



**LOUISVILLE CITY SCHOOL DISTRICT  
STARK COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2002**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**





**Auditor of State  
Betty Montgomery**

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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State



**LOUISVILLE CITY SCHOOL DISTRICT  
STARK COUNTY**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Louisville City School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2002, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Louisville City School District, Stark County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types 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 December 20, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized, cursive script.

**Jim Petro**  
Auditor of State

December 20, 2002

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**Louisville City School District**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups*  
*June 30, 2002*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,645,440	\$437,604	\$231,892	\$26,069,294
Cash and Cash Equivalents In Segregated Accounts	0	0	0	0
Receivables:				
Taxes	7,108,574	0	1,993,081	464,017
Accounts	2,032	0	0	0
Accrued Interest	19,281	0	0	153,902
Intergovernmental	77,503	74,449	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	46,417	5,361	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	87,389	0	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0
<b>Other Debits</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<u>\$10,986,636</u>	<u>\$517,414</u>	<u>\$2,224,973</u>	<u>\$26,687,213</u>

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$306,636	\$0	\$91,885	\$0	\$0	\$30,782,751
0	528,896	0	0	0	528,896
0	0	0	0	0	9,565,672
0	0	0	0	0	2,032
0	0	0	0	0	173,183
0	0	0	0	0	151,952
27,183	0	0	0	0	27,183
4,355	0	0	0	0	56,133
0	0	0	0	0	87,389
90,726	0	0	17,848,170	0	17,938,896
0	0	0	0	231,892	231,892
0	0	0	0	27,669,113	27,669,113
<u>\$428,900</u>	<u>\$528,896</u>	<u>\$91,885</u>	<u>\$17,848,170</u>	<u>\$27,901,005</u>	<u>\$87,215,092</u>

(continued)

**Louisville City School District**  
**Combined Balance Sheet**  
*All Fund Types and Account Groups (continued)*  
June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Liabilities, Fund Equity and Other Credits</b>				
<b>Liabilities</b>				
Accounts Payable	\$62,881	\$6,735	\$0	\$15,381
Contracts Payable	0	0	0	86,405
Accrued Wages	1,892,375	93,949	0	0
Compensated Absences Payable	136,907	0	0	0
Intergovernmental Payable	274,242	25,094	0	0
Deferred Revenue	6,967,134	0	1,946,891	454,907
Claims Payable	0	0	0	0
Due to Students	0	0	0	0
School Facilities Bonds Payable	0	0	0	0
Energy Conservation Bonds Payable	0	0	0	0
<i>Total Liabilities</i>	<u>9,333,539</u>	<u>125,778</u>	<u>1,946,891</u>	<u>556,693</u>
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	352,388	87,611	0	94,458
Reserved for Inventory	46,417	5,361	0	0
Reserved for Debt Service Principal	0	0	231,892	0
Reserved for Unclaimed Monies	2,842	0	0	0
Reserved for Property Taxes	141,440	0	46,190	9,110
Reserved for Textbooks	21,900	0	0	0
Reserved for Bus Purchases	65,489	0	0	0
Unreserved:				
Designated for Budget Stabilization	763,982	0	0	0
Designated for Capital Maintenance	8,854	0	0	0
Designated for Textbooks	248,933	0	0	0
Undesignated	852	298,664	0	26,026,952
<i>Total Fund Equity and Other Credits</i>	<u>1,653,097</u>	<u>391,636</u>	<u>278,082</u>	<u>26,130,520</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u>\$10,986,636</u>	<u>\$517,414</u>	<u>\$2,224,973</u>	<u>\$26,687,213</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$2,188	\$0	\$0	\$0	\$0	\$87,185
0	0	0	0	0	86,405
51,488	0	0	0	0	2,037,812
23,969	0	0	0	986,823	1,147,699
42,261	0	0	0	139,182	480,779
17,602	0	0	0	0	9,386,534
0	162,777	0	0	0	162,777
0	0	91,885	0	0	91,885
0	0	0	0	26,270,000	26,270,000
0	0	0	0	505,000	505,000
<u>137,508</u>	<u>162,777</u>	<u>91,885</u>	<u>0</u>	<u>27,901,005</u>	<u>40,256,076</u>
0	0	0	17,848,170	0	17,848,170
291,392	366,119	0	0	0	657,511
0	0	0	0	0	534,457
0	0	0	0	0	51,778
0	0	0	0	0	231,892
0	0	0	0	0	2,842
0	0	0	0	0	196,740
0	0	0	0	0	21,900
0	0	0	0	0	65,489
0	0	0	0	0	763,982
0	0	0	0	0	8,854
0	0	0	0	0	248,933
0	0	0	0	0	26,326,468
<u>291,392</u>	<u>366,119</u>	<u>0</u>	<u>17,848,170</u>	<u>0</u>	<u>46,959,016</u>
<u>\$428,900</u>	<u>\$528,896</u>	<u>\$91,885</u>	<u>\$17,848,170</u>	<u>\$27,901,005</u>	<u>\$87,215,092</u>

