

**LOUISVILLE CITY SCHOOL DISTRICT**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Louisville City School District, Stark County, prepared by Varney, Fink & Associates, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

April 25, 2006

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**LOUISVILLE CITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Louisville City School District  
418 East Main Street  
Louisville, OH 44641

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Louisville City School District (the District), as of and for the year ended June 30, 2005, 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 an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2006 on 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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

**INDEPENDENT AUDITOR'S REPORT** (continued)

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

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

February 14, 2006

**Louisville City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*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, 2005. 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 2005 are as follows:

- In total, net assets decreased by \$1,399,495.
- Revenues for governmental activities totaled \$25,843,402 in 2005. Of this total, 86.5 percent consisted of general revenues while program revenues accounted for the balance of 13.5 percent.
- Program expenses totaled \$27,242,897. Instructional expenses made up 57.8 percent of this total while support services accounted for 28.7 percent. Other expenses rounded out the remaining 13.5 percent.
- Outstanding general obligation bonded debt decreased to \$23,950,000 from \$24,830,000 in 2005.

### **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 and the bond retirement 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 2005?" The *Statement of Net Assets* and *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

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



**Louisville City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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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, all of the School District's activities are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance, 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 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement 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 2005 compared to 2004:

**Louisville City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

**Table 1**  
**Net Assets**  
**Governmental Activities**

	2005	2004
<b>Assets</b>		
Current and Other Assets	\$15,044,140	\$19,173,607
Capital Assets, Net	33,834,527	32,477,195
<i>Total Assets</i>	<u>48,878,667</u>	<u>51,650,802</u>
<b>Liabilities</b>		
Current Liabilities	12,615,321	13,257,612
Long-Term Liabilities:		
Due Within One Year	1,093,298	1,488,244
Due in More Than One Year	24,650,421	24,985,824
<i>Total Liabilities</i>	<u>38,359,040</u>	<u>39,731,680</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	9,444,569	7,197,195
Restricted for:		
Capital Projects	1,449,882	3,055,080
Debt Service	863,933	772,516
Other Purposes	422,400	496,891
Unrestricted	(1,661,157)	397,440
<i>Total Net Assets</i>	<u>\$10,519,627</u>	<u>\$11,919,122</u>

Total assets decreased by \$2,772,135. The majority of this decrease is attributable to an overall increase in expenditures, especially insurance costs for the year.

Total liabilities decreased by \$1,372,640, due to the School District making \$910,000 in principal payments on the school facilities and energy conservation bonds along with a reduction on contracts payable from the prior year.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$22,357,304 or 86.5 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 \$3,486,098 or 13.5 percent of total revenue.

Table 2 shows the changes in net assets for fiscal year 2005. Since this is the third year that the School District prepared financial statements following GASB Statement 34, revenue and expense comparisons can be made between the fiscal years 2005 and 2004.

**Louisville City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

**Table 2**  
**Changes in Net Assets**  
**Governmental Activities**

	2005	2004
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$1,389,760	\$1,357,677
Operating Grants and Contributions	2,014,931	1,678,351
Capital Grants and Contributions	81,407	104,221
Total Program Revenues	3,486,098	3,140,249
General Revenues:		
Property Taxes	8,597,792	9,422,340
Grants and Entitlements	13,546,664	13,170,944
Investment Earnings	161,803	187,900
Miscellaneous	51,045	13,514
Total General Revenues	22,357,304	22,794,698
Total Revenues	25,843,402	25,934,947
<b>Program Expenses</b>		
Instruction:		
Regular	11,990,547	7,557,741
Special	3,420,511	2,853,859
Vocational	329,769	272,952
Support Services:		
Pupils	1,157,089	746,581
Instructional Staff	946,100	730,002
Board of Education	104,076	84,447
Administration	1,755,377	1,313,106
Fiscal	415,656	455,344
Business	182,205	159,594
Operation and Maintenance of Plant	1,973,310	1,338,346
Pupil Transportation	1,279,448	932,138
Central	1,456	4,976
Food Service Operations	1,147,627	609,585
Operation of Non-Instructional Services	633,534	452,861
Extracurricular Activities	750,761	677,257
Interest and Fiscal Charges	1,155,431	1,183,731
Total Program Expenses	27,242,897	19,372,520
Increase/(Decrease) in Net Assets	(1,399,495)	6,562,427
<i>Net Assets Beginning of Year</i>	11,919,122	5,356,695
<i>Net Assets End of Year</i>	\$10,519,627	\$11,919,122

