



Dave Yost • Auditor of State

**LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louisville City School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Louisville City School District, Stark County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Also, as discussed in Note 3 to the financial statements, the District restated capital assets as of July 1, 2014 due to an overstatement. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 12, 2016

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Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The management's discussion and analysis of Louisville City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for fiscal year 2015 are as follows:

- The Ohio School Facilities Commission-funded building project was completed and closed out. The School District received \$730,107 in close out funds. A large portion of those funds were used during fiscal year 2015 to purchase technology and complete several other capital projects, including a new middle school entrance, fencing at Louisville Elementary, and new windows at North Nimishillen Elementary.
- The School District experienced its eighth consecutive year of declining enrollment.
- For the second year in a row, the School District received more money than it expended on a cash basis.

Using these Basic Financial Statements

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Louisville City School District, the general fund and the bond retirement debt service fund are the most significant funds.

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The *Statement of Net Position* and *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the School District's net position and changes in that net position. The amount of net position, the difference between all other elements in the statement of net position, is one measure of the School District's financial health, or financial position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has

Louisville City School District
Management's Discussion and Analysis
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improved or diminished. Assessing the overall health of the School District involves many factors. Non-financial factors may include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency and fiscal capacity.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 12. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement debt service fund.

Governmental Funds

Most of the School District's activities are reported as governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

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

The School District as a Whole

You may recall that the *Statement of Net Position* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014.

Louisville City School District
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Table 1
Net Position
Governmental Activities

	2015	Restated 2014	Change
Assets			
Current and Other Assets	\$16,890,367	\$16,258,879	\$631,488
Capital Assets, Net	67,475,615	69,617,968	(2,142,353)
<i>Total Assets</i>	<u>84,365,982</u>	<u>85,876,847</u>	<u>(1,510,865)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	785,525	839,699	(54,174)
Pension	2,471,110	1,979,655	491,455
<i>Total Deferred Outflows of Resources</i>	<u>3,256,635</u>	<u>2,819,354</u>	<u>437,281</u>
Liabilities			
Current Liabilities	3,913,019	3,555,901	(357,118)
Long-Term Liabilities:			
Due Within One Year	1,210,535	1,291,466	80,931
Due in More Than One Year:			
Net Pension Liability	33,684,876	40,031,178	6,346,302
Other Amounts	29,037,828	30,247,022	1,209,194
<i>Total Liabilities</i>	<u>67,846,258</u>	<u>75,125,567</u>	<u>7,279,309</u>
Deferred Inflows of Resources			
Property Taxes	9,804,983	9,584,520	(220,463)
Pension	6,099,903	0	(6,099,903)
Deferred Inflows of Resources	<u>15,904,886</u>	<u>9,584,520</u>	<u>(6,320,366)</u>
Net Position			
Net Investment in Capital Assets	39,600,467	41,783,145	(2,182,678)
Restricted	1,976,438	1,608,074	368,364
Unrestricted (Deficit)	(37,705,432)	(39,405,105)	1,699,673
<i>Total Net Position</i>	<u>\$3,871,473</u>	<u>\$3,986,114</u>	<u>(\$114,641)</u>

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Louisville City School District
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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation, as well as a restatement of capital assets, also had the effect of restating net position at June 30, 2014, from \$46,036,943 to \$3,986,114.

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Overall, the position of the School District declined slightly, as evidenced by the decrease in net position. This is largely because of a drop in net investment in capital assets due to depreciation and deletions significantly outpacing additions to capital assets.

The vast majority of revenue supporting all governmental activities is general revenue. The most significant portions of the general revenue are grants and entitlements, which is primarily State foundation funding, and local property tax. The remaining revenue was program revenues, which consist of charges for services provided by the School District and State and Federal grants.

Table 2 shows the changes in net position for fiscal years 2015 and 2014.

Table 2
Changes in Net Position
Governmental Activities

	2015	2014	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$2,684,080	\$2,738,888	(\$54,808)
Operating Grants and Contributions	3,562,680	3,318,381	244,299
Total Program Revenues	6,246,760	6,057,269	189,491
General Revenues:			
Property Taxes	10,053,237	9,327,133	726,104
Grants and Entitlements	14,968,291	14,604,298	363,993
Unrestricted Contributions	40,775	4,210	36,565
Payments in Lieu of Taxes	32,334	48,747	(16,413)
Investment Earnings	1,882	1,400	482
Miscellaneous	104,401	177,834	(73,433)
Total General Revenues	25,200,920	24,163,622	1,037,298
Total Revenues	31,447,680	30,220,891	1,226,789
Program Expenses			
Instruction:			
Regular	\$12,188,466	\$12,036,581	(\$151,885)
Special	3,064,247	2,951,955	(112,292)
Vocational	415,809	422,405	6,596
Student Intervention Services	1,330,326	1,110,966	(219,360)

(continued)

