001, which will fund the construction of a new Middle School, and renovations and additions to North Nimishillen Elementary and to the High School. The School District has also had continued success with renewing/replacing the 1.9 mill permanent improvement levy of the School District, and will look to continue that support until the matching funds come from the Ohio School Facilities Commission to finish needed building repairs, renovations, and additions to the remaining instructional buildings. The School District has communicated to the community that they rely upon their support for the majority of 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

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District to come back to the voters from time to time to ask for additional support. The last sought, and passed, operating levy for the School District was in 1992.

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor 'equitable'. Since 1997, the State has directed its additional financial support toward School Districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'equitable' nor 'adequate'. The court directed the Governor and the legislature to address the fundamental issue creating the inequities. In September 2001, the Ohio Supreme Court issued an opinion regarding the State's school funding system. The decision identified aspects of the current plan that require modification. In general, it is expected that the decision would result in an increase in overall State funding for education. On December 11, 2002, the Ohio Supreme Court issued its opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..." The School District is currently unable to determine what effect, if any, on its future State funding and on its financial operations.

Louisville City School District has not anticipated any meaningful growth in State revenue due to the concern the State may require the redistribution of commercial and industrial property taxes.

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 Jina Alaback Lingle, Treasurer, at Louisville City School District, 418 E. Main Street, Louisville, Ohio 44641, or email at [Lingle@louisville.sparcc.org](mailto:Lingle@louisville.sparcc.org).

# Louisville City School District

## Statement of Net Assets

June 30, 2003

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$26,792,285
Cash and Cash Equivalents in Segregated Accounts	416,905
Accrued Interest Receivable	161,067
Accounts Receivable	8,505
Intergovernmental Receivable	37,137
Inventory Held for Resale	19,712
Materials and Supplies Inventory	53,290
Property Taxes Receivable	10,314,695
Nondepreciable Capital Assets	9,355,862
Depreciable Capital Assets, Net	<u>2,444,388</u>
<i>Total Assets</i>	<u>49,603,846</u>
<b>Liabilities</b>	
Accounts Payable	18,604
Contracts Payable	2,709,262
Accrued Wages Payable	2,123,001
Matured Compensated Absences Payable	128,136
Intergovernmental Payable	483,759
Deferred Revenue	9,491,547
Accrued Interest Payable	94,014
Claims Payable	314,421
Long-Term Liabilities:	
Due Within One Year	1,284,230
Due In More Than One Year	<u>25,945,157</u>
<i>Total Liabilities</i>	<u>42,592,131</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	3,380,415
Restricted for:	
Capital Projects	1,928,807
Debt Service	663,762
Other Purposes	486,505
Unrestricted	<u>552,226</u>
<i>Total Net Assets</i>	<u><u>\$7,011,715</u></u>

See accompanying notes to the basic financial statements



**Louisville City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2003

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
<b>Governmental Activities</b>				
Instruction:				
Regular	\$10,132,666	\$195,459	\$217,890	\$0
Special	3,070,842	4,739	451,071	0
Vocational	339,273	0	0	0
Support Services:				
Pupils	864,724	0	49,053	0
Instructional Staff	814,606	0	37,306	0
Board of Education	74,275	0	0	0
Administration	1,629,980	140,854	116,772	0
Fiscal	386,270	14,869	0	0
Business	155,285	0	4,600	0
Operation and Maintenance of Plant	1,673,531	1,746	0	0
Pupil Transportation	1,077,869	0	0	51,289
Central	5,130	0	2,697	0
Food Service Operations	1,017,419	611,326	358,756	0
Operation of Non-Instructional Services	445,030	0	374,876	0
Extracurricular Activities	623,658	205,534	0	0
Interest and Fiscal Charges	1,197,206	0	0	0
<b>Totals</b>	<b>\$23,507,764</b>	<b>\$1,174,527</b>	<b>\$1,613,021</b>	<b>\$51,289</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	6,890,646
Debt Service	1,939,371
Capital Outlay	399,147
Grants and Entitlements not Restricted to Specific Programs	12,006,829
Investment Earnings	596,773
Miscellaneous	34,637