**Louisville City School District**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 2002**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Revenues</b>					
Property and Other Local Taxes	\$6,522,344	\$0	\$815,654	\$373,325	\$7,711,323
Intergovernmental	11,131,423	1,349,814	107,194	167,161	12,755,592
Interest	145,905	8,893	0	765,121	919,919
Tuition and Fees	127,108	0	0	0	127,108
Extracurricular Activities	0	320,935	0	0	320,935
Customer Services	15,745	0	0	0	15,745
Contributions and Donations	3,565	14,718	0	1,289	19,572
Rentals	37,375	0	0	0	37,375
Miscellaneous	29,547	0	0	0	29,547
<i>Total Revenues</i>	<u>18,013,012</u>	<u>1,694,360</u>	<u>922,848</u>	<u>1,306,896</u>	<u>21,937,116</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	9,196,585	367,674	0	0	9,564,259
Special	1,956,642	277,135	0	0	2,233,777
Vocational	359,369	0	0	0	359,369
Support Services:					
Pupils	743,594	72,219	0	0	815,813
Instructional Staff	659,064	135,050	0	0	794,114
Board of Education	4,702	0	0	0	4,702
Administration	1,293,385	167,547	0	0	1,460,932
Fiscal	371,283	0	0	0	371,283
Business	94,452	0	0	0	94,452
Operation and Maintenance of Plant	1,310,674	0	0	0	1,310,674
Pupil Transportation	808,923	0	0	0	808,923
Central	2,408	2,984	0	0	5,392
Operation of Non-Instructional Services	63,689	395,644	0	0	459,333
Extracurricular Activities	377,214	182,077	0	0	559,291
Capital Outlay	31,760	0	0	2,017,137	2,048,897
Debt Service:					
Principal Retirement	0	0	25,000	0	25,000
Interest and Fiscal Charges	0	0	768,128	0	768,128
<i>Total Expenditures</i>	<u>17,273,744</u>	<u>1,600,330</u>	<u>793,128</u>	<u>2,017,137</u>	<u>21,684,339</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>739,268</u>	<u>94,030</u>	<u>129,720</u>	<u>(710,241)</u>	<u>252,777</u>
<b>Other Financing Sources (Uses)</b>					
Other Financing Sources	0	0	75,824	0	75,824
Proceeds from Sale of School Facilities Bonds	0	0	0	26,270,000	26,270,000
Operating Transfers In	0	0	57,463	42,050	99,513
Operating Transfers Out	(99,513)	0	0	0	(99,513)
<i>Total Other Financing Sources (Uses)</i>	<u>(99,513)</u>	<u>0</u>	<u>133,287</u>	<u>26,312,050</u>	<u>26,345,824</u>
<i>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</i>	639,755	94,030	263,007	25,601,809	26,598,601
<i>Fund Balances Beginning of Year</i>	1,010,291	297,082	15,075	528,711	1,851,159
Increase in Reserve for Inventory	3,051	524	0	0	3,575
<i>Fund Balances End of Year</i>	<u>\$1,653,097</u>	<u>\$391,636</u>	<u>\$278,082</u>	<u>\$26,130,520</u>	<u>\$28,453,335</u>

See accompanying notes to the general purpose financial statements

**Louisville City School District**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2002*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Property and Other Local Taxes	\$6,586,606	\$6,544,034	(\$42,572)
Intergovernmental	11,138,905	11,134,363	(4,542)
Interest	160,000	155,442	(4,558)
Tuition and Fees	75,730	61,540	(14,190)
Extracurricular Activities	0	0	0
Customer Services	15,818	15,745	(73)
Contributions and Donations	3,070	3,565	495
Rentals	37,000	37,375	375
Miscellaneous	20,075	30,286	10,211
<i>Total Revenues</i>	<u>18,037,204</u>	<u>17,982,350</u>	<u>(54,854)</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	9,541,548	9,457,734	83,814
Special	2,007,263	1,970,766	36,497
Vocational	355,496	354,336	1,160
Support Services:			
Pupils	731,727	723,824	7,903
Instructional Staff	645,209	637,480	7,729
Board of Education	68,073	67,844	229
Administration	1,308,325	1,299,917	8,408
Fiscal	369,671	368,842	829
Business	92,160	91,255	905
Operation and Maintenance of Plant	1,382,242	1,321,822	60,420
Pupil Transportation	822,083	816,851	5,232
Central	2,410	2,408	2
Operation of Non-Instructional Services	64,135	63,599	536
Extracurricular Activities	381,186	380,722	464
Capital Outlay	177,700	33,570	144,130
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>17,949,228</u>	<u>17,590,970</u>	<u>358,258</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>87,976</u>	<u>391,380</u>	<u>303,404</u>
<b>Other Financing Sources (Uses)</b>			
Other Financing Sources	0	0	0
Proceeds From Sale of School Facilities Notes	0	0	0
Proceeds From Sale of School Facilities Bonds	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(99,513)	(99,513)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(99,513)</u>	<u>(99,513)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(11,537)	291,867	303,404
<i>Fund Balances Beginning of Year</i>	2,869,337	2,869,337	0
Prior Year Encumbrances Appropriated	188,954	188,954	0
<i>Fund Balances End of Year</i>	<u>\$3,046,754</u>	<u>\$3,350,158</u>	<u>\$303,404</u>

(continued)

**Louisville City School District**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types (continued)  
For the Fiscal Year Ended June 30, 2002*

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Property and Other Local Taxes	\$0	\$0	\$0
Intergovernmental	1,405,040	1,334,285	(70,755)
Interest	8,885	8,893	8
Tuition and Fees	0	0	0
Extracurricular Activities	325,155	320,935	(4,220)
Customer Services	0	0	0
Contributions and Donations	14,479	14,718	239
Rentals	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>1,753,559</u>	<u>1,678,831</u>	<u>(74,728)</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	478,176	422,342	55,834
Special	362,346	271,270	91,076
Vocational	0	0	0
Support Services:			
Pupils	87,351	70,809	16,542
Instructional Staff	160,437	139,045	21,392
Board of Education	0	0	0
Administration	185,985	181,258	4,727
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	2,984	2,984	0
Operation of Non-Instructional Services	520,722	441,133	79,589
Extracurricular Activities	212,236	210,894	1,342
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>2,010,237</u>	<u>1,739,735</u>	<u>270,502</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(256,678)</u>	<u>(60,904)</u>	<u>195,774</u>
<b>Other Financing Sources (Uses)</b>			
Other Financing Sources	0	0	0
Proceeds From Sale of School Facilities Notes	0	0	0
Proceeds From Sale of School Facilities Bonds	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(256,678)</u>	<u>(60,904)</u>	<u>195,774</u>
<i>Fund Balances Beginning of Year</i>	310,775	310,775	0
Prior Year Encumbrances Appropriated	93,914	93,914	0
<i>Fund Balances End of Year</i>	<u>\$148,011</u>	<u>\$343,785</u>	<u>\$195,774</u>