**Louisville City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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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 57.8 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff, transportation and business operations encompass 28.7 percent. The remaining amount of program expenses, 13.5 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 2005	Net Cost of Services 2005
<b>Governmental Activities:</b>		
Instruction:		
Regular	11,990,547	(\$11,556,480)
Special	3,420,511	(2,729,393)
Vocational	329,769	(270,228)
Support Services:		
Pupils	1,157,089	(988,693)
Instructional Staff	946,100	(904,588)
Board of Education	104,076	(104,076)
Administration	1,755,377	(1,529,275)
Fiscal	415,656	(415,656)
Business	182,205	(180,855)
Operation and Maintenance of Plant	1,973,310	(1,945,476)
Pupil Transportation	1,279,448	(1,180,647)
Central	1,456	(1,456)
Food Service Operations	1,147,627	(64,654)
Operation of Non-Instructional Services	633,534	(261,173)
Extracurricular Activities	750,761	(468,718)
Interest and Fiscal Charges	1,155,431	(1,155,431)
<b>Total</b>	<b>\$27,242,897</b>	<b>(\$23,756,799)</b>

**Louisville City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 31.6 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support the remaining activity costs. Program revenues account for 12.8 percent of all governmental expenses.

**School District's Funds**

Information regarding the School District's major funds can be found on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$26,326,501 and expenditures of \$29,113,703. The net change in fund balance for the year was most significant in the general fund with a decrease of \$1,108,011.

**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 2005, the School District amended its general fund budget numerous times, none significant. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenditures but provide flexibility for program based decision and management.

For the General fund, the final budget basis estimated revenue totaled \$20,514,548, which was very close to the original estimate of \$20,493,923. Final budget basis appropriations totaled \$21,853,660 compared to the original estimate of \$21,895,003.

The general fund's unencumbered ending cash balance totaled \$1,893,118, which was slightly below the original budgeted amount of \$1,988,442.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2005, the School District had \$33,834,527 invested in land, buildings, furniture, fixtures and equipment, textbooks and library books and vehicles. Table 4 shows fiscal 2005 values compared to 2004. 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, 2005*  
*Unaudited*

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**Table 4**  
**Capital Assets at June 30**  
**Governmental Activities**

	2005	2004
Land	\$2,663,956	\$778,275
Buildings	25,106,991	8,336,368
Furniture, Fixtures and Equipment	3,944,742	3,689,651
Textbooks and Library Books	1,107,719	870,051
Vehicles	1,011,119	896,491
Construction-In-Progress	0	17,906,359
<i>Total Capital Assets</i>	<u>\$33,834,527</u>	<u>\$32,477,195</u>

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

*Debt*

At June 30, 2005 the School District had \$23,950,000 of facilities construction bonds and \$420,000 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**

	2005	2004
Energy Conservation Bonds	\$420,000	\$450,000
School Facilities Bond	23,950,000	24,830,000
<i>Total</i>	<u>\$24,370,000</u>	<u>\$25,280,000</u>

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 \$6,591,769 with an unvoted debt margin of \$328,874.

**Louisville City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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**Current Issues Affecting Financial Condition**

In 2004, Louisville City School District earned an effective rating with meeting 19 out of 22 score on the State Report Card. In 2005, Louisville City School District earned an effective rating with meeting 19 out of 22 score on the State Report Card.

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.

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 include the recent purchase of J&L Specialty Steel, by Pittsburgh's Allegheny Ludlum. The effect of future reorganization and/or relocation of this plant will be a devastating financial loss for the Louisville community. The Louisville Schools have become more reliant on the State or other local property taxes to fund this loss. Other 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. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast.

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 funded 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

**Louisville City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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plan expenses, staying carefully within the School District's financial five-year plan. The community also realizes the income generated by local levies remains relatively constant, therefore, forcing the School District to come back to the voters from time to time to ask for additional support. The last 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).



Basic  
Financial  
Statements

**Louisville City School District**

*Statement of Net Assets*

*June 30, 2005*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,054,841
Cash and Cash Equivalents	
in Segregated Accounts	512,080
Accrued Interest Receivable	16,345
Accounts Receivable	3,983
Intergovernmental Receivable	73,942
Inventory Held for Resale	16,358
Materials and Supplies Inventory	58,064
Property Taxes Receivable	9,308,527
Nondepreciable Capital Assets	2,663,956
Depreciable Capital Assets, Net	<u>31,170,571</u>
<i>Total Assets</i>	<u>48,878,667</u>
<b>Liabilities</b>	
Accounts Payable	80,220
Contracts Payable	119,879
Accrued Wages Payable	2,400,371
Matured Compensated Absences Payable	239,469
Intergovernmental Payable	617,215
Deferred Revenue	8,550,407
Accrued Interest Payable	95,679
Claims Payable	512,081
Long-Term Liabilities:	
Due Within One Year	1,104,032
Due In More Than One Year	<u>24,639,687</u>
<i>Total Liabilities</i>	<u>38,359,040</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	9,444,569
Restricted for:	
Capital Projects	1,449,882
Debt Service	863,933
District Managed Student Activities	199,635
Uniform School Supplies	69,527
Title VI-B	31,970
Bus Purchases	9,673
Summer School	49,179
Public School Support	31,991
Other Purposes	30,425
Unrestricted (Deficit)	<u>(1,661,157)</u>
<i>Total Net Assets</i>	<u>\$10,519,627</u>