*Total General Revenues* 21,867,403

Change in Net Assets 1,198,476

*Net Assets Beginning of Year - See Note 3* 5,813,239

*Net Assets End of Year* \$7,011,715

See accompanying notes to the basic financial statements

**Louisville City School District***Balance Sheet**Governmental Funds**June 30, 2003*

	General	Bond Retirement	Facilities Construction	Other Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,400,430	\$469,953	\$21,276,085	\$1,645,817
Accrued Interest Receivable	27,852	0	133,215	0
Accounts Receivable	1,270	0	0	7,235
Intergovernmental Receivable	37,137	0	0	0
Taxes Receivable	7,717,827	2,139,312	0	457,556
Inventory Held for Resale	0	0	0	19,712
Materials and Supplies Inventory	48,356	0	0	4,934
<i>Total Assets</i>	<u>\$11,232,872</u>	<u>\$2,609,265</u>	<u>\$21,409,300</u>	<u>\$2,135,254</u>
 <b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$11,770	\$0	\$0	\$6,834
Contracts Payable	0	0	2,708,785	477
Accrued Wages Payable	1,969,758	0	0	153,243
Matured Compensated Absences Payable	127,285	0	0	851
Intergovernmental Payable	274,562	0	0	20,451
Deferred Revenue	7,245,870	1,973,502	0	439,569
<i>Total Liabilities</i>	<u>9,629,245</u>	<u>1,973,502</u>	<u>2,708,785</u>	<u>621,425</u>
 <b>Fund Balances</b>				
Reserved for Encumbrances	316,165	0	15,946,615	795,343
Reserved for Property Taxes	504,770	165,810	0	32,460
Reserved for Unclaimed Monies	2,451	0	0	0
Designated for Budget Stabilization	763,982	0	0	0
Unreserved, Undesignated				
Reported in:				
General Fund	16,259	0	0	0
Special Revenue Funds	0	0	0	460,382
Debt Service Fund	0	469,953	0	0
Capital Projects Funds	0	0	2,753,900	225,644
<i>Total Fund Balances</i>	<u>1,603,627</u>	<u>635,763</u>	<u>18,700,515</u>	<u>1,513,829</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$11,232,872</u>	<u>\$2,609,265</u>	<u>\$21,409,300</u>	<u>\$2,135,254</u>

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, 2003*

<p style="text-align: center;">Total Governmental Funds</p> <hr/> <p style="text-align: right;">\$26,792,285 161,067 8,505 37,137 10,314,695 19,712 53,290</p> <hr/> <p style="text-align: right;">\$37,386,691</p> <hr/>	<p><b>Total Governmental Funds Balances</b> <span style="float: right;">\$22,453,734</span></p> <p><i>Amounts reported for governmental activities in the statement of net assets are different because</i></p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds <span style="float: right;">11,800,250</span></p> <p>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.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Property Taxes</td> <td style="width: 10%; text-align: right;">154,921</td> <td style="width: 30%;"></td> </tr> <tr> <td>Intergovernmental</td> <td style="text-align: right;">12,473</td> <td></td> </tr> </table> <hr style="width: 50%; margin-left: auto; margin-right: 0;"/> <p style="text-align: right;">Total <span style="float: right;">167,394</span></p> <p>Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds. <span style="float: right;">(188,746)</span></p> <p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. <span style="float: right;">(94,014)</span></p> <p>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:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Compensated Absences</td> <td style="width: 10%; text-align: right;">(1,094,387)</td> <td style="width: 30%;"></td> </tr> <tr> <td>School Facilities Bonds</td> <td style="text-align: right;">(25,655,000)</td> <td></td> </tr> <tr> <td>Energy Conservation Bonds</td> <td style="text-align: right;">(480,000)</td> <td></td> </tr> </table> <hr style="width: 50%; margin-left: auto; margin-right: 0;"/> <p style="text-align: right;">Total <span style="float: right;">(27,229,387)</span></p> <p>One internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. <span style="float: right;">102,484</span></p> <hr/> <p><i>Net Assets of Governmental Activities</i> <span style="float: right;"><u>\$7,011,715</u></span></p>	Property Taxes	154,921		Intergovernmental	12,473		Compensated Absences	(1,094,387)		School Facilities Bonds	(25,655,000)		Energy Conservation Bonds	(480,000)		
Property Taxes	154,921																
Intergovernmental	12,473																
Compensated Absences	(1,094,387)																
School Facilities Bonds	(25,655,000)																
Energy Conservation Bonds	(480,000)																
<p style="text-align: right;">\$18,604 2,709,262 2,123,001 128,136 295,013 9,658,941</p> <hr/> <p style="text-align: right;">14,932,957</p> <hr/> <p style="text-align: right;">17,058,123 703,040 2,451 763,982</p> <hr/> <p style="text-align: right;">16,259 460,382 469,953 2,979,544</p> <hr/> <p style="text-align: right;">22,453,734</p> <hr/> <p style="text-align: right;">\$37,386,691</p> <hr/>																	

**Louisville City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2003*

	General	Bond Retirement	Facilities Construction	Other Governmental Funds
<b>Revenues</b>				
Property Taxes	\$6,890,591	\$1,911,372	\$0	\$399,947
Intergovernmental	11,834,728	228,865	0	1,578,038
Interest	109,704	0	486,444	625
Tuition and Fees	39,009	0	0	124,849
Extracurricular Activities	0	0	0	349,915
Contributions and Donations	4,600	0	0	12,435
Customer Sales and Services	16,030	0	0	611,326
Rentals	585	0	0	0
Miscellaneous	29,637	0	0	3,000
<i>Total Revenues</i>	<u>18,924,884</u>	<u>2,140,237</u>	<u>486,444</u>	<u>3,080,135</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	9,619,106	0	0	342,345
Special	2,611,672	0	0	401,853
Vocational	325,503	0	0	0
Support Services:				
Pupils	781,177	0	0	67,892
Instructional Staff	748,898	0	0	55,289
Board of Education	74,275	0	0	0
Administration	1,294,109	0	0	257,656
Fiscal	385,426	0	0	0
Business	154,015	0	0	0
Operation and Maintenance of Plant	1,414,975	0	0	0
Pupil Transportation	960,283	0	0	0
Central	2,433	0	0	2,697
Operation of Non-Instructional Services	67,726	0	0	1,400,747
Extracurricular Activities	425,302	0	0	174,622
Capital Outlay	77,122	0	7,152,485	272,514
Debt Service:				
Principal Retirement	0	640,000	0	0
Interest and Fiscal Charges	0	1,198,487	0	0
<i>Total Expenditures</i>	<u>18,942,022</u>	<u>1,838,487</u>	<u>7,152,485</u>	<u>2,975,615</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(17,138)</u>	<u>301,750</u>	<u>(6,666,041)</u>	<u>104,520</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	55,931	0	12,000
Transfers Out	(55,931)	0	0	(12,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(55,931)</u>	<u>55,931</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(73,069)</u>	<u>357,681</u>	<u>(6,666,041)</u>	<u>104,520</u>
<i>Fund Balances Beginning of Year - Restated</i> <i>(See Note 3)</i>	<u>1,676,696</u>	<u>278,082</u>	<u>25,366,556</u>	<u>1,409,309</u>
<i>Fund Balances End of Year</i>	<u>\$1,603,627</u>	<u>\$635,763</u>	<u>\$18,700,515</u>	<u>\$1,513,829</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, 2003*