Debt Service			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$773,000	\$769,464	(\$3,536)	\$379,185	\$374,735	(\$4,450)
100,000	107,194	7,194	167,450	167,161	(289)
0	0	0	611,350	611,219	(131)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	1,400	1,289	(111)
0	0	0	0	0	0
0	0	0	0	0	0
873,000	876,658	3,658	1,159,385	1,154,404	(4,981)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	2,078,862	2,029,331	49,531
26,295,000	26,295,000	0	0	0	0
1,127,883	1,127,883	0	0	0	0
27,422,883	27,422,883	0	2,078,862	2,029,331	49,531
(26,549,883)	(26,546,225)	3,658	(919,477)	(874,927)	44,550
0	75,824	75,824	0	0	0
26,628,111	26,629,755	1,644	0	0	0
0	0	0	26,270,000	26,270,000	0
57,463	57,463	0	42,050	42,050	0
0	0	0	0	0	0
26,685,574	26,763,042	77,468	26,312,050	26,312,050	0
135,691	216,817	81,126	25,392,573	25,437,123	44,550
15,075	15,075	0	515,859	515,859	0
0	0	0	2,404	2,404	0
\$150,766	\$231,892	\$81,126	\$25,910,836	\$25,955,386	\$44,550

(continued)

**Louisville City School District**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual**  
**All Governmental Fund Types (continued)**  
**For the Fiscal Year Ended June 30, 2002**

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Property and Other Local Taxes	\$7,738,791	\$7,688,233	(\$50,558)
Intergovernmental	12,811,395	12,743,003	(68,392)
Interest	780,235	775,554	(4,681)
Tuition and Fees	75,730	61,540	(14,190)
Extracurricular Activities	325,155	320,935	(4,220)
Customer Services	15,818	15,745	(73)
Contributions and Donations	18,949	19,572	623
Rentals	37,000	37,375	375
Miscellaneous	20,075	30,286	10,211
<i>Total Revenues</i>	<u>21,823,148</u>	<u>21,692,243</u>	<u>(130,905)</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	10,019,724	9,880,076	139,648
Special	2,369,609	2,242,036	127,573
Vocational	355,496	354,336	1,160
Support Services:			
Pupils	819,078	794,633	24,445
Instructional Staff	805,646	776,525	29,121
Board of Education	68,073	67,844	229
Administration	1,494,310	1,481,175	13,135
Fiscal	369,671	368,842	829
Business	92,160	91,255	905
Operation and Maintenance of Plant	1,382,242	1,321,822	60,420
Pupil Transportation	822,083	816,851	5,232
Central	5,394	5,392	2
Operation of Non-Instructional Services	584,857	504,732	80,125
Extracurricular Activities	593,422	591,616	1,806
Capital Outlay	2,256,562	2,062,901	193,661
Debt Service:			
Principal Retirement	26,295,000	26,295,000	0
Interest and Fiscal Charges	1,127,883	1,127,883	0
<i>Total Expenditures</i>	<u>49,461,210</u>	<u>48,782,919</u>	<u>678,291</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(27,638,062)</u>	<u>(27,090,676)</u>	<u>547,386</u>
<b>Other Financing Sources (Uses)</b>			
Other Financing Sources	0	75,824	75,824
Proceeds From Sale of School Facilities Notes	26,628,111	26,629,755	1,644
Proceeds From Sale of School Facilities Bonds	26,270,000	26,270,000	0
Operating Transfers In	99,513	99,513	0
Operating Transfers Out	(99,513)	(99,513)	0
<i>Total Other Financing Sources (Uses)</i>	<u>52,898,111</u>	<u>52,975,579</u>	<u>77,468</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>25,260,049</u>	<u>25,884,903</u>	<u>624,854</u>
<i>Fund Balances Beginning of Year</i>	<u>3,711,046</u>	<u>3,711,046</u>	<u>0</u>
Prior Year Encumbrances Appropriated	285,272	285,272	0
<i>Fund Balances End of Year</i>	<u>\$29,256,367</u>	<u>\$29,881,221</u>	<u>\$624,854</u>

See accompanying notes to the general purpose financial statements

**Louisville City School District**  
*Combined Statement of Revenues, Expenses  
and Changes in Retained Earnings  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 2002*

	Enterprise	Internal Service	Totals (Memorandum Only)
<b>Operating Revenues</b>			
Tuition	\$11,076	\$0	\$11,076
Sales	703,976	0	703,976
Charges for Services	0	1,811,189	1,811,189
<i>Total Operating Revenues</i>	<u>715,052</u>	<u>1,811,189</u>	<u>2,526,241</u>
<b>Operating Expenses</b>			
Salaries and Wages	394,041	0	394,041
Fringe Benefits	119,391	0	119,391
Purchased Services	26,489	210,788	237,277
Materials and Supplies	420,068	0	420,068
Cost of Sales	97,420	0	97,420
Depreciation	11,056	0	11,056
Claims	0	1,629,385	1,629,385
<i>Total Operating Expenses</i>	<u>1,068,465</u>	<u>1,840,173</u>	<u>2,908,638</u>
<i>Operating Loss</i>	<u>(353,413)</u>	<u>(28,984)</u>	<u>(382,397)</u>
<b>Non-Operating Revenues</b>			
Federal Donated Commodities	88,527	0	88,527
Operating Grants	231,388	0	231,388
Interest	5,661	0	5,661
<i>Total Non-Operating Revenues</i>	<u>325,576</u>	<u>0</u>	<u>325,576</u>
<i>Net Loss</i>	<u>(27,837)</u>	<u>(28,984)</u>	<u>(56,821)</u>
<i>Retained Earnings Beginning of Year</i>	<u>319,229</u>	<u>395,103</u>	<u>714,332</u>
<i>Retained Earnings End of Year</i>	<u><u>\$291,392</u></u>	<u><u>\$366,119</u></u>	<u><u>\$657,511</u></u>

