

LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY
SINGLE AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

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, 2007 through June 30, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 26, 2009

This Page is Intentionally Left Blank.

**LOUISVILLE CITY SCHOOL DISTRICT
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

TABLE OF CONTENTS

<i>INDEPENDENT AUDITOR'S REPORT</i>	1
<i>Management's Discussion and Analysis</i>	4
 <i>BASIC FINANCIAL STATEMENTS</i>	
Government-Wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances –Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	20
Statement of Fund Net Assets – Internal Service Fund	21
Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Fund	22
Statement of Cash Flows – Internal Service Fund	23
Statement of Fiduciary Assets and Liabilities – Agency Fund	24
 Notes to the Basic Financial Statements	 25
 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>	 49
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	 51
Schedule of Expenditures of Federal Awards	53
Notes to the Schedule of Expenditures of Federal Awards	54
Schedule of Findings	55
Schedule of Prior Audit Findings.....	57

INDEPENDENT AUDITOR'S REPORT

Louisville City School District
418 East Main Street
Louisville, Ohio 44641

To the Board of Education

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Louisville City School District (the District), as of and for the year ended June 30, 2008, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2008 and the respective changes in financial position, and where applicable, cash flows 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 April 22, 2009 on our consideration of the District's internal control over financial reporting and on 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 important for assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT (continued)

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.

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. 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

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

April 22, 2009

This page intentionally left blank

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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, 2008. 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 2008 are as follows:

- In total, net assets increased by \$1,100,070.
- Revenues for governmental activities totaled \$29,072,835 in 2008. Of this total, 81.13 percent consisted of general revenues while program revenues accounted for the balance of 18.87 percent.
- Program expenses totaled \$27,972,765. Instructional expenses made up 58.41 percent of this total while support services accounted for 27.56 percent. Other expenses rounded out the remaining 14.03 percent.
- Outstanding governmental activities debt decreased to \$23,425,000 in 2008 from \$23,511,526 in 2007.

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 2008?" The *Statement of Net Assets* and *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

These two statements report the School District's net assets and changes in those net assets. The amount of net assets, the difference between assets and liabilities, is one measure of the School District's financial health, or financial position. The change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. Assessing the overall health of the School District involves many factors. Non-financial factors may include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency and fiscal capacity.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation of food service, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 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.

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

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The School District as a Whole

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

Table 1
Net Assets
Governmental Activities

	2008	2007	Change
Assets			
Current and Other Assets	\$15,359,273	\$15,400,246	(\$40,973)
Capital Assets, Net	31,077,721	32,191,812	(1,114,091)
<i>Total Assets</i>	<u>46,436,994</u>	<u>47,592,058</u>	<u>(1,155,064)</u>
Liabilities			
Current Liabilities	9,898,410	12,192,817	(2,294,407)
Long-Term Liabilities:			
Due Within One Year	360,062	196,878	163,184
Due in More Than One Year	24,321,567	24,445,478	(123,911)
<i>Total Liabilities</i>	<u>34,580,039</u>	<u>36,835,173</u>	<u>(2,255,134)</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	7,652,721	8,680,286	(1,027,565)
Restricted	3,147,271	2,360,603	786,668
Unrestricted (Deficit)	1,056,963	(284,004)	1,340,967
<i>Total Net Assets</i>	<u>\$11,856,955</u>	<u>\$10,756,885</u>	<u>\$1,100,070</u>

Total assets decreased by \$1,155,064. The majority of this decrease is attributable to capital assets. Fiscal year 2008 depreciation expense exceeded capital asset additions, reducing the net book value of the capital assets.

Total liabilities decreased by \$2,255,134, due to decreases in claims payable and deferred revenue. Claims payable decreased because the School District is no longer self insured. Deferred revenue decreased due to a decrease in property taxes receivable.

Total net assets increased by \$1,100,070 due to a decrease in liabilities. With this decrease and a continued effort to control expenses, the School District was able to significantly increase the total net assets.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$23,586,930 or 81.13 percent of the total revenue. The most significant portions of the general revenue are grants and entitlements and local property tax. The remaining revenue was program revenues totaling \$5,485,905 or 18.87 percent of total revenue.

Table 2 shows the changes in net assets for fiscal years 2008 and 2007.