<p>Total Governmental Funds</p> <hr/> <p>\$9,201,910</p> <p>13,641,631</p> <p>596,773</p> <p>163,858</p> <p>349,915</p> <p>17,035</p> <p>627,356</p> <p>585</p> <p>32,637</p> <hr/> <p>24,631,700</p>	<p><b>Net Change in Fund Balances - Total Governmental Funds</b> <span style="float: right;">(\$6,276,909)</span></p> <p><i>Amounts reported for governmental activities in the statement of activities are different because</i></p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Capital Outlay</td> <td style="width: 10%; text-align: right;">7,488,776</td> <td style="width: 50%;"></td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(385,072)</td> <td></td> </tr> <tr> <td colspan="2"></td> <td style="border-top: 1px solid black;"></td> </tr> </table> <p style="text-align: right;">Total <span style="float: right;">7,103,704</span></p> <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Property Taxes</td> <td style="width: 10%; text-align: right;">27,254</td> <td style="width: 50%;"></td> </tr> <tr> <td>Intergovernmental</td> <td style="text-align: right;">12,473</td> <td></td> </tr> <tr> <td>Tuition and Fees</td> <td style="text-align: right;">32,813</td> <td></td> </tr> <tr> <td>Miscellaneous</td> <td style="text-align: right;">2,000</td> <td></td> </tr> <tr> <td colspan="2"></td> <td style="border-top: 1px solid black;"></td> </tr> </table> <p style="text-align: right;">Total <span style="float: right;">74,540</span></p> <p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. <span style="float: right;">640,000</span></p> <p>In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. <span style="float: right;">1,281</span></p> <p>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.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Compensated Absences</td> <td style="width: 10%; text-align: right;">(62,993)</td> <td style="width: 50%;"></td> </tr> <tr> <td>Pension Obligation</td> <td style="text-align: right;">(17,512)</td> <td></td> </tr> <tr> <td colspan="2"></td> <td style="border-top: 1px solid black;"></td> </tr> </table> <p style="text-align: right;">Total <span style="float: right;">(80,505)</span></p> <p>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. <span style="float: right;">(263,635)</span></p> <p><i>Change in Net Assets of Governmental Activities</i> <span style="float: right;"><u>\$1,198,476</u></span></p>	Capital Outlay	7,488,776		Depreciation	(385,072)					Property Taxes	27,254		Intergovernmental	12,473		Tuition and Fees	32,813		Miscellaneous	2,000					Compensated Absences	(62,993)		Pension Obligation	(17,512)					
Capital Outlay	7,488,776																																		
Depreciation	(385,072)																																		
Property Taxes	27,254																																		
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Miscellaneous	2,000																																		
Compensated Absences	(62,993)																																		
Pension Obligation	(17,512)																																		
<p>(6,276,909)</p> <hr/> <p>67,931</p> <p>(67,931)</p> <hr/> <p>0</p> <hr/> <p>(6,276,909)</p> <hr/> <p>28,730,643</p> <hr/> <p><u>\$22,453,734</u></p>																																			