See accompanying notes to the general purpose financial statements

**Louisville City School District**  
*Combined Statement of Revenues, Expenses and  
Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 2002*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Tuition	\$11,385	\$11,385	\$0
Sales	702,545	703,976	1,431
Charges for Services	0	0	0
Operating Grants	275,055	231,388	(43,667)
Interest	7,350	5,661	(1,689)
<i>Total Revenues</i>	<u>996,335</u>	<u>952,410</u>	<u>(43,925)</u>
<b>Expenses</b>			
Salaries	368,571	367,372	1,199
Fringe Benefits	146,508	146,221	287
Purchased Services	26,607	26,500	107
Materials and Supplies	430,028	429,884	144
Capital Outlay	9,455	9,452	3
<i>Total Expenses</i>	<u>981,169</u>	<u>979,429</u>	<u>1,740</u>
<i>Excess of Revenues Over (Under) Expenses</i>	15,166	(27,019)	(42,185)
<i>Fund Equity Beginning of Year</i>	328,516	328,516	0
Prior Year Encumbrances Appropriated	4,401	4,401	0
<i>Fund Equity End of Year</i>	<u><u>\$348,083</u></u>	<u><u>\$305,898</u></u>	<u><u>(\$42,185)</u></u>

Internal Service Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$11,385	\$11,385	\$0
0	0	0	702,545	703,976	1,431
1,817,330	1,811,189	(6,141)	1,817,330	1,811,189	(6,141)
0	0	0	275,055	231,388	(43,667)
0	0	0	7,350	5,661	(1,689)
<u>1,817,330</u>	<u>1,811,189</u>	<u>(6,141)</u>	<u>2,813,665</u>	<u>2,763,599</u>	<u>(50,066)</u>
0	0	0	368,571	367,372	1,199
1,606,352	1,606,352	0	1,752,860	1,752,573	287
210,978	210,788	190	237,585	237,288	297
0	0	0	430,028	429,884	144
0	0	0	9,455	9,452	3
<u>1,817,330</u>	<u>1,817,140</u>	<u>190</u>	<u>2,798,499</u>	<u>2,796,569</u>	<u>1,930</u>
0	(5,951)	(5,951)	15,166	(32,970)	(48,136)
534,847	534,847	0	863,363	863,363	0
0	0	0	4,401	4,401	0
<u>\$534,847</u>	<u>\$528,896</u>	<u>(\$5,951)</u>	<u>\$882,930</u>	<u>\$834,794</u>	<u>(\$48,136)</u>

See accompanying notes to the general purpose financial statements

**Louisville City School District**  
*Combined Statement of Cash Flows*  
*All Proprietary Fund Types*  
*For the Fiscal Year Ended June 30, 2002*

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$715,361	\$0	\$715,361
Cash Received from Quasi-External Transactions with Other Funds	0	1,811,189	1,811,189
Cash Payments to Employees for Services	(367,372)	0	(367,372)
Cash Payments for Employee Benefits	(146,221)	0	(146,221)
Cash Payments for Goods and Services	(455,646)	(210,788)	(666,434)
Cash Payments for Claims	0	(1,606,352)	(1,606,352)
<i>Net Cash Used for Operating Activities</i>	(253,878)	(5,951)	(259,829)
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating Grants Received	231,388	0	231,388
<b>Cash Flows from Capital and Related Financing Activities</b>			
Payments for Capital Acquisitions	(9,452)	0	(9,452)
<b>Cash Flows from Investing Activities</b>			
Interest on Investments	5,661	0	5,661
<i>Net Decrease in Cash and Cash Equivalents</i>	(26,281)	(5,951)	(32,232)
<i>Cash and Cash Equivalents Beginning of Year</i>	332,917	534,847	867,764
<i>Cash and Cash Equivalents End of Year</i>	\$306,636	\$528,896	\$835,532
<b><i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</i></b>			
<i>Operating Loss</i>	(\$353,413)	(\$28,984)	(\$382,397)
<b>Adjustments</b>			
Depreciation	11,056	0	11,056
Donated Commodities Used During Year	88,527	0	88,527
Decrease in Assets:			
Accounts Receivable	309	0	309
Inventory Held for Resale	3,426	0	3,426
Materials and Supplies Inventory	13	0	13
Increase (Decrease) in Liabilities:			
Accounts Payable	(3,635)	0	(3,635)
Accrued Wages	2,700	0	2,700
Compensated Absences Payable	2,413	0	2,413
Intergovernmental Payable	(5,274)	0	(5,274)
Claims Payable	0	23,033	23,033
<i>Total Adjustments</i>	99,535	23,033	122,568
<i>Net Cash Used for Operating Activities</i>	(\$253,878)	(\$5,951)	(\$259,829)

See accompanying notes to the general purpose financial statements

***Louisville City School District***  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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**Note 1 - Description of the School District and Reporting Entity**

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

The School District is located in Stark County and encompasses the entire City of Louisville, and a portion of Nimishillen Township. It controls the School District's 7 instructional facilities, 1 bus garage, and 1 administrative facility, staffed by 151 classified employees and 227 certificated employees who provide services to 3,174 students and other community members.