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2
Changes in Net Assets
Governmental Activities

	2008	2007	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$2,009,603	\$1,635,088	\$374,515
Operating Grants and Contributions	3,458,991	3,784,798	(325,807)
Capital Grants and Contributions	17,311	79,966	(62,655)
Total Program Revenues	<u>5,485,905</u>	<u>5,499,852</u>	<u>(13,947)</u>
General Revenues:			
Property Taxes	8,894,986	9,050,544	(155,558)
Grants and Entitlements	14,304,853	14,047,902	256,951
Payments in Lieu of Taxes	0	64,982	(64,982)
Gain on Sale of Capital Assets	0	0	0
Investment Earnings	316,361	344,989	(28,628)
Miscellaneous	70,730	9,614	61,116
Total General Revenues	<u>23,586,930</u>	<u>23,518,031</u>	<u>68,899</u>
Total Revenues	<u>29,072,835</u>	<u>29,017,883</u>	<u>54,952</u>
Program Expenses			
Instruction:			
Regular	12,848,630	11,894,857	(953,773)
Special	3,037,144	3,669,564	632,420
Vocational	453,114	384,792	(68,322)
Support Services:			
Pupils	1,046,462	1,103,060	56,598
Instructional Staff	828,311	776,993	(51,318)
Board of Education	105,316	78,489	(26,827)
Administration	1,800,528	1,804,292	3,764
Fiscal	424,232	421,404	(2,828)
Business	240,625	230,816	(9,809)
Operation and Maintenance of Plant	2,109,439	2,165,334	55,895
Pupil Transportation	1,153,070	1,162,776	9,706
Central	1,649	4,754	3,105
Food Service Operations	1,180,710	1,304,991	124,281
Operation of Non-Instructional Services	576,845	419,654	(157,191)
Extracurricular Activities	924,306	756,580	(167,726)
Interest and Fiscal Charges	1,242,384	1,834,785	592,401
Total Program Expenses	<u>27,972,765</u>	<u>28,013,141</u>	<u>40,376</u>
Increase (Decrease) in Net Assets	1,100,070	1,004,742	95,328
<i>Net Assets Beginning of Year</i>	<u>10,756,885</u>	<u>9,752,143</u>	<u>1,004,742</u>
<i>Net Assets End of Year</i>	<u>\$11,856,955</u>	<u>\$10,756,885</u>	<u>\$1,100,070</u>

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

Approximately 58.41 percent of the School District's expenses are for instruction. Additional supporting services for pupils, staff, pupil transportation and business operations encompass 27.56 percent. The remaining amount of program expenses, 14.03 percent, are to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

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

Table 3
Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Governmental Activities:				
Instruction:				
Regular	\$12,848,630	\$12,013,139	\$11,894,857	\$11,298,943
Special	3,037,144	1,491,552	3,669,564	2,235,832
Vocational	453,114	453,114	384,792	306,529
Support Services:				
Pupils	1,046,462	995,291	1,103,060	997,477
Instructional Staff	828,311	824,295	776,993	740,303
Board of Education	105,316	105,316	78,489	77,114
Administration	1,800,528	1,594,366	1,804,292	1,522,503
Fiscal	424,232	424,232	421,404	196,302
Business	240,625	240,625	230,816	226,773
Operation and Maintenance of Plant	2,109,439	2,109,239	2,165,334	2,128,820
Pupil Transportation	1,153,070	433,709	1,162,776	382,790
Central	1,649	1,649	4,754	4,671
Food Service Operations	1,180,710	(22,096)	1,304,991	60,290
Operation of Non-Instructional Services	576,845	205,976	419,654	1,446
Extracurricular Activities	924,306	374,069	756,580	498,711
Interest and Fiscal Charges	1,242,384	1,242,384	1,834,785	1,834,785
Total	\$27,972,765	\$22,486,860	\$28,013,141	\$22,513,289

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 31.8 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 51.14 percent of expenses. Program revenues account for 19.61 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 \$28,931,956 and expenditures of \$27,001,734. The net change in fund balance for the year was most significant in the general fund with an increase of \$1,294,680. This increase is due to a continued effort by the School District to reduce expenditures while revenue has remained consistent with the prior year.

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 2008, 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 \$24,028,425, which was only slightly more than the original estimate of \$24,028,100. Final budget basis appropriations for expenditures totaled \$23,041,714 compared to the original estimate of \$22,870,601.

The total revenue variance between final budget and actual was \$631,307 or 2.63 percent of the final budget revenues. The total expenditure variance between final budget and actual amounted to \$306,441 or 1.33 percent of final budget expenditures.

The general fund's unencumbered ending cash balance totaled \$3,053,594, which was \$315,994 less than the final budgeted amount of \$3,369,588.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$31,077,721 invested in land, buildings and improvements, furniture, fixtures and equipment, textbooks and library books and vehicles. Table 4 shows fiscal 2008 values compared to 2007. 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, 2008
Unaudited

Table 4
Capital Assets at June 30
Governmental Activities

	2008	2007
Land	\$2,632,128	\$2,614,198
Buildings and Improvements	23,774,998	24,448,327
Furniture, Fixtures and Equipment	3,059,041	3,394,916
Textbooks and Library Books	565,239	810,760
Vehicles	1,046,315	923,611
<i>Total Capital Assets</i>	<u>\$31,077,721</u>	<u>\$32,191,812</u>

All capital assets, except land, are reported net of depreciation. As one can see, there was a decrease in capital assets during the fiscal year, due to depreciation expense exceeding capital asset additions.