See accompanying notes to the basic financial statements

**Louisville City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$11,990,547	\$207,555	\$226,512	\$0	(\$11,556,480)
Special	3,420,511	82,016	609,102	0	(2,729,393)
Vocational	329,769	0	59,541	0	(270,228)
Support Services:					
Pupils	1,157,089	0	168,396	0	(988,693)
Instructional Staff	946,100	0	41,512	0	(904,588)
Board of Education	104,076	0	0	0	(104,076)
Administration	1,755,377	125,650	100,452	0	(1,529,275)
Fiscal	415,656	0	0	0	(415,656)
Business	182,205	0	1,350	0	(180,855)
Operation and Maintenance of Plant	1,973,310	22,834	5,000	0	(1,945,476)
Pupil Transportation	1,279,448	0	17,394	81,407	(1,180,647)
Central	1,456	0	0	0	(1,456)
Food Service Operations	1,147,627	686,521	396,452	0	(64,654)
Operation of Non-Instructional Services	633,534	0	372,361	0	(261,173)
Extracurricular Activities	750,761	265,184	16,859	0	(468,718)
Interest and Fiscal Charges	1,155,431	0	0	0	(1,155,431)
<b>Totals</b>	<b>\$27,242,897</b>	<b>\$1,389,760</b>	<b>\$2,014,931</b>	<b>\$81,407</b>	<b>(23,756,799)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
					6,355,131
					1,881,181
					361,480
					13,546,664
					32,700
					1,266
					161,803
					17,079
					<u>22,357,304</u>
					(1,399,495)
					<u>11,919,122</u>
					<u>\$10,519,627</u>

See accompanying notes to the basic financial statements

**Louisville City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2005*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,137,435	\$781,762	\$2,125,971	\$5,045,168
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	9,673	0	0	9,673
Accrued Interest Receivable	16,345	0	0	16,345
Accounts Receivable	2,225	0	1,758	3,983
Intergovernmental Receivable	10,375	0	63,567	73,942
Interfund Receivable	451,760	0	0	451,760
Inventory Held for Resale	0	0	16,358	16,358
Materials and Supplies Inventory	54,095	0	3,969	58,064
Taxes Receivable	6,940,308	1,976,821	391,398	9,308,527
<i>Total Assets</i>	<u>\$9,622,216</u>	<u>\$2,758,583</u>	<u>\$2,603,021</u>	<u>\$14,983,820</u>
 <b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$56,231	\$0	\$23,989	\$80,220
Contracts Payable	0	0	119,879	119,879
Accrued Wages Payable	2,198,889	0	201,482	2,400,371
Matured Compensated Absences Payable	221,290	0	18,179	239,469
Intergovernmental Payable	537,927	0	79,288	617,215
Deferred Revenue	6,536,233	1,845,431	367,018	8,748,682
<i>Total Liabilities</i>	<u>9,550,570</u>	<u>1,845,431</u>	<u>809,835</u>	<u>12,205,836</u>
 <b>Fund Balances</b>				
Reserved for Encumbrances	175,611	0	64,596	240,207
Reserved for Property Taxes	404,300	131,390	24,380	560,070
Reserved for Unclaimed Monies	599	0	0	599
Reserved for Bus Purchases	9,673	0	0	9,673
Unreserved, Undesignated Reported in:				
General Fund (Deficit)	(518,537)	0	0	(518,537)
Special Revenue Funds	0	0	335,327	335,327
Debt Service Fund	0	781,762	0	781,762
Capital Projects Funds	0	0	1,368,883	1,368,883
<i>Total Fund Balances</i>	<u>71,646</u>	<u>913,152</u>	<u>1,793,186</u>	<u>2,777,984</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$9,622,216</u>	<u>\$2,758,583</u>	<u>\$2,603,021</u>	<u>\$14,983,820</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, 2005*

<b>Total Governmental Funds Balances</b>	<b>\$2,777,984</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	33,834,527
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes and intergovernmental receivable.	
Property Taxes	198,050
Tuition and Fees	225
Total	198,275
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(95,679)
Long-term liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:	
School Facilities Bonds	(23,950,000)
Energy Conservation Bonds	(420,000)
Capital Lease	(19,958)
Compensated Absences	(1,353,761)
Total	(25,743,719)
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.	(451,761)
<i>Net Assets of Governmental Activities</i>	<b>\$10,519,627</b>