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**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, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$6,961,996	\$6,531,347	\$6,527,261	(\$4,086)
Intergovernmental	11,312,120	11,830,700	11,839,995	9,295
Interest	110,000	101,000	101,133	133
Tuition and Fees	57,350	109,750	108,791	(959)
Contributions and Donations	3,500	3,500	4,600	1,100
Customer Sales and Services	17,950	16,200	16,030	(170)
Rentals	38,000	38,000	585	(37,415)
Miscellaneous	28,400	28,500	28,529	29
<i>Total Revenues</i>	18,529,316	18,658,997	18,626,924	(32,073)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	9,347,297	9,764,617	9,700,960	63,657
Special	2,120,767	2,084,512	2,069,338	15,174
Vocational	343,635	346,980	342,200	4,780
Other	425,469	654,229	653,177	1,052
Support Services:				
Pupils	813,854	803,370	793,519	9,851
Instructional Staff	791,243	773,437	751,404	22,033
Board of Education	64,600	75,435	75,214	221
Administration	1,320,212	1,344,342	1,308,865	35,477
Fiscal	383,275	392,926	381,623	11,303
Business	145,600	154,960	154,169	791
Operation and Maintenance of Plant	1,440,709	1,475,554	1,459,594	15,960
Pupil Transportation	850,811	973,486	970,516	2,970
Central	4,028	2,463	2,461	2
Operation of Non-Instructional Services	60,000	69,595	67,541	2,054
Extracurricular Activities	394,612	423,632	421,397	2,235
Capital Outlay	48,609	81,444	79,425	2,019
<i>Total Expenditures</i>	18,554,721	19,420,982	19,231,403	189,579
<i>Excess of Revenues</i>				
<i>Under Expenditures</i>	(25,405)	(761,985)	(604,479)	157,506
<b>Other Financing Uses</b>				
Transfers Out	(316,200)	(56,131)	(55,931)	200
<i>Net Change in Fund Balance</i>	(341,605)	(818,116)	(660,410)	157,706
<i>Fund Balance Beginning of Year</i>	3,350,158	3,350,158	3,350,158	0
Prior Year Encumbrances Appropriated	387,985	387,985	387,985	0
<i>Fund Balance End of Year</i>	\$3,396,538	\$2,920,027	\$3,077,733	\$157,706

See accompanying notes to the basic financial statements

**Louisville City School District**  
*Statement of Fund Net Assets*  
*Internal Service Fund*  
*June 30, 2003*

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	<u>Insurance</u>
<b>Assets</b>	
Cash and Cash Equivalents in Segrated Accounts	\$416,905
<b>Liabilities</b>	
Claims Payable	<u>314,421</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$102,484</u></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, 2003*

	Insurance
<b>Operating Revenues</b>	
Charges for Services	\$1,966,485
<b>Operating Expenses</b>	
Purchased Services	165,435
Claims	2,064,685
<i>Total Operating Expenses</i>	2,230,120
<i>Change in Net Assets</i>	(263,635)
<i>Net Assets Beginning of Year</i>	366,119
<i>Net Assets End of Year</i>	\$102,484

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, 2003

	Insurance
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$1,966,485
Cash Payments for Goods and Services	(165,435)
Cash Payments for Claims	(1,913,041)
<i>Net Decrease in Cash and Cash Equivalents</i>	(111,991)
<i>Cash and Cash Equivalents Beginning of Year</i>	528,896
<i>Cash and Cash Equivalents End of Year</i>	\$416,905
 <b><i>Reconciliation of Operating Loss</i></b>	
<b><i>to Net Cash Used for Operating Activities</i></b>	
<i>Operating Loss</i>	(\$263,635)
 <b>Adjustments to Reconcile Operating Loss to</b>	
<b>Net Cash Used for Operating Activities</b>	
Increase/(Decrease) in Liabilities:	
Claims Payable	151,644
<i>Net Cash Used for Operating Activities</i>	(\$111,991)

See accompanying notes to the basic financial statements

**Louisville City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2003*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$101,183</u></u>
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**Liabilities**

Due to Students	<u><u>\$101,183</u></u>
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See accompanying notes to the basic financial statements

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**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**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. It controls the School District's 7 instructional facilities, 1 bus garage, and 1 administrative facility, staffed by 152 classified employees and 229 certificated employees who provide services to 3,185 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 general operations, food service and student related activities of the School District.

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 schools by the Treasurer of the School District, as directed by the schools. The activity of these State monies is reflected in a special revenue fund by the School District for financial reporting purposes.

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 11, 12 and 13 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

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

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

The statement of net assets presents the financial condition of the governmental 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.

**B. Fund Accounting**

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

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

**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.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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***Bond Retirement Debt Service Fund*** The bond retirement fund is used to account for property taxes and intergovernmental revenues, and the payment of, general long-term debt principal, interest and related costs.

***Facilities Construction Capital Projects Fund*** The facilities construction capital projects fund accounts for bond proceeds used for the acquisition and construction of 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.

***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.

***C. Measurement Focus***

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

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (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.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. 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, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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



**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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***E. Cash and Cash Equivalents***

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

The School District has a segregated bank account for self-insurance monies held separate from the School District's central bank account. This depository account is presented on the statements as "cash and cash equivalents in segregated accounts" since it is not required to be deposited into the School District treasury.

During fiscal year 2003, investments were limited to STAR Ohio, repurchase agreements, certificates of deposit, bankers' acceptances, Federal Home Loan Bank Notes, Federal Farm Credit Bureau Notes, Federal Home Loan Mortgage Corporation Notes, and Federal National Mortgage Association Notes.

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, 2003.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$109,704, which includes \$33,964 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.

***F. 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, supplies held for resale and supplies held for consumption.

***G. 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District increased its capitalization threshold from five hundred to 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.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
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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
Vehicles	15 years
Textbooks and Library Books	8 years

***H. 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.

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

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.

***J. 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, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
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***K. Interfund Activity***

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

***L. 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 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.

***M. Net Assets***

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

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

***N. Operating Revenues and Expenses***

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

***O. 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.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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***P. 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.