Debt

At June 30, 2008 the School District had \$23,105,000 of facilities construction bonds and \$320,000 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

	2008	2007
Energy Conservation Bonds	\$320,000	\$355,000
School Facilities Bond	23,105,000	23,156,526
<i>Total</i>	<u>\$23,425,000</u>	<u>\$23,511,526</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 bonds were issued for capital improvements under House Bill 264. Improvements were approved by the Ohio Department of Education for energy conservation measures resulting in operating cost savings. These bonds will be fully repaid in calendar year 2015.

The School District's overall legal debt margin was \$9,082,127 with an unvoted debt margin of \$343,037 as of June 30, 2008.

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Current Issues Affecting Financial Condition

For School years 2003-2004 and 2004-2005, the Louisville City School District earned effective ratings with meeting 19 out of 22 score on the State Report Card. In 2005-2006, the Louisville City School District earned an excellent rating with meeting 24 out of 25 score on the State Report Card. Although by only one tenth of one percent, the School District rating dropped to effective again for 2006-2007.

The District received a rating of "Excellent with Distinction" for 2007-2008. Of 21 area school districts, only three other area schools received this rating. This is the highest possible rating for schools in Ohio.

ELPP: 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 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.

CFAP: 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 Louisville City School District voters 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 School and an addition to the High School.

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

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

General Operations: The School District has communicated to the community that it relies heavily upon their support for its operations, and will continue to work diligently to plan expenses, staying carefully within the School District's financial five-year plan. The community also realizes the income generated by local levies remains relatively constant, therefore, forcing the School District to come back to the voters from time to time to ask for additional support. The last approved operating levy for the School District was in 1992. The November 2006 request for a continuing 9.85 mill operating levy was soundly defeated (70 percent-30 percent). The Board made budget cuts in three phases totaling \$2.1 million, in order to live within the means of our revenue and available resources. These budget cuts include the textbooks budget, building supplies budgets, bus purchases, staff (through attrition), supplemental and extended time contracts, 1 bus route, and instituted pay-to-participate athletics and student activity fees at the high school and middle school. The unions settled on a three-year contract, which included a salary freeze the first year, and raises of 1.5 percent and 2.0 percent for the second and third years. The contracts also include joining the Stark County Council of Governments insurance consortium for medical, dental, vision and life insurance. Following a statistically verifiable community survey and budget cuts in place, the Board submitted a second request for voter-approval of an operating levy in May 2007. This request was asking for an incremental continuing operating levy to be phased in with three smaller tax increases over the course of four years, of 5.9 mills the first and second year, with additional 1.9 mills added in the third and fourth years, total 9.7 mills. This request failed at the polls by a 71-29 margin. The third request for an operating levy also failed (63-37) in November 2007.

The financial future of the School District is not without its challenges. These challenges will continue to exist, as the School District must continue to rely heavily on local property taxes to fund operations. The Board of Education and administration closely monitor revenues and expenditures in accordance with the financial forecast. Since the School District receives approximately 65 percent of revenues from the State for general fund expenditures, the recent budget shortfall for the State of Ohio is of great concern.

Management recognizes that net assets increased in 2008 due to the conscious budget cuts made by the Board to stabilize the general fund balance. This is a short-term fix. Management will make further spending cuts if the efforts to increase revenues are not successful. Management continues to measure its need for a future operating levy.

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 constitutional or state legislative and policy changes, if any, will have 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 impose the redistribution of commercial and industrial taxes that continue to adversely affect the public schools.

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Doug Winkler, Treasurer, at Louisville City School District, 418 E. Main Street, Louisville, Ohio 44641, or email at Dwinkler@louisville.sparcc.org.

Louisville City School District

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,181,519
Accounts Receivable	1,153
Intergovernmental Receivable	193,416
Inventory Held for Resale	20,467
Materials and Supplies Inventory	61,799
Property Taxes Receivable	7,900,919
Nondepreciable Capital Assets	2,632,128
Depreciable Capital Assets, Net	<u>28,445,593</u>
<i>Total Assets</i>	<u>46,436,994</u>
Liabilities	
Accounts Payable	5,164
Accrued Wages Payable	2,150,519
Matured Compensated Absences Payable	88,022
Intergovernmental Payable	416,499
Deferred Revenue	7,111,369
Accrued Interest Payable	94,794
Claims Payable	32,043
Long-Term Liabilities:	
Due Within One Year	360,062
Due In More Than One Year	<u>24,321,567</u>
<i>Total Liabilities</i>	<u>34,580,039</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	7,652,721
Restricted for:	
Capital Projects	1,031,715
Debt Service	1,274,474
Set Asides	136,820
District Managed Student Activities	262,059
Uniform School Supplies	56,938
Title VI-B	132,780
Summer School	38,325
Public School Support	43,601
Other Purposes	170,559
Unrestricted	<u>1,056,963</u>
<i>Total Net Assets</i>	<u><u>\$11,856,955</u></u>