See accompanying notes to the basic financial statements

**Louisville City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2005*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$6,712,231	\$1,927,901	\$375,080	\$9,015,212
Intergovernmental	13,468,397	244,904	1,916,173	15,629,474
Interest	132,072	0	29,731	161,803
Tuition and Fees	202,828	0	136,887	339,715
Extracurricular Activities	0	0	380,964	380,964
Contributions and Donations	1,350	0	25,033	26,383
Customer Sales and Services	14,865	0	686,521	701,386
Rentals	21,785	0	0	21,785
Payments in Lieu of Taxes	32,700	0	0	32,700
Miscellaneous	14,648	0	2,431	17,079
<i>Total Revenues</i>	<u>20,600,876</u>	<u>2,172,805</u>	<u>3,552,820</u>	<u>26,326,501</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,867,046	0	377,349	11,244,395
Special	2,797,038	0	571,959	3,368,997
Vocational	327,994	0	0	327,994
Support Services:				
Pupils	944,106	0	174,139	1,118,245
Instructional Staff	868,488	0	41,840	910,328
Board of Education	104,076	0	0	104,076
Administration	1,473,740	0	234,284	1,708,024
Fiscal	395,628	26,800	0	422,428
Business	181,493	0	0	181,493
Operation and Maintenance of Plant	1,937,100	0	0	1,937,100
Pupil Transportation	1,170,173	0	17,025	1,187,198
Central	1,456	0	0	1,456
Food Service Operations	0	0	1,170,266	1,170,266
Operation of Non-Instructional Services	70,300	0	481,670	551,970
Extracurricular Activities	491,934	0	221,752	713,686
Capital Outlay	22,018	0	2,066,142	2,088,160
Debt Service:				
Principal Retirement	0	910,000	10,734	920,734
Interest and Fiscal Charges	0	1,157,153	0	1,157,153
<i>Total Expenditures</i>	<u>21,652,590</u>	<u>2,093,953</u>	<u>5,367,160</u>	<u>29,113,703</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,051,714)</u>	<u>78,852</u>	<u>(1,814,340)</u>	<u>(2,787,202)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	1,266	0	0	1,266
Inception of Capital Lease	0	0	30,692	30,692
Transfers In	0	57,563	0	57,563
Transfers Out	(57,563)	0	0	(57,563)
<i>Total Other Financing Sources (Uses)</i>	<u>(56,297)</u>	<u>57,563</u>	<u>30,692</u>	<u>31,958</u>
<i>Net Change in Fund Balances</i>	(1,108,011)	136,415	(1,783,648)	(2,755,244)
<i>Fund Balances Beginning of Year</i>	<u>1,179,657</u>	<u>776,737</u>	<u>3,576,834</u>	<u>5,533,228</u>
<i>Fund Balances End of Year</i>	<u>\$71,646</u>	<u>\$913,152</u>	<u>\$1,793,186</u>	<u>\$2,777,984</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, 2005*

**Net Change in Fund Balances - Total Governmental Funds** (\$2,755,244)

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

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

Capital Outlay	2,029,185	
Depreciation	(671,853)	
 Total		1,357,332

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

Property Taxes	(417,420)	
Intergovernmental	(12,855)	
Tuition and Fees	(54,090)	
 Total		(484,365)

Inception of capital lease is an other financing source in the governmental  
funds, but increases liabilities in governmental activities. (30,692)

Repayment of bond principal is an expenditure in the governmental funds, but  
the repayment reduces long-term liabilities in the statement of net assets. 920,734

In the statement of activities interest is accrued on outstanding bonds,  
whereas in governmental funds, interest is expensed when due. 1,722

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

Compensated Absences	(159,693)	
Pension Obligation	180,295	
 Total		20,602

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. (429,584)

*Change in Net Assets of Governmental Activities* (\$1,399,495)