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
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Table 2
Changes in Net Position
Governmental Activities (continued)

	2015	2014	Change
Support Services:			
Pupils	\$1,521,183	\$1,432,354	(\$88,829)
Instructional Staff	1,037,284	970,027	(67,257)
Board of Education	40,330	82,010	41,680
Administration	2,039,785	2,053,967	14,182
Fiscal	473,710	560,845	87,135
Business	62,094	37,923	(24,171)
Operation and Maintenance of Plant	3,876,088	3,849,902	(26,186)
Pupil Transportation	1,525,401	1,305,653	(219,748)
Central	107,210	115,681	8,471
Operation of Non-Instructional Services	1,674,447	1,696,933	22,486
Extracurricular Activities	948,500	927,493	(21,007)
Interest and Fiscal Charges	1,257,441	1,234,139	(23,302)
Total Program Expenses	<u>31,562,321</u>	<u>30,788,834</u>	<u>(773,487)</u>
Increase (Decrease) in Net Position	(114,641)	(567,943)	453,302
<i>Net Position Beginning of Year (Restated)</i>	<u>3,986,114</u>	N/A	
<i>Net Position End of Year</i>	<u><u>\$3,871,473</u></u>	<u><u>\$3,986,114</u></u>	<u><u>(\$114,641)</u></u>

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,979,655 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,415,453. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$31,562,321
Pension expense under GASB 68	(1,415,453)
2015 contractually required contribution	<u>2,153,307</u>
Adjusted 2015 program expenses	32,300,175
Total 2014 program expenses under GASB 27	<u>30,788,834</u>
Increase in program expenses not related to pension	<u><u>\$1,511,341</u></u>

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The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs. Property taxes increased by over \$700,000 from the prior fiscal year. This was due to strong delinquent tax collections.

The majority of the School District's expenses are for instruction. Additional supporting services for pupils, staff, administration and business operations are the next largest area of expenses. The remaining amount of program expenses are to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities. Program expenses increased slightly or remained stable almost across the board.

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

Table 3
Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Governmental Activities:				
Instruction:				
Regular	\$12,188,466	\$11,500,013	\$12,036,581	\$11,319,337
Special	3,064,247	401,651	2,951,955	487,732
Vocational	415,809	354,662	422,405	362,074
Student Intervention Services	1,330,326	1,251,262	1,110,966	1,035,198
Support Services:				
Pupils	1,521,183	1,423,053	1,432,354	1,335,523
Instructional Staff	1,037,284	977,546	970,027	908,689
Board of Education	40,330	37,817	82,010	76,630
Administration	2,039,785	1,895,613	2,053,967	1,799,346
Fiscal	473,710	447,255	560,845	527,011
Business	62,094	58,536	37,923	35,566
Operation and Maintenance of Plant	3,876,088	3,747,151	3,849,902	3,701,373
Pupil Transportation	1,525,401	1,453,975	1,305,653	1,229,202
Central	107,210	100,838	115,681	108,213
Operation of Non-Instructional Services	1,674,447	80,150	1,696,933	102,729
Extracurricular Activities	948,500	328,598	927,493	468,803
Interest and Fiscal Charges	1,257,441	1,257,441	1,234,139	1,234,139
Total	\$31,562,321	\$25,315,561	\$30,788,834	\$24,731,565

As one can see, the vast majority of program expenses are not covered by program revenues. Instead, the reliance upon general revenues, including local tax revenues and grants and entitlements for governmental activities, is crucial.

Louisville City School District
Management's Discussion and Analysis
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School District's Funds

Information regarding the School District's major funds can be found beginning on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues excluding other financing sources of \$31,407,587 and expenditures excluding other financing uses of \$31,395,674. The general fund balance increase of \$900,700 was largely due to increased property tax revenues. The bond retirement fund balance increase of \$61,414 was due to revenues outpacing expenditures.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the School District, the general fund.

During the course of fiscal year 2015, the School District amended its general fund budget numerous times, none significant. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenditures but provide flexibility for program based decision and management.

For the general fund, the final budget basis estimated revenue totaled \$25,238,347, which is higher than the original estimate of \$24,588,860. Final budget basis appropriations for expenditures totaled \$25,170,802 compared to the original estimate of \$24,438,639.

The total revenue variance between final budget and actual was \$209,601, or 0.83 percent of final budget revenues. The total expenditure variance between final budget and actual amounted to \$525,584 or 2.13 percent of final budget expenditures.

The general fund's unencumbered ending cash balance totaled \$3,061,681, which was \$735,185 more than the final budgeted amount of \$2,326,496.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal 2015 values compared to 2014. More detailed information is presented in Note 9 to the basic financial statements.