See accompanying notes to the basic financial statements

Louisville City School District

*Balance Sheet
Governmental Funds
June 30, 2008*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,964,331	\$1,236,258	\$1,775,299	\$5,975,888
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	181,990	0	0	181,990
Accounts Receivable	430	0	723	1,153
Interfund Receivable	5,898	0	0	5,898
Intergovernmental Receivable	13,198	0	180,218	193,416
Inventory Held for Resale	0	0	20,467	20,467
Materials and Supplies Inventory	57,232	0	4,567	61,799
Taxes Receivable	6,146,079	1,389,064	365,776	7,900,919
<i>Total Assets</i>	<u>\$9,369,158</u>	<u>\$2,625,322</u>	<u>\$2,347,050</u>	<u>\$14,341,530</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$2,406	\$0	\$2,758	\$5,164
Accrued Wages Payable	1,989,853	0	160,666	2,150,519
Interfund Payable	0	0	5,898	5,898
Matured Compensated Absences Payable	72,170	0	15,852	88,022
Intergovernmental Payable	347,969	0	68,530	416,499
Deferred Revenue	5,829,599	1,311,524	432,581	7,573,704
<i>Total Liabilities</i>	<u>8,241,997</u>	<u>1,311,524</u>	<u>686,285</u>	<u>10,239,806</u>
Fund Balances				
Reserved for Encumbrances	91,048	0	89,201	180,249
Reserved for Property Taxes	316,480	77,540	17,860	411,880
Reserved for Textbooks	136,820	0	0	136,820
Reserved for Bus Purchases	41,829	0	0	41,829
Reserved for Unclaimed Monies	3,341	0	0	3,341
Unreserved, Undesignated Reported in:				
General Fund	537,643	0	0	537,643
Special Revenue Funds	0	0	603,164	603,164
Debt Service Fund	0	1,236,258	0	1,236,258
Capital Projects Funds	0	0	950,540	950,540
<i>Total Fund Balances</i>	<u>1,127,161</u>	<u>1,313,798</u>	<u>1,660,765</u>	<u>4,101,724</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$9,369,158</u>	<u>\$2,625,322</u>	<u>\$2,347,050</u>	<u>\$14,341,530</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, 2008*

Total Governmental Funds Balances		\$4,101,724
 <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.		31,077,721
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, intergovernmental and accounts receivable.		
Property Taxes	377,670	
Intergovernmental	<u>84,665</u>	
Total		462,335
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(94,794)
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	(23,105,000)	
Energy Conservation Bonds	(320,000)	
Compensated Absences	(1,183,274)	
Early Retirement Incentive	<u>(73,355)</u>	
Total		(24,681,629)
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.		<u>991,598</u>
<i>Net Assets of Governmental Activities</i>		<u>\$11,856,955</u>

See accompanying notes to the basic financial statements

Louisville City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$6,827,605	\$1,614,412	\$369,949	\$8,811,966
Intergovernmental	15,666,571	226,537	1,827,340	17,720,448
Interest	306,595	0	9,766	316,361
Tuition and Fees	171,930	0	142,742	314,672
Extracurricular Activities	208,496	0	550,237	758,733
Contributions and Donations	200	0	2,423	2,623
Customer Sales and Services	17,024	0	816,916	833,940
Rentals	102,483	0	0	102,483
Miscellaneous	70,730	0	0	70,730
<i>Total Revenues</i>	<u>23,371,634</u>	<u>1,840,949</u>	<u>3,719,373</u>	<u>28,931,956</u>
Expenditures				
Current:				
Instruction:				
Regular	11,570,825	0	375,798	11,946,623
Special	2,508,081	0	508,131	3,016,212
Vocational	447,774	0	112	447,886
Support Services:				
Pupils	887,455	0	137,395	1,024,850
Instructional Staff	736,664	0	14,956	751,620
Board of Education	105,316	0	0	105,316
Administration	1,499,343	0	259,084	1,758,427
Fiscal	390,301	27,481	6,360	424,142
Business	236,233	0	0	236,233
Operation and Maintenance of Plant	1,990,436	0	31,660	2,022,096
Pupil Transportation	1,130,661	0	135,857	1,266,518
Central	1,649	0	0	1,649
Food Service Operations	0	0	1,176,941	1,176,941
Operation of Non-Instructional Services	12,917	0	338,596	351,513
Extracurricular Activities	496,409	0	420,328	916,737
Capital Outlay	6,146	0	199,151	205,297
Debt Service:				
Principal Retirement	0	86,526	0	86,526
Interest and Fiscal Charges	0	1,263,148	0	1,263,148
<i>Total Expenditures</i>	<u>22,020,210</u>	<u>1,377,155</u>	<u>3,604,369</u>	<u>27,001,734</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,351,424</u>	<u>463,794</u>	<u>115,004</u>	<u>1,930,222</u>
Other Financing Sources (Uses)				
Transfers In	0	56,744	0	56,744
Transfers Out	(56,744)	0	0	(56,744)
<i>Total Other Financing Sources (Uses)</i>	<u>(56,744)</u>	<u>56,744</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,294,680	520,538	115,004	1,930,222
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(167,519)</u>	<u>793,260</u>	<u>1,545,761</u>	<u>2,171,502</u>
<i>Fund Balances End of Year</i>	<u>\$1,127,161</u>	<u>\$1,313,798</u>	<u>\$1,660,765</u>	<u>\$4,101,724</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, 2008*