See accompanying notes to the basic financial statements

**Louisville City School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$6,404,829	\$6,788,940	\$6,755,581	(\$33,359)
Intergovernmental	13,751,214	13,292,231	13,484,636	192,405
Interest	60,000	145,000	143,576	(1,424)
Tuition and Fees	204,380	197,880	195,283	(2,597)
Contributions and Donations	1,200	1,200	1,350	150
Customer Sales and Services	59,500	16,500	14,865	(1,635)
Rentals	5,000	24,297	21,535	(2,762)
Payments in Lieu of Taxes	0	33,000	32,700	(300)
Miscellaneous	7,800	15,500	13,584	(1,916)
<i>Total Revenues</i>	<u>20,493,923</u>	<u>20,514,548</u>	<u>20,663,110</u>	<u>148,562</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,875,517	10,920,770	10,854,991	65,779
Special	2,186,120	2,253,067	2,239,733	13,334
Vocational	357,040	350,890	350,389	501
Other	827,580	744,735	743,542	1,193
Support Services:				
Pupils	962,564	940,635	932,878	7,757
Instructional Staff	880,700	870,512	856,239	14,273
Board of Education	79,695	93,360	93,162	198
Administration	1,485,990	1,470,190	1,455,350	14,840
Fiscal	436,925	406,486	397,391	9,095
Business	178,260	186,613	183,470	3,143
Operation and Maintenance of Plant	1,908,994	1,909,909	1,897,326	12,583
Pupil Transportation	1,016,555	1,119,690	1,118,758	932
Central	3,000	1,500	1,456	44
Operation of Non-Instructional Services	85,725	70,165	69,359	806
Extracurricular Activities	554,975	492,980	491,158	1,822
Capital Outlay	55,363	22,158	22,018	140
<i>Total Expenditures</i>	<u>21,895,003</u>	<u>21,853,660</u>	<u>21,707,220</u>	<u>146,440</u>
<i>Excess of Revenues</i>				
<i>Under Expenditures</i>	<u>(1,401,080)</u>	<u>(1,339,112)</u>	<u>(1,044,110)</u>	<u>295,002</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from the Sale of Capital Assets	1,000	1,500	1,266	(234)
Refund of Prior Year Expenditure	0	200	200	0
Advances Out	0	0	(451,760)	(451,760)
Transfers In	1,000	1,000	0	(1,000)
Transfers Out	(57,563)	(58,163)	(57,563)	600
<i>Total Other Financing Sources (Uses)</i>	<u>(55,563)</u>	<u>(55,463)</u>	<u>(507,857)</u>	<u>(452,394)</u>
<i>Net Change in Fund Balance</i>	(1,456,643)	(1,394,575)	(1,551,967)	(157,392)
<i>Fund Balance Beginning of Year</i>	3,050,063	3,050,063	3,050,063	0
Prior Year Encumbrances Appropriated	395,022	395,022	395,022	0
<i>Fund Balance End of Year</i>	<u>\$1,988,442</u>	<u>\$2,050,510</u>	<u>\$1,893,118</u>	<u>(\$157,392)</u>



**Louisville City School District**  
*Statement of Fund Net Assets*  
*Internal Service Fund*  
*June 30, 2005*

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	<u>Insurance</u>
<b>Assets</b>	
Cash and Cash Equivalents in Segregated Accounts	<u>\$512,080</u>
<b>Liabilities</b>	
Interfund Payable	451,760
Claims Payable	<u>512,081</u>
<i>Total Liabilities</i>	<u>963,841</u>
<b>Net Assets</b>	
Unrestricted (Deficit)	<u><u>(\$451,761)</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, 2005*

	Insurance
<b>Operating Revenues</b>	
Charges for Services	\$2,529,084
<b>Operating Expenses</b>	
Purchased Services	206,461
Claims	2,752,207
<i>Total Operating Expenses</i>	2,958,668
<i>Change in Net Assets</i>	(429,584)
<i>Net Assets (Deficit) Beginning of Year</i>	(22,177)
<i>Net Assets (Deficit) End of Year</i>	(\$451,761)

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, 2005

	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	\$2,529,084
Cash Payments for Goods and Services	(206,461)
Cash Payments for Claims	(2,661,810)
<i>Net Cash Used for Operating Activities</i>	(339,187)
<b>Cash Flows from Noncapital Financing Activities</b>	
Advances In	451,760
<i>Net Increase in Cash and Cash Equivalents</i>	112,573
<i>Cash and Cash Equivalents Beginning of Year</i>	399,507
<i>Cash and Cash Equivalents End of Year</i>	\$512,080
 <b><i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</i></b>	
<i>Operating Loss</i>	(\$429,584)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities</b>	
Increase/(Decrease) in Liabilities:	
Claims Payable	90,397
<i>Net Cash Used for Operating Activities</i>	(\$339,187)

See accompanying notes to the basic financial statements

**Louisville City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2005*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$96,178</u></u>
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**Liabilities**

Due to Students	<u><u>\$96,178</u></u>
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See accompanying notes to the basic financial statements

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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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. The School District has 7 instructional facilities, 1 bus garage, and 1 administrative facility, staffed by 146 classified employees and 227 certificated employees who provide services to 3,288 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 Louisville City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

**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:

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**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.

**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.

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 General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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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, 2005, but which were levied to finance fiscal year 2006 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 General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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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 2005, investments were limited to STAR Ohio, repurchase agreements, Federal Home Loan Bank 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, 2005.

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 2005 amounted to \$132,072, which includes \$70,726 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 maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**Louisville City School District**  
*Notes to the General Purpose 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
Textbooks and Library Books	8 years
Vehicles	15 years

***H. 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.

***I. 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 and capital leases are recognized as a liability on the governmental fund financial statements when due.

***J. 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.

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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***K. 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, unclaimed monies and bus purchases.

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

***L. 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. The government-wide statement of net assets reports \$2,736,215 of restricted net assets, of which \$1,280,983 is restricted by enabling legislation. Net assets restricted for other purposes include special education, professional development and unclaimed monies.

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

***M. 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.

***N. 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.

***O. 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.

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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***P. 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 – Restatement of Prior Year Balances**

For fiscal year 2005, the School District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers."

GASB Statement No. 40 establishes disclosure requirements for investment credit risk, interest rate risk, deposit custodial risk and foreign currency risk.