*Reporting Entity*

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

Within the School District boundaries, St. Thomas Aquinas High School, St. Louis Elementary and Sacred Heart Elementary are operated as non-public schools. Current State legislation provides funding to these schools. These monies are received and disbursed on behalf of the schools by the Treasurer of the School District, as directed by the schools. The activity of these State monies is reflected in a special revenue fund by the School District for financial reporting purposes.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance 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. Louisville City School District does not have any 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 16, 17 and 18 to the general purpose financial statements.

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

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

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

*Governmental Fund Types*

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

*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.

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

*Capital Projects Funds* - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

*Proprietary Fund Types*

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector. Following are the School District's proprietary fund types:

*Enterprise Funds* - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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*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.

*Fiduciary Fund Types*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The School District has no trust funds. The School District's agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

*Account Groups*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District, except those accounted for in the proprietary funds.

**B. *Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

***Revenue Recognition*** 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 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 fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, 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 5). Revenue from

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

**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, but which were levied to finance the next fiscal year's operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, 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 the governmental funds.

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriations Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year, with the legal restriction that appropriations cannot exceed estimated resources, as certified by the County Auditor.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The Treasurer maintains budgetary information at the object level and has the authority to allocate appropriations at the function and object level without resolution by the Board of Education. The legal level of budgetary control, as defined by the local Board of Education, is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

*Tax Budget*

Prior to January 15, the Superintendent and Treasurer submit to the Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Stark County Budget Commission for rate determination.

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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*Estimated Resources*

Prior to April 1, the Board accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during the fiscal year.

*Appropriations*

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certification saying no new certificate is necessary, the annual Appropriation Resolution must be legally enacted by the Board at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation must be approved by the Board.

The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

*Encumbrances*

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

*Lapsing of Appropriations*

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

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

***Louisville City School District***  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2002***

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During the fiscal year, investments were limited to STAR Ohio, repurchase agreements, certificates of deposits, Federal Home Loan Bank Notes, Federal Farm Credit Bureau Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on the balance sheet date.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the fiscal year amounted to \$145,905, which includes \$90,459 assigned from other School District funds.

The School District has segregated bank accounts for monies held separate from the School District's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District treasury.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents.

***E. Interfund Assets/Liabilities***

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due From/To Other Funds" on the combined balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

***F. Inventory***

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, non-food supplies and school supplies held for resale and are expensed when used.

***G. Restricted Assets***

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by State statute to be set aside for the purchase of textbooks and instructional materials. See Note 19 for the calculation of the fiscal year-end restricted asset balance and the corresponding fund balance reserves.

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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**H. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred 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 capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**I. Compensated Absences**

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for eligible 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 has identified as probable of receiving payment in the future, which are those within three years of retirement system requirements. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits/calculations specified in the negotiated contracts.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after fiscal year-end are generally considered not to have been paid with current available financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

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*Notes to the General Purpose Financial Statements*  
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Under Ohio law, a debt retirement fund must be created and used for the payment of tax anticipation bonds. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the activity of the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

**K. *Interfund Transactions***

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**L. *Fund Balance Reserves and Designations***

The School District records reservations for portions of fund equity, which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation for expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, debt service principal, unclaimed monies, property taxes, textbooks 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 money must be held for five years before it becomes available for appropriation. Money not yet held for the five-year period is presented as reserved.

The School District records designations of fund equity for money set aside in anticipation of meeting the statutory requirements of HB412/SB345 for textbooks and capital maintenance, and to satisfy the budget stabilization authorized by the Board, which is equal to ADM times State per pupil funding times five percent. The amount set aside in excess of the current fiscal year requirement is presented as designated.

**M. *Estimates***

The preparation of the 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.

**N. *Totals Columns on General Purpose Financial Statements***

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Note 3 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance/retained earnings 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,

**Louisville City School District**  
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disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual, All Proprietary Fund Types are 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 that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both the principal and interest have been allocated accordingly.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$ 639,755	\$ 94,030	\$ 263,007	\$25,601,809
Net Adjustment for Revenue Accruals	( 30,662)	( 15,529)	( 46,190)	( 152,492)
Note Proceeds	0	0	26,629,755	0
Net Adjustment for Expenditure Accruals	70,752	( 45,580)	0	101,716
Debt Service:				
Principal	0	0	(26,270,000)	0
Interest	0	0	( 359,755)	0
Adjustment for Encumbrances	( 387,978)	( 93,825)	0	( 113,910)
Budget Basis	\$ 291,867	(\$ 60,904)	\$ 216,817	\$25,437,123

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Net Loss/Excess of Revenues Under Expenses  
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	(\$ 27,837)	(\$ 28,984)
Net Adjustment for Revenue Accruals	( 88,218)	0
Net Adjustment for Expense Accruals	78,718	23,033
Depreciation Expense	11,056	0
Adjustment for Encumbrances	( 738)	0
Budget Basis	(\$ 27,019)	(\$ 5,951)

**Note 4 - Deposits and Investments**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of Federal government agencies or instrumentalities;

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3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

*Cash on Hand:* At fiscal year-end, the School District had \$50 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

*Deposits:* At year-end, the carrying amount of the School District's deposits was \$10,438,797 and the bank balance was \$10,701,463. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$10,201,463 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with Federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

*Investments:* The School District's investments are required to be categorized below to give an indication of the level of custodial credit risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