Net Change in Fund Balances - Total Governmental Funds	\$1,930,222
<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	
Capital Outlay	359,926
Depreciation	<u>(1,474,017)</u>
Total	(1,114,091)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	83,020
Intergovernmental	58,084
Tuition and Fees	<u>(225)</u>
Total	140,879
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	86,526
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.	20,764
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	(98,130)
Early Retirement Incentive	<u>(27,669)</u>
Total	(125,799)
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.	
	<u>161,569</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$1,100,070</u></u>

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$7,551,200	\$7,551,200	\$6,825,645	(\$725,555)
Intergovernmental	15,493,210	15,493,210	15,691,762	198,552
Interest	392,490	392,490	306,595	(85,895)
Tuition and Fees	201,000	201,000	173,369	(27,631)
Extracurricular Activities	276,000	276,000	208,496	(67,504)
Contributions and Donations	0	0	200	200
Customer Sales and Services	17,600	17,600	17,024	(576)
Rentals	18,000	18,000	102,483	84,483
Miscellaneous	78,600	78,925	71,544	(7,381)
<i>Total Revenues</i>	24,028,100	24,028,425	23,397,118	(631,307)
Expenditures				
Current:				
Instruction:				
Regular	12,294,658	12,191,080	11,984,498	206,582
Special	2,423,724	2,558,953	2,551,343	7,610
Vocational	397,379	453,544	453,017	527
Support Services:				
Pupils	987,106	963,277	938,602	24,675
Instructional Staff	709,029	731,440	722,764	8,676
Board of Education	117,694	106,519	105,317	1,202
Administration	1,538,530	1,551,309	1,546,975	4,334
Fiscal	417,308	420,558	416,016	4,542
Business	228,879	240,279	239,190	1,089
Operation and Maintenance of Plant	2,176,789	2,071,732	2,049,790	21,942
Pupil Transportation	1,024,304	1,205,926	1,204,716	1,210
Central	5,100	2,050	2,048	2
Operation of Non-Instructional Services	9,550	39,601	16,423	23,178
Extracurricular Activities	528,326	499,086	498,428	658
Capital Outlay	12,225	6,360	6,146	214
<i>Total Expenditures</i>	22,870,601	23,041,714	22,735,273	306,441
<i>Excess of Revenues Over Expenditures</i>	1,157,499	986,711	661,845	(324,866)
Other Financing Sources (Uses)				
Transfers Out	(56,817)	(56,975)	(56,744)	231
Advance In	0	0	14,539	14,539
Advances Out	0	0	(5,898)	(5,898)
<i>Total Other Financing Sources (Uses)</i>	(56,817)	(56,975)	(48,103)	8,872
<i>Net Change in Fund Balance</i>	1,100,682	929,736	613,742	(315,994)
<i>Fund Balance Beginning of Year</i>	2,029,191	2,029,191	2,029,191	0
Prior Year Encumbrances Appropriated	410,661	410,661	410,661	0
<i>Fund Balance End of Year</i>	\$3,540,534	\$3,369,588	\$3,053,594	(\$315,994)

See accompanying notes to the basic financial statements

Louisville City School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2008

	<u>Insurance</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,023,641
Liabilities	
Claims Payable	<u>32,043</u>
Net Assets	
Unrestricted	<u><u>\$991,598</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, 2008*

	Insurance
Operating Revenues	
Charges for Services	\$298,548
Operating Expenses	
Purchased Services	33,963
Claims	103,016
<i>Total Operating Expenses</i>	136,979
<i>Change in Net Assets</i>	161,569
<i>Net Assets Beginning of Year</i>	830,029
<i>Net Assets End of Year</i>	\$991,598

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, 2008

	Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$298,548
Cash Payments for Goods and Services	(33,963)
Cash Payments for Claims	(449,839)
<i>Net Decrease in Cash and Cash Equivalents</i>	(185,254)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,208,895
<i>Cash and Cash Equivalents End of Year</i>	\$1,023,641
 <i>Reconciliation of Operating Income</i>	
<i>to Net Cash Used in Operating Activities</i>	
<i>Operating Income</i>	\$161,569
 Adjustments to Reconcile Operating Income to	
Net Cash Used in Operating Activities	
Decrease in Claims Payable	(346,823)
<i>Net Cash Used in Operating Activities</i>	(\$185,254)
 See accompanying notes to the basic financial statements	

Louisville City School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2008

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$107,318</u>
--	------------------

Liabilities

Due to Students	<u>\$107,318</u>
-----------------	------------------

See accompanying notes to the basic financial statements

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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 149 classified employees and 218 certificated employees who provide services to 3,335 students and other community members.

Reporting Entity

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

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 Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

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

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

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 Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

Bond Retirement Debt Service Fund The bond retirement 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 dated prior to October 31, 2007.