***Q. 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.

**Note 3 - Change in Accounting Principles and Restatement of Fund Balances/Net Assets**

***Changes in Accounting Principles*** For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
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On the government-wide financial statements, the beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the reclassification of funds based on the guidance provided in Statement No. 34 and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund. The implementation of Statement No. 41 did not affect the presentation of the budgetary statements of the School District.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

**Restatement of Fund Balance** It was determined that funds reported as enterprise funds should be reclassified and reported as special revenue funds. The new standards for reporting fund obligations for compensated absences in Interpretation No. 6 also caused changes in previously reported fund balances. These restatements had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Bond Retirement	Facilities Construction	Nonmajor	Total
Fund Balances, June 30, 2002	\$1,653,097	\$278,082	\$25,366,556	\$1,155,600	\$28,453,335
Implementation of GASB Interpretation No. 6	23,599	0	0	0	23,599
Fund Reclassification	0	0	0	253,709	253,709
Adjusted Fund Balance, June 30, 2002	<u>\$1,676,696</u>	<u>\$278,082</u>	<u>\$25,366,556</u>	<u>\$1,409,309</u>	<u>\$28,730,643</u>
GASB 34 Adjustments:					
Capital Assets					4,696,546
Internal Service Fund					366,119
Intergovernmental Payable					(171,234)
Accrued Interest					(95,295)
Long-Term Liabilities:					
Compensated Absences					(1,031,394)
Bonds Payable					(26,775,000)
Long-Term (Deferred) Assets					92,854
Governmental Activities Net Assets, June 30, 2002					<u>\$5,813,239</u>

The effect of the School District's change in capitalization threshold totaling \$3,303,704 is reflected within the \$4,696,546 noted above. See Note 2G for further detail.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 4 - Fund Deficits**

Fund Balances at June 30, 2003, included the following individual fund deficits:

Special Revenue Funds:	
Title VI	\$3,322
Preschool	3,078
Class Size Reduction	10,583
Miscellaneous Federal Grants	13

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

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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 for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	(\$73,069)
Net Adjustment for Revenue Accruals	(297,960)
Net Adjustment for Expenditure Accruals	33,316
Encumbrances	(322,697)
Budget Basis	<u><u>(\$660,410)</u></u>

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
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**Note 6 - Deposits and Investments**

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

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

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

Interim deposits are deposits of interim monies. Interim 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.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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6. The State Treasurer's investment pool (STAROhio);
7. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$8,168,685 and the bank balance was \$8,702,284. \$300,407 of the bank balance was covered by federal depository insurance. \$8,401,877 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Investments** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District invests in STAROhio, the State Treasurer's Investment Pool, which is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

	Category 2	Carrying Amount	Fair Value
Investment in State			
Treasurer's Investment Pool		\$8,857,079	\$8,857,079
Bankers' Acceptances	\$107,263	107,263	107,263
Federal Home Loan Bank Notes	2,014,050	2,014,050	2,014,050
Federal Farmers Credit Bank Notes	1,000,000	1,000,000	1,000,000
Federal Home Loan Mortgage Corporation Notes	4,446,440	4,446,440	4,446,440
Federal National Mortgage Association Notes	2,716,856	2,716,856	2,716,856
Total Investments	<u>\$10,284,609</u>	<u>\$19,141,688</u>	<u>\$19,141,688</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:



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	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$27,310,373	\$0
Investments of the Cash Management Pool:		
STAR Ohio	(8,857,079)	8,857,079
Bankers' Acceptances	(107,263)	107,263
Federal Home Loan Bank Notes	(2,014,050)	2,014,050
Federal Farmers Credit Bank Notes	(1,000,000)	1,000,000
Federal Home Loan Mortgage Corporation Notes	(4,446,440)	4,446,440
Federal National Mortgage Association Notes	(2,716,856)	2,716,856
GASB Statement No. 3	\$8,168,685	\$19,141,688

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Stark County. The County Auditor periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
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Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$504,770 in the general fund, \$165,810 in the bond retirement debt service fund, and \$32,460 in the permanent improvements capital projects fund. The amount available as an advance at June 30, 2002, was \$141,440 in the general fund, \$46,190 in the bond retirement debt service fund, and \$9,110 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 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$250,697,840	86.57 %	\$258,252,980	87.53 %
Public Utility Personal	9,112,520	3.15	9,300,990	3.15
Tangible Personal Property	29,786,542	10.28	27,506,299	9.32
<b>Total</b>	<b>\$289,596,902</b>	<b>100.00 %</b>	<b>\$295,060,269</b>	<b>100.00 %</b>
Tax rate per \$1,000 of assessed valuation	\$49.00		\$55.90	

A bond issue levy was passed for 5.8 mills in May 2001, to bring the facilities construction revenue in for the costs of the Ohio School Facilities Commission's Expedited Local Partnership Program building projects.