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	Category 2	Category 3	Carrying Amount	Fair Value
Repurchase Agreement	\$ 0	\$ 105,000	\$ 105,000	\$ 105,000
STAR Ohio			6,395,935	6,395,935
FHLB Notes	4,612,702	0	4,612,702	4,561,875
FFCB Notes	1,004,853	0	1,004,853	1,007,620
FHLMC Notes	7,867,028	0	7,867,028	7,903,694
FNMA Notes	974,671	0	974,671	984,500
Total	<u>\$14,459,254</u>	<u>\$ 105,000</u>	<u>\$20,960,189</u>	<u>\$20,958,624</u>

The classification of cash and cash equivalents, and investments on the combined general purpose financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

Reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 31,399,036	\$ 0
Repurchase agreements which are part of a cash management pool	( 105,000)	105,000
STAR Ohio	( 6,395,935)	6,395,935
FHLB Notes	( 4,612,702)	4,612,702
FFCB Notes	( 1,004,853)	1,004,853
FHLMC Notes	( 7,867,028)	7,867,028
FNMA Notes	( 974,671)	974,671
Cash on Hand	( 50)	0
GASB Statement No. 3	<u>\$ 10,438,797</u>	<u>\$ 20,960,189</u>

**Note 5 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 24 percent of true value.

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

	First Half Collections		Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$ 244,696,450	86.33%	\$ 250,697,840	86.57%
Public Utility Personal	11,376,220	4.01	9,112,520	3.15
Tangible Personal Property	<u>27,363,230</u>	<u>9.66</u>	<u>29,786,542</u>	<u>10.28</u>
Total	<u>\$ 283,435,900</u>	<u>100.00%</u>	<u>\$ 289,596,902</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$49.00		\$49.00	

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 earlier or later payment dates to be established. Real property owners' tax bills are reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the School District by the State of Ohio.

Tangible personal property taxes paid 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 and are intended to finance the fiscal year in which they are paid. This year, the June tangible personal property tax settlement was received prior to June 30; therefore, there is no receivable.

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, are available to finance current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available to the School District as an advance at June 30 was \$196,740; \$141,440 in the general fund, \$46,190 in the debt service fund, and \$9,110 in the permanent improvements capital projects fund.

**Note 6 - Receivables**

Receivables at June 30 consisted of taxes, accounts (student fees), accrued interest, and intergovernmental (grants and tuition). 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.

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A summary of the principal items of intergovernmental receivables follows:

General Fund	\$ 77,503
Special Revenue Funds:	
Title VIB Grant	31,584
Title I Grant	39,183
Title VI Grant	2,246
Drug-Free Schools Grant	1,436
Total Special Revenue Funds	74,449
Grand Total	\$ 151,952

**Note 7 - Fixed Assets**

A summary of the enterprise funds' fixed assets balance at June 30 follows:

Furniture and Equipment	\$519,394
Less accumulated depreciation	(428,668)
Net Fixed Assets	\$ 90,726

A summary of the changes in general fixed assets during the fiscal year follows:

	Balance 7/1/01	Additions	Deletions	Balance 6/30/02
Land, Buildings and Improvements	\$7,526,120	\$ 53,553	\$ 0	\$7,579,673
Furniture, Fixtures and Equipment	4,756,973	440,561	2,350	5,195,184
Vehicles	1,597,759	2,800	0	1,600,559
Textbooks and Library Books	1,786,269	116,468	0	1,902,737
Construction in Progress	0	1,570,017	0	1,570,017
Total	\$15,667,121	\$2,183,399	\$ 2,350	\$17,848,170

**Note 8 - Risk Management**

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 the fiscal year, the School District contracted with several companies for various types of insurance as follows:

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**A. *Property, Liability and Fleet Insurance***

<u>Company</u>	<u>Type of Coverage</u>	<u>Limits</u>	<u>Deductible</u>
Nationwide Insurance (exp 2/1/02)/Great American Insurance (eff. 2/1/02)	Liability	\$1,000,000/\$5,000,000	\$1,000
Nationwide Insurance	Umbrella	\$2,000,000	None
Nationwide Insurance	Fleet Insurance	\$500,000 person/ \$500,000 accident	\$150
Nationwide Insurance	Property Insurance	\$48,625,200	\$1,000
Nationwide Insurance	Inland Marine	\$122,500	\$100
Nationwide Insurance	Crime	\$50,000	None
Nationwide Insurance	Boiler and Machinery	\$15,907,900	\$1,000
Nationwide Insurance	Employee Blanket Bond	\$20,000	None

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

**B. *Workers' Compensation***

For the fiscal year, the School District participated in the Stark County Schools' Council of Government Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the GRP, and the firm of AultComp provides medical review analysis services to the GRP.

**C. *Employee Medical and Dental Benefits***

The School District offers health and dental insurance to all eligible employees through a self-insurance fund. The School District has a third party administrator, Klais and Company, review and administer the claims activity. The claims liability of \$162,777 reported in the internal service fund at June 30, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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Changes in claims activity for the fiscal year is as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claims Payments	Balance at End of Fiscal Year
2001	\$148,344	\$1,373,344	\$1,381,944	\$139,744
2002	139,744	1,629,385	1,606,352	162,777

**Note 9 - Defined Benefit Pension Plans**

**A. *School Employees Retirement System***

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate; 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 2002 and 2001, 5.46 percent and 4.2 percent, respectively, of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$134,572, \$96,150, and \$125,860, respectively; 47.82 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$64,355 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and the general long-term obligations account group.