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

E. Cash and Cash Equivalents

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

During fiscal year 2008, investments were limited to STAROhio and a repurchase agreement. 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, 2008.

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 2008 amounted to \$306,595, which includes \$170,023 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. Restricted Assets

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

G. Inventory

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

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

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

I. Interfund Balances

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

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

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

K. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due.

L. Internal Activity

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

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

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, textbooks, 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.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$3,147,271 of restricted net assets, none of which 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.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

O. Operating Revenues and Expenses

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

P. 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.

Q. 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.

R. Budgetary Data

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

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

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 3 – Change in Accounting Principles

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the STRS and the SERS post-employment healthcare plan in the amounts of \$11,698 and \$85,691, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

Note 4 - Fund Deficits

Fund balances at June 30, 2008, included the following individual fund deficits:

Special Revenue Funds:	
Entry Year	\$10
Ohio Reads	11,152
Intervention/Poverty Based Assistance	6,211
Title I	38,538
Title VI	617
Preschool	475
Class Size Reduction	2,318

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.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 5 - Budgetary Basis of Accounting

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

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

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

Net Change in Fund Balance	
GAAP Basis	\$1,294,680
Net Adjustment for Revenue Accruals	25,484
Advance In	14,539
Net Adjustment for Expenditure Accruals	(622,336)
Advance Out	(5,898)
Encumbrances	<u>(92,727)</u>
Budget Basis	<u>\$613,742</u>

Note 6 - Deposits and Investments

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

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

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

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

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

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a 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, \$102,859 of the School District's bank balance of \$125,883 was uninsured and uncollateralized. Although collateral securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits 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 repayment of all public monies deposited in the financial institution those market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2008, 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	\$6,861,400	53.80 day average
Repurchase Agreement:		
Federal Home Loan Mortgage Notes	420,000	1 day
Total Investments	\$7,281,400	

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

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

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, 2008:

	Percentage of Investments
STAROhio	94.2 %
Repurchase Agreement	5.8

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. 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 advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 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, 2008 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.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The amount available as an advance at June 30, 2008 was \$316,480 in the general fund, \$77,540 in the bond retirement debt service fund, and \$17,860 in the permanent improvements capital projects fund. The amount available as an advance at June 30, 2007, was \$314,520 in the general fund, \$86,490 in the bond retirement debt service fund, and \$17,780 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 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$331,563,680	94.45 %	\$337,458,300	96.22 %
Public Utility Personal	9,293,710	2.65	7,449,870	2.12
Tangible Personal Property	10,205,213	2.90	5,807,584	1.65
Total	\$351,062,603	100.00 %	\$350,715,754	100.00 %
Tax rate per \$1,000 of assessed valuation	\$54.50		\$53.90	

Note 8 - Receivables

Receivables at June 30, 2008, 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 except for a portion of the delinquent property taxes are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
IDEA-B	\$162,192
Miscellaneous	13,198
Title II-A	8,180
Title VI	4,344
Early Childhood Special Education	3,211
Title I	2,291
<i>Total Governmental Activities</i>	\$193,416

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

	Balance 7/1/07	Additions	Deductions	Balance 6/30/08
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$2,614,198	\$17,930	\$0	\$2,632,128
Capital Assets, being Depreciated:				
Buildings and Improvements	33,007,868	42,679	0	33,050,547
Furniture, Fixtures and Equipment	6,086,320	70,172	(9,701)	6,146,791
Textbooks and Library Books	2,379,090	0	0	2,379,090
Vehicles	2,023,287	229,145	(36,530)	2,215,902
Total Capital Assets, being Depreciated	<u>43,496,565</u>	<u>341,996</u>	<u>(46,231)</u>	<u>43,792,330</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(8,559,541)	(716,008)	0	(9,275,549)
Furniture, Fixtures and Equipment	(2,691,404)	(406,047)	9,701	(3,087,750)
Textbooks and Library Books	(1,568,330)	(245,521)	0	(1,813,851)
Vehicles	(1,099,676)	(106,441)	36,530	(1,169,587)
Total Accumulated Depreciation	<u>(13,918,951)</u>	<u>(1,474,017) *</u>	<u>46,231</u>	<u>(15,346,737)</u>
Total Capital Assets, being Depreciated, net	<u>29,577,614</u>	<u>(1,132,021)</u>	<u>0</u>	<u>28,445,593</u>
Governmental Activities Capital Assets, Net	<u>\$32,191,812</u>	<u>(\$1,114,091)</u>	<u>\$0</u>	<u>\$31,077,721</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$903,586
Special	43,122
Vocational	7,336
Support Services:	
Pupils	27,430
Instructional Staff	99,385
Administration	33,810
Operation and Maintenance of Plant	106,022
Pupil Transportation	109,178
Operation of Non-Instructional Services	111,506
Extracurricular Activities	32,642
Total Depreciation Expense	<u>\$1,474,017</u>