GASB Statement No. 46 clarifies how enabling legislation should be defined for determining restricted net assets.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 46 did not affect the presentation of the financial statements of the School District. The implementation of GASB Technical Bulletin No. 2004-2 had no material effect on the financial statements as they were previously reported as of June 30, 2004.

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

**Note 4 - Fund Deficits**

Fund Balances at June 30, 2005, included the following individual fund deficits:

Special Revenue Funds:	
Auxiliary Services	\$23,558
Professional Development Block Grant	947
Title I	36,079
Preschool	3,311
Class Size Reduction	10,484

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 (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 for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$1,108,011)
Net Adjustment for Revenue Accruals	62,434
Advance Out	(451,760)
Net Adjustment for Expenditure Accruals	199,360
Encumbrances	(253,990)
Budget Basis	<u><u>(\$1,551,967)</u></u>

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**Note 6 - Deposits and Investments**

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

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

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Louisville City School District**  
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*For the Fiscal Year Ended June 30, 2005*

At year end, the School District has \$2,000 in undeposited cash on hand with is included as part of “Equity in Pooled Cash and Cash Equivalents”.

**Deposits**

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$34,470 of the School District’s bank balance of \$137,093 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution’s trust department or agent, but not in the School District’s name. 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.

The School District has no deposit policy for custodial credit risk beyond the requirement of State statute. Ohio law requires that deposit be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

As of June 30, 2005, the School District had the following investments. All investments are in an internal investment pool.

	Carrying and Fair Value	Maturity
Investment in State		
Treasurer's Investment Pool	\$4,050,996	33 days
Repurchase Agreement:		
Federal Home Loan Mortgage Notes	890,000	7/1/2010
Federal Home Loan Bank Notes	499,950	11/23/2005
Federal National Mortgage Association Notes	492,620	11/23/2005
Total Investments	<u>\$5,933,566</u>	

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

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**Credit Risk** The Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes and Federal Home Loan Mortgage Notes carry of rating of AAA by Fitch. STAROhio carries a rating of AAAM by Standard and Poor’s. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes and Federal Home Loan Mortgage Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty’s trust department or agent in the School District’s name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investment to the treasurer or qualified trustee.

**Concentration of Credit Risk** The School District places no limit on the amount it may invest in any one issuer. The following is the School District’s allocation as of June 30, 2005:

	Percentage of Investments
STAROhio	15.0 %
Federal Home Loan Mortgage Notes	68.3
Federal Home Loan Bank Notes	8.3
Federal National Mortgage Association Notes	8.4

**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 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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.



**Louisville City School District**  
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Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from 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, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 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, 2005 was \$404,300 in the general fund, \$131,390 in the bond retirement debt service fund, and \$24,380 in the permanent improvements capital projects fund. The amount available as an advance at June 30, 2004, was \$447,650 in the general fund, \$154,440 in the bond retirement debt service fund, and \$27,190 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 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$291,403,860	89.62 %	\$298,329,900	90.71 %
Public Utility Personal	9,669,210	2.97	9,910,760	3.01
Tangible Personal Property	24,078,266	7.41	20,632,862	6.27
Total	<u>\$325,151,336</u>	<u>100.00 %</u>	<u>\$328,873,522</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$55.90		\$55.90	

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
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**Note 8 - Receivables**

Receivables at June 30, 2005, 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>	
Title VIB	\$62,079
Tuition	7,596
CAFS	2,779
Preschool	779
Summer School	709
<i>Total Governmental Activities</i>	\$73,942

**Note 9 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance 7/1/04	Additions	Deductions	Balance 6/30/05
<b>Governmental Activities</b>				
Capital Assets, not being depreciated:				
Land	\$778,275	\$1,885,681	\$0	\$2,663,956
Construction in Progress	17,906,359	1,395,223	(19,301,582)	0
Total Capital Assets, not being Depreciated	18,684,634	3,280,904	(19,301,582)	2,663,956
Capital Assets, being Depreciated				
Buildings	15,163,164	17,066,958	0	32,230,122
Furniture, Fixtures and Equipment	5,531,629	348,943	(9,927)	5,870,645
Textbooks and Library Books	1,821,130	410,178	(11,500)	2,219,808
Vehicles	1,922,514	223,784	(117,771)	2,028,527
Total Capital Assets, being Depreciated	24,438,437	18,049,863	(139,198)	42,349,102
Less Accumulated Depreciation:				
Buildings	(6,826,796)	(296,335)	0	(7,123,131)
Furniture, Fixtures and Equipment	(1,841,978)	(93,852)	9,927	(1,925,903)
Textbooks and Library Books	(951,079)	(172,510)	11,500	(1,112,089)
Vehicles	(1,026,023)	(109,156)	117,771	(1,017,408)
Total Accumulated Depreciation	(10,645,876)	(671,853) *	139,198	(11,178,531)
Total Capital Assets, being Depreciated, net	13,792,561	17,378,010	0	31,170,571
Governmental Activities Capital Assets, Net	\$32,477,195	\$20,658,914	(\$19,301,582)	\$33,834,527