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

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments and death and survivor benefits to members and beneficiaries. Benefits are established by State statute per Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$970,289, \$945,580 and \$557,151, respectively; 86.15 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$835,930 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
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**C. Social Security System**

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

**Note 10 - Postemployment Benefits**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, the STRS Board allocated employer contributions equal 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$459,610 for the fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the fiscal year equaled \$210,484.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001, (the latest information available) were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**Louisville City School District**  
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**Note 11 - Other Employee Benefits**

**A. *Compensated Absences***

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

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

**B. *Early Notification of Retirement Incentive***

Any employee giving notice of retirement no later than February 1, will receive double severance pay up to a maximum of \$10,000 for the doubled portion. The Board does not limit the number of employees participating in the plan in any one year. The doubled portion is paid on July 15, following the next school year. These expenditures are reflected in the fund that paid their salary and severance.

**C. *Insurance***

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

**D. *Longevity***

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

**Note 12 - Long-Term Obligations**

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

	Outstanding 6/30/01	Additions	Reductions	Outstanding 6/30/02
Compensated Absences	\$ 834,563	\$ 312,442	\$ 160,182	\$ 986,823
Intergovernmental Payable	126,063	139,182	126,063	139,182
School Facilities Bonds (various)	0	26,270,000	0	26,270,000
Energy Conservation Bonds (6.125%)	530,000	0	25,000	505,000
Total General Long-Term Obligations	<u>\$1,490,626</u>	<u>\$26,721,624</u>	<u>\$ 311,245</u>	<u>\$27,901,005</u>

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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The School District's overall legal debt margin was \$26,295,613 with an unvoted debt margin of \$289,597 at June 30.

Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents pension obligations paid outside the available period and will be paid from the fund from which the person is paid. School facilities bonds and energy conservation bonds will be paid from property taxes.

Principal and interest requirements to retire school facilities bonds and energy conservation bonds outstanding at June 30, are as follows:

Fiscal Year Ending June 30,	Energy Conservation Bonds	School Facilities Bonds	Total
2003	\$ 55,931	\$ 1,782,556	\$ 1,838,487
2004	59,400	1,975,944	2,035,344
2005	57,562	2,009,590	2,067,152
2006	55,725	2,062,930	2,118,655
2007	58,888	2,167,930	2,226,818
2008-2012	285,444	6,823,766	7,109,210
2013-2017	174,294	7,902,805	8,077,099
2018-2022	0	9,091,750	9,091,750
2023-2027	0	10,452,290	10,452,290
2028-2030	0	7,035,000	7,035,000
Total Principal and Interest	747,244	51,304,561	52,051,805
Less: Interest	242,244	25,034,561	25,276,805
Total Principal	<u>\$ 505,000</u>	<u>\$26,270,000</u>	<u>\$26,775,000</u>

**Note 13 - State School Funding Decision**

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**Note 14 - Contingencies**

**A. Grants**

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

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
For the Fiscal Year Ended June 30, 2002

**B. Litigation**

The Louisville City School District is not party to legal proceedings.

**Note 15 - Segment Information for Enterprise Funds**

The School District maintains four enterprise funds to account for the operations of food service, uniform school supplies, adult education, and summer school.

The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30.

	Food Service	Uniform School Supplies	Adult Education	Summer School	Total Enterprise Funds
Operating Revenues	\$ 615,633	\$ 88,034	\$ 0	\$ 11,385	\$ 715,052
Depreciation	11,056	0	0	0	11,056
Operating Income (Loss)	(361,508)	7,587	0	508	( 353,413)
Donated Commodities	88,527	0	0	0	88,527
Operating Grants	231,388	0	0	0	231,388
Net Income (Loss)	( 35,932)	7,587	0	508	( 27,837)
Long-Term					
Compensated Absences	20,122	0	0	0	20,122
Net Working Capital	124,921	68,631	3,664	23,572	220,788
Total Assets	330,395	70,800	3,664	24,041	428,900
Total Equity	195,525	68,631	3,664	23,572	291,392
June 30 Encumbrances	0	658	0	80	738

**Note 16 - Jointly Governed Organizations**

**Stark/Portage Area Computer Consortium (SPARCC)** The School District is a member of the SPARCC, a jointly governed computer service to school districts within the boundaries of Stark, Portage and Carroll Counties. The primary function of SPARCC is to provide data services, including accounting, payroll, inventory, career guidance, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Each school district is represented on the SPARCC Board by its Superintendent. The Stark County Educational Service Center serves as the fiscal agent of SPARCC. Each school district supports SPARCC based on a per pupil charge dependent on the software packages used. SPARCC is primarily governed by a five-member executive Board, which is made up of two representatives from Stark County, two representatives from Portage County, and the Stark County Educational Service Center Superintendent. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 2100 38<sup>th</sup> Street N.W., Canton, Ohio 44709-2312.

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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***R.G. Drage Career Center*** The Stark County Area Vocational School (R.G.Drage) is a distinct political subdivision, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. R.G.Drage's Board is comprised of representatives appointed by the Board of each participating school district. The Board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. Louisville City School District students may attend the vocational school. Each school district's control is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at 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 17 – Related Organization**

***Louisville Public Library (Library)*** The School District's Board appoints the trustees to the Library's Board; however, the School District's Board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the School District. The Library may issue debt and determine its own budget. The School District serves in a ministerial capacity as the taxing authority for the Library. Financial information can be obtained at the Louisville Public Library, 700 Lincoln, Louisville, Ohio 44641.

#### **Note 18 - Insurance Purchasing Pool**

***Stark County Schools' Council of Government Workers' Compensation Group Rating Program (GRP)*** The School District participates in the GRP, an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP, and the firm of AultComp provides medical review analysis services to the GRP.