**Note 8 - Receivables**

Receivables at June 30, 2003, consisted of taxes, accounts (rent and student fees), tuition and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
<b>Governmental Activities</b>	
Tuition	\$32,813
CAFS	4,324
<i>Total Governmental Activities</i>	<b>\$37,137</b>

**Louisville City School District**  
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**Note 9 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance 7/1/02	Additions	Deductions	Balance 6/30/03
<b>Governmental Activities</b>				
Capital Assets, not being depreciated:				
Land	\$758,383	\$0	\$0	\$758,383
Construction in Progress	<u>1,570,017</u>	<u>7,027,462</u>	<u>0</u>	<u>8,597,479</u>
Total Capital Assets, not being Depreciated	<u>2,328,400</u>	<u>7,027,462</u>	<u>0</u>	<u>9,355,862</u>
Capital Assets, being Depreciated				
Buildings	7,133,884	0	0	7,133,884
Furniture, Fixtures and Equipment	2,124,780	128,114	0	2,252,894
Textbooks and Library Books	1,401,058	333,200	(15,809)	1,718,449
Vehicles	<u>1,556,344</u>	<u>0</u>	<u>0</u>	<u>1,556,344</u>
Total Capital Assets, being Depreciated	<u>12,216,066</u>	<u>461,314</u>	<u>(15,809)</u>	<u>12,661,571</u>
Less Accumulated Depreciation:				
Buildings	(6,453,406)	(103,044)	0	(6,556,450)
Furniture, Fixtures and Equipment	(1,699,994)	(84,128)	0	(1,784,122)
Textbooks and Library Books	(716,836)	(112,184)	15,809	(813,211)
Vehicles	<u>(977,684)</u>	<u>(85,716)</u>	<u>0</u>	<u>(1,063,400)</u>
Total Accumulated Depreciation	<u>(9,847,920)</u>	<u>(385,072) *</u>	<u>15,809</u>	<u>(10,217,183)</u>
Total Capital Assets, being Depreciated, net	<u>2,368,146</u>	<u>76,242</u>	<u>0</u>	<u>2,444,388</u>
Governmental Activities Capital Assets, Net	<u>\$4,696,546</u>	<u>\$7,103,704</u>	<u>\$0</u>	<u>\$11,800,250</u>

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

Instruction:	
Regular	\$172,274
Special	4,632
Vocational	2,156
Support Services:	
Pupils	4,948
Instructional Staff	17,890
Administration	9,838
Pupil Transportation	8,171
Operation and Maintenance of Plant	122,379
Non-Instructional Services	19,603
Extracurricular Activities	23,181
Total Depreciation Expense	<u>\$385,072</u>

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

**Note 10 – Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2003 were as follows:

	Amount			Amount	Amounts
	Outstanding	Additions	Deletions	Outstanding	Due in
	6/30/02			6/30/03	One Year
<b>Governmental Activities</b>					
School Facilities Bonds (various)	\$26,270,000	\$0	\$615,000	\$25,655,000	\$825,000
Energy Conservation Bonds 6.125%	505,000	0	25,000	480,000	30,000
Compensated Absences	1,031,394	181,096	118,103	1,094,387	429,230
Total Governmental Activities	<u>\$27,806,394</u>	<u>\$181,096</u>	<u>\$758,103</u>	<u>\$27,229,387</u>	<u>\$1,284,230</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 will be paid from the General fund and Food Service, Auxiliary Services, Title VI-B, Title I and Preschool special revenue funds.

The overall debt margin of the School District as of June 30, 2003 was \$1,536,187 with an unvoted debt margin of \$295,060. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2003 are as follows:

Year Ending	School Facilities Bonds		Energy Conservation Bonds	
	Principal	Interest	Principal	Interest
June 30,				
2004	\$825,000	\$1,150,944	\$30,000	\$29,400
2005	880,000	1,129,590	30,000	27,563
2006	415,715	1,117,930	30,000	25,725
2007	377,758	1,117,930	35,000	23,887
2008	51,527	1,117,930	35,000	21,744
2009-2013	1,575,000	5,461,298	215,000	73,194
2014-2018	3,110,000	4,972,969	105,000	9,800
2019-2023	5,405,000	3,979,250	0	0
2024-2028	8,510,000	2,265,000	0	0
2029-2030	4,505,000	229,125	0	0
Total	<u>\$25,655,000</u>	<u>\$22,541,966</u>	<u>\$480,000</u>	<u>\$211,313</u>

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 11 - 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 county boards of education 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 \$22,312 to SPARCC during fiscal year 2003 for services. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 2100 38<sup>th</sup> Street N.W., Canton, Ohio 44709.

***R.G. Drage Career Center*** The Stark County Area Vocational School (R.G. Drage) is a district political subdivision of the State of Ohio 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.

***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 12 – 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, Louisville, Ohio 44641.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 13 - 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 its payroll percent of the group.

**Note 14 - Risk Management**

***A. 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 2003, the School District's insurance coverage was as follows:

Company	Type of Coverage	Limits	Deductible
Great American	Liability	\$1,000,000/\$5,000,000	\$1,000
Great American	School Leaders Errors/Omissions	\$1,000,000	None
Indiana Insurance	Fleet Insurance	\$2,000,000 liability	\$100
Indiana Insurance	Property Insurance	\$43,738,020	\$5,000
Indiana Insurance	Inland Marine	\$446,861	\$250
Indiana Insurance	Crime	\$50,000	\$1,000
Indiana Insurance	Employee Dishonesty	\$50,000	\$1,000
Indiana Insurance	Builders Risk - Middle School	\$13,310,037	\$5,000
	Builders Risk - Elementary School	\$5,371,296	\$5,000
	Builders Risk - High School	\$5,403,217	\$5,000

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.