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
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\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$366,043
Special	9,718
Vocational	2,157
Support Services:	
Pupils	12,154
Instructional Staff	8,717
Administration	16,398
Operation and Maintenance of Plant	56,202
Pupil Transportation	120,222
Non-Instructional Services	57,728
Extracurricular Activities	22,514
Total Depreciation Expense	<u><u>\$671,853</u></u>

**Note 10 – Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2005 were as follows:

	Amount Outstanding 6/30/04	Additions	Deletions	Amount Outstanding 6/30/05	Amounts Due in One Year
<b>Governmental Activities</b>					
School Facilities Bonds (various)	\$24,830,000	\$0	\$880,000	\$23,950,000	\$415,715
Energy Conservation Bonds 6.125%	450,000	0	30,000	420,000	30,000
Capital Lease	0	30,692	10,734	19,958	9,736
Compensated Absences	1,194,068	283,535	123,842	1,353,761	648,581
Total Governmental Activities	<u><u>\$26,474,068</u></u>	<u><u>\$314,227</u></u>	<u><u>\$1,044,576</u></u>	<u><u>\$25,743,719</u></u>	<u><u>\$1,104,032</u></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. The capital lease will be paid from the permanent improvements capital project 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.

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
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The overall debt margin of the School District as of June 30, 2005 was \$6,591,769 with an unvoted debt margin of \$328,874. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005 are as follows:

Year Ending June 30,	School Facilities Bonds		Energy Conservation Bonds	
	Principal	Interest	Principal	Interest
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	200,000	1,114,330	40,000	19,600
2010	275,000	1,105,574	40,000	17,150
2011-2015	2,120,000	5,312,088	240,000	46,244
2016-2020	3,955,000	4,651,525	0	0
2021-2025	6,510,000	3,387,250	0	0
2026-2030	10,045,000	1,336,875	0	0
<b>Total</b>	<b>\$23,950,000</b>	<b>\$20,261,432</b>	<b>\$420,000</b>	<b>\$154,350</b>

**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 educational service centers from Stark, Portage, and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC.

SPARCC is governed by a board of directors comprised of each Superintendent within the Consortium. The Stark County Educational Service Center serves as the fiscal agent of the Consortium and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of SPARCC is limited to its voting authority and any representation it may have on the board of directors. The continued existence of SPARCC is not dependent on the School District's continued participation and no equity interest exists. Louisville City School District paid \$27,686 to SPARCC during fiscal year 2005 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 joint vocational school which is a jointly governed organization among six school districts. It is operated under the direction of a seven member Board consisting of one representative from each of the six participating school district's boards and one board member that rotates from each participating district. R.G. Drage offers vocational education. The Board has its own budgeting and taxing authority. Financial information can be obtained by writing the R.G. Drage Career Center, 6805 Richville Drive S.W., Massillon, Ohio 44646.

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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***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.

**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 the percentage created by comparing its payroll to the total payroll 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 2005, the School District's contracted with Indiana Insurance for the following coverage:

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

Type of Coverage	Limits	Deductible
Liability	\$1,000,000/\$2,000,000	\$5,000
School Leaders Errors/Omissions	\$1,000,000/\$1,000,000	\$2,500
Law Enforcement Liability	\$1,000,000/\$1,000,000	\$2,500
Sexual Misconduct/Molestation	\$1,000,000/\$1,000,000	\$0
Employee Benefits Liability	\$1,000,000/\$3,000,000	\$1,000
Excess Liability/Umbrella	\$5,000,000/\$5,000,000	\$0
Fleet Insurance	\$1,000,000 liability	\$250/\$500
Property Insurance	\$82,409,029	\$5,000
Inland Marine	\$446,861	\$250
Crime	\$50,000	\$1,000
Employee Dishonesty	\$50,000	\$1,000

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. 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, Benefit Services, review and administer the claims activity. The Board pays the entire cost of the monthly premiums for eligible employees, including administration fees, to Benefit Services. The premium at June 30, was \$725 family/\$255 single for medical insurance and \$82 for dental insurance per month.

The claims liability of \$512,081 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:

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

	Balance at Beginning of Fiscal Year	Current Year Claims	Claim Payments	Balance at End of Fiscal Year
2004	\$314,421	\$2,109,159	\$2,001,896	\$421,684
2005	421,684	2,752,207	2,661,810	512,081

**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 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to 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, 2005, 2004 and 2003 were \$313,719, \$249,440 and \$214,121 respectively; 50.64 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

***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 Street, 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

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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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, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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, 2005, 2004, and 2003 were \$1,533,753, \$1,485,566, and \$1,401,088 respectively; 85.2 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$13,882 made by the School District and \$51,207 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.