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 10 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2008 were as follows:

	Amount			Amount	Amounts
	Outstanding 6/30/07	Additions	Deletions	Outstanding 6/30/08	Due in One Year
Governmental Activities					
School Facilities Bonds (2.25%-5.0%)	\$23,156,526	\$0	\$51,526	\$23,105,000	\$200,000
Energy Conservation Bonds (6.125%)	355,000	0	35,000	320,000	40,000
Compensated Absences	1,009,452	281,434	107,612	1,183,274	74,376
Early Retirement Incentive	121,378	27,669	75,692	73,355	45,686
Total Governmental Activities	\$24,642,356	\$309,103	\$269,830	\$24,681,629	\$360,062

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

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

The school facilities bonds and the energy conservation bonds will be paid from the debt service fund. Compensated absences and the early retirement incentive are to be paid from the General fund, Food Service, Auxiliary Services, and Title I special revenue funds.

The overall debt margin of the School District as of June 30, 2008 was \$9,082,127 with an unvoted debt margin of \$343,037. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2008 are as follows:

Year Ending June 30,	School Facilities Bonds		Energy Conservation Bonds	
	Principal	Interest	Principal	Interest
2008	\$0	\$0	\$0	\$0
2009	200,000	1,114,330	40,000	19,600
2010	275,000	1,105,574	40,000	17,150
2011	310,000	1,094,450	40,000	14,700
2012	350,000	1,081,482	45,000	12,250
2013	440,000	1,065,462	50,000	9,494
2014-2018	3,110,000	4,972,969	105,000	9,800
2019-2023	5,405,000	3,979,250	0	0
2024-2028	8,510,000	2,265,000	0	0
2029-2030	4,505,000	229,125	0	0
Total	\$23,105,000	\$16,907,642	\$320,000	\$82,994

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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 \$128,122 to SPARCC during fiscal year 2008 for services. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 2100 38th Street N.W., Canton, Ohio 44709.

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

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Louisville Public Library, 700 Lincoln Avenue, Louisville, Ohio 44641.

Note 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 2008, the School District's contracted with Indiana Insurance for the following coverage:

Type of Coverage	Coverage	Deductible
Liability	\$1,000,000/\$2,000,000	\$5,000
School Leaders Errors/Omissions	\$1,000,000/\$1,000,000	\$2,500
Law Enforcement Liability	\$1,000,000/\$1,000,000	\$2,500
Sexual Misconduct/Molestation	\$1,000,000/\$1,000,000	\$0
Employers Stop Gap Liability	\$1,000,000/\$2,000,000	\$0
Employee Benefits Liability	\$1,000,000/\$3,000,000	\$1,000
Excess Liability/Umbrella	\$5,000,000/\$5,000,000	\$0
Fleet Insurance	\$1,000,000 liability	\$250/\$500
Property Insurance	\$83,262,544	\$5,000
Inland Marine	\$1,177,700	\$500
Crime	\$50,000	\$1,000
Employee Dishonesty	\$50,000	\$1,000
Terrorism Coverage	N/A	N/A

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

B. Worker's Compensation

The School District participates in the Stark County Schools Council of Government Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 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 Comp Management Inc. provides administrative, cost control and actuarial services to the GRP, and the firm of AultComp provides medical review analysis services to the GRP.

C. Employee Insurance Benefits

As of November 1, 2007, the School District is no longer self insured. The self insurance fund is being utilized for the transition period to account for any run off claims dated prior to October 31, 2007. At this time the School District has made no plans for the balance of the fund.

The claims liability of \$32,043 reported in the internal service fund at June 30, 2008 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claim Payments	Balance at End of Fiscal Year
2007	\$441,036	\$2,273,145	\$2,335,315	\$378,866
2008	378,866	103,016	449,839	32,043

Note 15 - Defined Benefit Pension Plans

A. School Employee Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$289,419, \$324,757 and \$323,882 respectively; 70.73 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

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

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,614,938, \$1,558,154, and \$1,616,017 respectively; 91.49 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$11,290 made by the School District and \$60,273 made by the plan members.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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 of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

Note 16 - Postemployment Benefits

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$47,407.

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$132,071, \$151,472, and \$139,512 respectively; 70.73 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$6,103, \$10,300, and \$11,104 respectively; 70.73 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$124,226, \$124,309, and \$119,858 respectively; 91.49 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

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. Ten employees retired in fiscal year 2007 and eight in fiscal year 2008 that took advantage of the early retirement incentive offered by the District. The doubled portion relating to these retirees totaled \$45,686 for fiscal year 2007 retirees and \$27,669 for fiscal year 2008 and is paid on July 15, the following year. These expenditures are reflected in the funds from which the employee's salary and severance are paid.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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.

E. Insurance Benefits

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

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, 2007	(\$37,545)	\$0
Current Year Set-aside Requirement	521,596	521,596
Current Year Offsets	0	(441,576)
Qualifying Disbursements	(347,231)	(113,876)
Totals	<u>\$136,820</u>	<u>(\$33,856)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$136,820</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2008	<u>\$136,820</u>	<u>\$0</u>

Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the two set-asides at the end of the fiscal year was \$136,820.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 19 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

The School District is not party to legal proceedings.