***B. Worker's Compensation***

The School District participates in the Stark County Schools' Council of Government Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). 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. Total savings are then calculated and each participant's

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the GRP, and the firm of AultComp provides medical review analysis services to the GRP.

**C. Employee Insurance Benefits**

The School District offers health and dental insurance to all eligible employees through a self-insurance fund. The School District has a third party administrator, Klais and Company, review and administer the claims activity. The claims liability of \$314,421 reported in the internal service fund at June 30, 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
2002	\$139,744	\$1,629,385	\$1,606,352	\$162,777
2003	162,777	2,064,685	1,913,041	314,421

**Note 15 - Pension Plans**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$214,121, \$134,572 and \$96,150 respectively; 34.39 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

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

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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 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 2002, the portion used to fund pension obligations was 9.5 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 the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,401,088, \$970,289, and \$945,580 respectively; 87.4 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$7,308 made by the School District and \$29,396 made by the plan members.

***C. Social Security System***

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



**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 16 - Postemployment Benefits**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$107,776 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$152,794.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 were \$204.931 million and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**Note 17 - Other Employee Benefits**

**A. *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

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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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 272 days. Upon retirement of a classified employee, payment is made for one-fourth of the first 180 days of total sick leave accumulation, and 10 percent of any remaining days, for a maximum payment of 68 days. Upon retirement of a certified employee, payment is made for one-fourth of accumulated but unused sick leave credit to a maximum of 68 days. Employees receiving such payment must meet the retirement provisions set by STRS or SERS.

***B. 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. The doubled portion is paid on July 15, following the next school year. These expenditures are reflected in the funds from which the employee's salary and severance are paid.

***C. Insurance***

The School District provides life insurance through Boston Mutual Life Insurance Company and accidental death and dismemberment insurance through AIG Life Insurance Company, to eligible employees. The School District has elected to provide employee medical/surgical benefits through Ohio Health Choice. The Board pays the entire cost of the monthly premiums for eligible employees, including administration fee, to Klais and Company. The premium cost at June 30, was \$561.81 family/\$211.55 single for medical insurance and \$67.60 for dental insurance.

***D. 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.

**Note 18 - 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.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2002	\$21,900	\$0
Current Year Set-aside Requirement	425,063	425,063
Current Year Offsets	0	(187,017)
Qualifying Disbursements	(643,624)	(243,323)
Totals	(\$196,661)	(\$5,277)
Set-aside Balance Carried Forward to Future Fiscal Years	(\$196,661)	\$0
Set-aside Reserve Balance as of June 30, 2003	\$0	\$0

The School District had qualifying disbursements during the fiscal year that reduced the textbook and capital acquisition set-aside amounts below zero. This extra amount for textbooks may be used to reduce the set-aside requirements in future fiscal years. 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.

**Note 19 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

**Note 20 - Interfund Balances and Transfers**

Interfund transfers for the year ended June 30, 2003, consisted of the following:

	Transfer From		
Transfer to	General	Nonmajor Funds	Total
Bond Retirement	\$55,931	\$0	\$55,931
Nonmajor funds	0	12,000	12,000
	\$55,931	\$12,000	\$67,931

\$55,931 was transferred from the general fund to the bond retirement debt service fund for debt obligations. Other transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 21 – Contractual Commitments**

As of June 30, 2003, the School District had the following contractual purchase commitments:

Company	Amount Remaining on Contract
C. T. Taylor Company, Inc.	\$2,984,046
Custom Fabricators, Inc.	231,400
D & A Plumbing and Heating, Inc.	236,632
Doerschuk Plumbing	489,953
Fanning/Howey Asso., Inc.	385,742
Feinman Mechanical, Inc.	483,120
Fire Foe Corporation	189,250
Hammond Construction	448,925
Hilscher-Clarke Electric	458,441
Jeffrey Carr Construction	4,296,811
Northstar Asphalt, Inc.	387,937
Ohio China Wholesale Company	250,927
Prout Boiler Heating and Welding	138,788
Rizzi Distributors Inc.	181,516
Schmid Mechanical, Inc.	1,289,926
Shafer Roofing	669,581
Soehrlen Piping Company	857,616
Stanley Miller Construction	466,600
Sykes Construction Company, Inc.	1,163,099
Universal Custom Millwork, Inc.	544,257
Total	\$16,154,567