#### **Note 19 – Statutory Reserves**

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

**Louisville City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

The following cash basis information describes the change in the fiscal year set-aside amounts for textbooks and instructional materials, and capital acquisitions and improvements:

	<u>Textbooks</u>	<u>Capital Acquisitions</u>
Set-Aside Cash Balance as of June 30, 2001	\$ 29,130	\$ 17,904
Current Fiscal Year Set-Aside Requirement	381,588	381,588
Current Fiscal Year Additional Set-Asides	219,802	0
Current Fiscal Year Offsets	0	(198,449)
Qualifying Disbursements	(359,688)	(150,867)
Totals	\$ 270,832	\$ 8,854
 Cash Balance Carried Forward	 \$ 21,900	 \$ 0

Restricted monies represent statutory required amounts, which must be contributed to the set-asides within the current fiscal year. Discretionary monies are contributions made to the set-aside in excess of statutory required amounts. The textbook reserve set-aside cash balance as of June 30 represents a discretionary balance of \$248,932 and unspent reserves of \$21,900. Reserve monies not spent during one fiscal year are required to be carried forward to the next fiscal year. The capital maintenance reserve set-aside cash balance as of June 30 represents prior fiscal year discretionary contributions. Discretionary balances are reflected as designations of the unrestricted cash fund balance. Qualifying disbursements were first applied to the restricted balance and the remainder applied against the discretionary balances.

LOUISVILLE CITY SCHOOL DISTRICT  
STARK COUNTY

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>(Passed Through Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	049874C1S101 049874C1S102	84.010	\$42,629 <u>166,352</u>	\$0 <u>0</u>	\$51,201 <u>147,510</u>	\$0 <u>0</u>
Total Title I Grants to Local Educational Agencies			208,981	0	198,711	0
<u>Special Education Cluster:</u>						
Special Education - Grants to States	0498746BEC01P 0498746BSF01P 0498746BSF02P 0498746BSX02P	84.027	4,033 5,516 205,798 <u>30,000</u>	0 0 0 <u>0</u>	4033 25,359 180,239 <u>13,775</u>	0 0 0 <u>0</u>
Total Special Education - Grants to States			245,347	0	223,406	0
Special Education - Preschool Grants	049874PGS101P 049874PGS102P	84.173	0 <u>18,162</u>	0 <u>0</u>	1,399 <u>16,442</u>	0 <u>0</u>
Total Special Education - Preschool Grants			<u>18,162</u>	<u>0</u>	<u>17,841</u>	<u>0</u>
Total Special Education Cluster			263,509	0	241,247	0
Goals 2000 - State and Local Education Systemic Improvement Grants	049874G2S901	84.276	15,000	0	664	0
Safe and Drug - Free Schools and Communities - State Grants	049874DRS101 049874DRS102	84.186	1,470 <u>12,834</u>	0 <u>0</u>	3,401 <u>11,697</u>	0 <u>0</u>
Total Safe and Drug - Free Schools and Communities - State Grants			14,304	0	15,098	0
Eisenhower Professional Development State Grants	049874MSS102 049874MSS101	84.281	13,146 <u>0</u>	0 <u>0</u>	6,564 <u>954</u>	0 <u>0</u>
Total Eisenhower Professional Development State Grants			13,146	0	7,518	0
Innovative Education Program Strategies	049874C2S101 049874C2S102	84.298	4,114 <u>18,168</u>	0 <u>0</u>	6,105 <u>11,740</u>	0 <u>0</u>
Total Innovative Education Program Strategies			22,282	0	17,845	0
Teacher Quality Enhancement Grants	049874QES102	84.336	14,750	0	11,181	0
Class Size Reduction Subsidy	049874CRS101 049874CRS102	84.340	5,191 <u>64,803</u>	0 <u>0</u>	12,769 <u>42,481</u>	0 <u>0</u>
Total Class Size Reduction Subsidy			69,994	0	55,250	0
Technology Literacy Challenge Fund Grants	049874TF5101 049874TF5201 049874TF5301 049874TFVL00	84.318	100,000 75,000 25,000 <u>9,000</u>	0 0 0 <u>0</u>	100,000 75,000 25,000 <u>9,000</u>	0 0 0 <u>0</u>
Total Technology Literacy Challenge Fund Grants			<u>209,000</u>	<u>0</u>	<u>209,000</u>	<u>0</u>
Total U.S. Department of Education			830,966	0	756,514	0
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>(Passed through the Ohio Department of Mental Retardation and Developmental Disabilities)</i>						
Medical Assistance Program (CAFS)	N/A	93.778	49,880	0	49,880	0
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>(Passed Through Ohio Department of Education)</i>						
<u>Child Nutrition Cluster</u>						
Food Distribution Program	N/A	10.550	0	84,371	0	88,527
National School Breakfast Program	N/A	10.553	18,155	0	18,155	0
National School Lunch Program	N/A	10.555	<u>201,747</u>	<u>0</u>	<u>201,747</u>	<u>0</u>
Total U.S. Department of Agriculture/ Child Nutrition Cluster			<u>219,902</u>	<u>84,371</u>	<u>219,902</u>	<u>88,527</u>
<b>Totals</b>			<u>\$1,100,748</u>	<u>\$84,371</u>	<u>\$1,026,296</u>	<u>\$88,527</u>

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

**LOUISVILLE CITY SCHOOL DISTRICT  
STARK COUNTY**

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DISTRIBUTION**

Non-monetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW  
Fourth Floor  
Canton, Ohio 44702  
Telephone 330-438-0617  
800-443-9272  
Facsimile 330-471-0001  
www.auditor.state.oh.us

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

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

To the Board of Education:

We have audited the general purpose financial statements of the Louisville City School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 20, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated December 20, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 20, 2002.

Louisville City School District  
Stark County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

December 20, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

**Compliance**

We have audited the compliance of Louisville City School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

**Internal Control Over Compliance**

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

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

December 20, 2002

**LOUISVILLE CITY SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2002**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster – CFDA #10.550, #10.553 and #10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**LOUISVILLE CITY SCHOOL DISTRICT**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 11, 2003**