Note 20 - Interfund Balances and Transfers

Interfund balances for the year ended June 30, 2008, consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$5,898	\$0
Special Revenue Funds:		
Title I	0	1,675
Title VI	0	4,223
<i>Total Special Revenue Funds</i>	0	5,898
Total All Funds	\$5,898	\$5,898

Interfund payables in the special revenue funds are due to the timing of the receipt of grant monies received by the various funds. All balances are expected to be paid next fiscal year.

During fiscal year 2008, the general fund transferred \$56,744 to the bond retirement debt service fund for debt obligations.

Note 21 – Subsequent Event

On November 4, 2008, constituents of the School District passed a 1.5 mill bond issue to be retired over 28 years and a 1.3 mill continuing permanent improvement levy. The bond issue is part of the Classroom Facilities Assistance Program (CFAP) with the Ohio School Facilities Commission (OSFC). The \$8.5 million local bond issue will be combined with over \$37.7 million provided by the State to build a new elementary school and improvements to the Louisville High School. The permanent improvement levy will be used to provide .5 mills for maintenance as required by the OSFC and additional dollars for the additional capital needs of the School District.

**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***

Louisville City School District
418 East Main Street
Louisville, Ohio 44641

To the Board of Education

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Louisville City School District (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 22, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinions on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

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)

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*.

We noted certain matters that we reported to management of the District in a separate letter dated April 22, 2009.

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

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

April 22, 2009

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

Louisville City School District
418 East Main Street
Louisville, Ohio 44641

To the Board of Education

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 its major federal programs for the year ended June 30, 2008. The District's major federal programs 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 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 District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of management, the Board of Education, others within the District, 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

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

April 22, 2009

Louisville City School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Program Year	Receipts	Disbursements
<u>U. S. Department of Agriculture</u>				
<i>Passed through Ohio Department of Education</i>				
Child Nutrition Cluster:				
National School Breakfast Program	10.553	2008	\$61,074	\$61,074
Total National School Breakfast Program			61,074	61,074
National School Lunch Program	10.555	2008	384,130	384,130
Total National School Lunch Program			384,130	384,130
Total Child Nutrition Cluster			445,204	445,204
Food Donation	10.550	---	116,289	116,289
Total U. S. Department of Agriculture			561,493	561,493
<u>U. S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
<u>Title I Grants to Local Education Agencies</u>				
Title I Grants to Local Education Agencies	84.010	2007	5,664	3,336
Title I Grants to Local Education Agencies	84.010	2008	124,539	126,214
Total Title I Grants to Local Educational Agencies			130,203	129,550
Special Education Cluster:				
Special Education-Grants to States	84.027	2007	110,103	104,466
Special Education-Grants to States	84.027	2008	550,971	509,171
Total Special Education-Grants to States			661,074	613,637
Special Education-Preschool Grants	84.173	2008	19,176	18,838
Total Special Education Cluster			680,250	632,475
Safe and Drug-Free Schools and Communities - State Grants	84.186	2007	0	174
Safe and Drug-Free Schools and Communities - State Grants	84.186	2008	8,641	7,520
Total Safe and Drug-Free Schools and Communities - State Grants			8,641	7,694
State Grants for Innovative Programs	84.298	2007	0	439
State Grants for Innovative Programs	84.298	2008	4,319	8,481
Total State Grants for Innovative Programs			4,319	8,920
Technology Literacy Challenge Fund Grants	84.318	2007	0	198
Technology Literacy Challenge Fund Grants	84.318	2008	1,308	681
Total Technology Literacy Challenge Fund Grants			1,308	879
Improving Teacher Quality State Grants	84.367	2007	0	18,285
Improving Teacher Quality State Grants	84.367	2008	92,905	89,469
Total Improving Teacher Quality State Grants			92,905	107,754
Total U. S. Department of Education			917,626	887,272
Total Federal Assistance			\$1,479,119	\$1,448,765

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, 2008

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. 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 – CHILD NUTRITION CLUSTER

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

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

LOUISVILLE CITY SCHOOL DISTRICT

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 significant deficiencies 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 significant deficiencies 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, 2008
(CONTINUED)**

(d)(1)(vii)	Major Programs:	Special Education Cluster: Special Education - Grants to States, CFDA #84.027 and Special Education-Preschool Grants, CFDA #84.173; Child Nutrition Cluster: National School Breakfast Program, CFDA #10.553 National School Lunch Program, CFDA #10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-01	Special Education – Grants to States program; District requested and received funds in excess of what was expended to date.	Yes	Fully Corrected.
2007-02	Special Education – Preschool program; District requested and received funds in excess of what was expended to date.	Yes	Fully Corrected.



Mary Taylor, CPA
Auditor of State

LOUISVILLE CITY SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 9, 2009**