**Note 22 - School State Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

LOUISVILLE CITY SCHOOL DISTRICT  
STARK COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>(Passed Through Ohio Department of Education)</i>						
Title I, Part A, ESEA	049874C1S102	84.010	\$39,183		\$58,025	
	049874C1S103		217,802		173,753	
Total Title I, Part A, ESEA			<u>256,985</u>		<u>231,778</u>	
<u>Special Education Cluster:</u>						
Special Education - Grants to States	0498746BSF01	84.027	15,606		31,831	
	0498746BSF02		13,024		38,583	
	0498746BSF03		303,494		267,361	
Total Special Education - Grants to States			<u>332,124</u>		<u>337,775</u>	
Special Education - Preschool Grants	049874PGS102	84.173			1,720	
	049874PGS103P		18,203		18,082	
Total Special Education - Preschool Grants			<u>18,203</u>		<u>19,802</u>	
Total Special Education Cluster			<u>350,327</u>		<u>357,577</u>	
Goals 2000 - State and Local Education Systemic Improvement Grants	049874G2S902	84.276			14,336	
Safe and Drug-Free Schools Grant	049874DRS102	84.186	1,436		2,573	
	049874DRS103		15,208		15,208	
Total Safe and Drug-Free Schools Grant			<u>16,644</u>		<u>17,781</u>	
Innovative Education Program Strategies	049874C2S101	84.298	2,246		8,674	
	049874C2S102		22,272		21,064	
Total Innovative Education Program Strategies			<u>24,518</u>		<u>29,738</u>	
Teacher Quality Enhancement Grants	049874TRS103	84.336			3,569	
Title II, Part A, Improving Teacher Quality Grant	049874TRS103	84.367	101,693		87,805	
	049874MSS102				6,582	
	049874CRS102				22,166	
Total Title II, Part A, Improving Teacher Quality Grant			<u>101,693</u>		<u>116,553</u>	
School Renovation Grant	N/A	84.352	6,275		6,275	
Technology Literacy Challenge Fund Grants	049874TFVL00	84.318	5,958		5,958	
Total U.S. Department of Education			<u>762,400</u>		<u>783,565</u>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>(Passed through the Ohio Department of Mental Retardation and Developmental Disabilities)</i>						
Medical Assistance Program (CAFS)	N/A	93.778	52,002		52,002	
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>(Passed Through Ohio Department of Education)</i>						
<u>Child Nutrition Cluster</u>						
Food Distribution Program	N/A	10.550		\$100,818		\$100,818
National School Breakfast Program	N/A	10.553	15,347		15,347	
National School Lunch Program	N/A	10.555	215,047		215,047	
Total U.S. Department of Agriculture/ Child Nutrition Cluster			<u>230,394</u>	<u>100,818</u>	<u>230,394</u>	<u>100,818</u>
<b>Totals</b>			<u><b>\$1,044,796</b></u>	<u><b>\$100,818</b></u>	<u><b>\$1,065,961</b></u>	<u><b>\$100,818</b></u>

See accompanying Notes to Schedule of Receipts and Expenditures of Federal Awards

**LOUISVILLE CITY SCHOOL DISTRICT  
STARK COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2003**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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

**NOTE C – TRANSFERABILITY OF FEDERAL FUNDS**

During 2003, the District made the following reallocations from original budgeted federal programs to other federal programs approved by the Ohio Department of Education:

<u>Fund</u>	<u>CFDA Number</u>	<u>Reallocations</u>
Title I – Grants to Local Educational Agencies	84.010	\$12,000
Improving Teacher Quality State Grants	84.367	<u>(12,000)</u>
Total		<u><u>\$0</u></u>

The Schedule reports the reallocated expenditures in the receiving program ultimately authorized to receive and disburse the monies.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Louisville City School District  
Stark County  
418 E. Main Street  
Louisville, Ohio 44641

To the Board of Education:

We have audited the basic financial statements of Louisville City School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated January 14, 2004, which indicated the District adopted GASB Statement 34 and increased its asset capitalization threshold from \$500 to \$5,000. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 14, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2003-001.

111 Second St., NW / Fourth Floor / Canton, OH 44702  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 14, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

January 14, 2004





**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Louisville City School District  
Stark County  
418 E. Main Street  
Louisville, Ohio 44641

**Compliance**

We have audited the compliance of Louisville City School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

**Internal Control Over Compliance**

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

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

January 14, 2004

**LOUISVILLE CITY SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2003**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Special Education Cluster-Title VI-B - IDEA Grant: CFDA 84.027 and 84.173
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2003-001**

**Internal Controls Over Extracurricular Activities**

According to District policy, Fundraising Request Forms (Sales Potential Forms were used periodically in lieu of Fundraising Request Forms) are required to be completed by each activity advisor for any planned fundraiser. The Profit/Loss Statement located on the reverse side of the Fundraising Request Form is to be completed after the fundraiser has ended. This form certifies the fundraiser has been properly approved and accounts for the income (actual and projected) and disbursements for the activity. For 10 out of 25 (40%) fundraisers tested, the Fundraiser Request Form, Profit/Loss Statement and/or Sales Potential Form was not signed or properly completed pursuant to District policy.

**FINDING NUMBER 2003-001  
(Continued)**

We also noted that up to two book fairs are conducted at the Middle School and Elementary Schools each school year. However, the respective school librarians did not maintain an itemized inventory listing of books purchased for subsequent sale, books sold, sales price, and books remaining in inventory and returned to the vendor. Additionally, the activity advisor for the candy sale at Fair Hope Elementary School did not maintain accurate records for the sale of candy bars at a reduced rate after the regular sale was over. As a result, the risk that the receipts may be misused or lost without being detected timely is increased.

The Treasurer should monitor the various fund raising activities to help ensure the appropriate fund raising forms are completed and approved by the designated officials. In addition, student activity advisors should ensure the proper supporting documentation for items purchased, sold, and remaining in inventory or returned to the vendor is maintained. This will help ensure the completeness and accuracy of student activity receipts and enable the District to identify errors in a timely manner.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
APRIL 6, 2004**