**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 retirees from the DB and Combined Plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All 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, 2004, 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 \$117,981 for fiscal year 2005.



**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$101,803.

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, 2004 (the latest information available), were \$223,443,805 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 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 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.

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

**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, the following school year. These expenditures are reflected in the funds from which the employee's salary and severance are paid.

**C. Life Insurance**

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

**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.

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2004	(\$194,758)	\$0
Current Year Set-aside Requirement	464,101	464,101
Current Year Offsets	0	(422,664)
Qualifying Disbursements	(674,960)	(145,236)
Totals	(\$405,617)	(\$103,799)
Set-aside Balance Carried Forward to Future Fiscal Years	(\$405,617)	\$0
Set-aside Reserve Balance as of June 30, 2005	\$0	\$0

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

Board of Education  
Louisville City School District  
418 East Main Street  
Louisville, OH 44641

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Louisville City School District (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

However, we noted an additional matter that we reported to management of the District in a separate letter dated February 14, 2006.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)**

This report is intended solely for the information and use of 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.

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

February 14, 2006

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

Board of Education  
Louisville City School District  
418 East Main Street  
Louisville, OH 44641

Compliance

We have audited the compliance of the Louisville City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal program are 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Louisville City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

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

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 the internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information and use of 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.

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

February 14, 2006

**Louisville City School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2005**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Receipts	Disbursements
<b><u>U.S. Department of Agriculture</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Team Nutrition Grants	10.574	049874-TWSU-2004	\$0	\$3,091
Child Nutrition Cluster:				
School Breakfast Program	10.553	049874-05PU-2005	23,657	23,657
School Breakfast Program	10.553	049874-05PU-2004	5,078	5,078
Total School Breakfast Program			<u>28,735</u>	<u>28,735</u>
National School Lunch Program	10.555	049874-LLP4-2005	226,130	226,130
National School Lunch Program	10.555	049874-LLP4-2004	65,441	65,441
Total National School Lunch Program			<u>291,571</u>	<u>291,571</u>
Food Donation	10.550	---	109,516	109,516
Total Child Nutrition Cluster			<u>429,822</u>	<u>429,822</u>
Total U.S. Department of Agriculture			<u>429,822</u>	<u>432,913</u>
<b><u>U.S. Department of Education</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	049874-C1S1-2005	140,648	138,801
Title I Grants to Local Educational Agencies	84.010	049874-C1S1-2004	0	31,643
Total Title I Grants to Local Educational Agencies			<u>140,648</u>	<u>170,444</u>
Special Education Cluster:				
Special Education -Grants to States	84.027	049874-6BSD-2005	30,000	29,301
Special Education-Grants to States	84.027	049874-6BSF-2005	551,370	528,045
Special Education-Grants to States	84.027	049874-6BSF-2004	0	51,488
Total Special Education-Grants to States			<u>581,370</u>	<u>608,834</u>
Special Education-Preschool Grants	84.173	049874-PGS1-2005	23,847	22,266
Total Special Education Cluster			<u>605,217</u>	<u>631,100</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	049874-DRS1-2005	9,760	9,760
State Grants for Innovative Programs	84.298	049874-C2S1-2005	16,335	16,335
Education Technology State Grant	84.318	049874-TJS1-2005	3,739	3,739
Education Technology State Grant	84.318	049874-TJS1-2004	0	830
Total Education Technology State Grant			<u>3,739</u>	<u>4,569</u>
Improving Teacher Quality State Grants	84.367	049874-TRS1-2005	96,767	92,181
Total U.S. Department of Education			<u>872,466</u>	<u>924,389</u>
<b><u>U.S. Department of Health and Human Services</u></b>				
<i>Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Medical Assistance Program	93.778	---	82,018	82,018
State Children's Insurance Program	93.767	---	4,705	4,705
Total U.S. Department of Health and Human Services			<u>86,723</u>	<u>86,723</u>
Total Federal Assistance			<u>\$1,389,011</u>	<u>\$1,444,025</u>

The accompanying notes to this Schedule are an integral part of this Schedule.

**LOUISVILLE CITY SCHOOL DISTRICT**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and disbursed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2005, the District had no significant food commodities in inventory.



**LOUISVILLE CITY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

(d)(1)(i)	Type of auditor's report issued on the basic financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the basic financial statement level?	No
(d)(1)(ii)	Were there any other reportable conditions in internal control reported at the basic financial statement level?	No
(d)(1)(iii)	Was there any material noncompliance reported at the basic financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other reportable conditions in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Unqualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	No

**LOUISVILLE CITY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(CONTINUED)**

(d)(1)(vii)	Major Program:	School Breakfast Program, CFDA#10.553; National School Lunch Program, CFDA#10.555; and Food Donation, CFDA #10.550
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None



**Auditor of State  
Betty Montgomery**

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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  
MAY 9, 2006**