Table 4
Capital Assets at June 30
Governmental Activities

	2015	2014
Land	\$631,908	\$631,908
Construction in Progress	30,310	0
Buildings and Improvements	65,309,491	66,875,736
Furniture, Fixtures and Equipment	1,132,171	1,432,766
Vehicles	371,735	677,558
<i>Total Capital Assets</i>	\$67,475,615	\$69,617,968

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All capital assets, except land and construction in progress are reported net of depreciation. As one can see, there was a decrease in capital assets during the fiscal year, due to annual depreciation outpacing capital expenditures.

Debt

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

Table 5
Outstanding Debt at Year End
Governmental Activities

	2015	2014
School Facilities Bonds	\$7,962,299	\$8,090,633
Energy Conservation Bonds	0	55,000
Refunding School Facilities Bonds	20,987,570	21,653,916
Capital Leases	674,730	870,928
<i>Total</i>	\$29,624,599	\$30,670,477

In 2001, school facilities bonds were issued for the local share of the School District's approved master plan with the Ohio School Facilities Commission, Expedited Local Partnership Program. In 2011, a portion of these bonds were refunded and in 2012 the remaining bonds were fully repaid. The refunded portion will be fully repaid in fiscal year 2030. The energy conservation bonds were issued for capital improvements under House Bill 264. Improvements were approved by the Ohio Department of Education for energy conservation measures resulting in operating cost savings. These bonds were fully repaid in fiscal year 2015.

The 2009 school facilities bonds were issued to retire notes that were issued to construct one elementary school to replace three existing elementary schools and to do additional renovations at the Louisville High School. This local money was used in conjunction with funding from the Ohio School Facilities Commission (OSFC).

The School District's overall legal debt margin was \$3,252,729 with an unvoted debt margin of \$321,264 as of June 30, 2015.

Current Issues Affecting Financial Condition

On November 4, 2008, the voters of the Louisville City School District approved a 1.5 mill, \$8,500,000 bond issue to provide the opportunity for the School District to participate in the Classroom Facilities Assistance Program (CFAP) program. The program has allowed the School District to construct one elementary school to replace three existing elementary schools and provide renovation and additions to Louisville High School. This over \$40 million construction project was largely completed for the 2012-13 school year, with only small portions of the project completed during the 2013-2014 school year. The School District was able to complete the financial closeout of the project in early fiscal year 2015. As a dual issue to the original bond issue, voters approved a 1.3 mill continuing levy for permanent improvements. This will provide the required .5 mill of maintenance for the CFAP program and also monies for other permanent improvement needs of the School District.

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For the Fiscal Year Ended June 30, 2015
Unaudited

The financial outlook of Louisville City School District has improved since the passage of the emergency operating levy. However, there are still several long term problems on the horizon. Foremost, the School District still relies on the State for over half of its general operating funds. The School District's financial future is still tied to the political whims of the State and the views of the political party in power when it comes to educational funding. Also the School District is expecting 2015-2016 to be the ninth consecutive year of decreased enrollment. The School District expects that trend to continue for the next several years. The School District does have about 118 students leaving through open enrollment or charter school enrollment, but that is more than offset by the 174 students that choose to open enroll into the School District. The real problem is that there has simply been a decline in the number of children needing to be educated. Census data shows a steep decline in student population in recent years, a statistic which has been supported by the enrollment drop. The enrollment decline means the School District needs to constantly monitor its resources and make sure that it is right sized to fit the population it serves. The School District cannot afford to have excess capacity.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Derek Nottingham, Treasurer, at Louisville City School District, 407 E. Main Street, Louisville, Ohio 44641, or email at dnottingham@lepapps.org.

Basic
Financial
Statements

Louisville City School District

Statement of Net Position

June 30, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,913,990
Accounts Receivable	852
Accrued Interest Receivable	1,606
Intergovernmental Receivable	386,076
Inventory Held for Resale	16,582
Materials and Supplies Inventory	5,445
Property Taxes Receivable	10,546,296
Prepaid Items	19,520
Nondepreciable Capital Assets	662,218
Depreciable Capital Assets, Net	66,813,397
<i>Total Assets</i>	<u>84,365,982</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	785,525
Pension	2,471,110
<i>Total Deferred Outflows of Resources</i>	<u>3,256,635</u>
Liabilities	
Accounts Payable	127,504
Accrued Wages Payable	2,871,368
Matured Compensated Absences Payable	282,054
Intergovernmental Payable	547,281
Accrued Interest Payable	84,812
Long-Term Liabilities:	
Due Within One Year	1,210,535
Due In More Than One Year:	
Net Pension Liability (See Note 12)	33,684,876
Other Amounts	29,037,828
<i>Total Liabilities</i>	<u>67,846,258</u>
Deferred Inflows of Resources	
Property Taxes	9,804,983
Pension	6,099,903
<i>Total Deferred Inflows of Resources</i>	<u>15,904,886</u>
Net Position	
Net Investment in Capital Assets	39,600,467
Restricted for:	
Capital Projects	437,579
Debt Service	1,081,054
Classroom Facilities Maintenance	246,254
District Managed Student Activities	85,016
Special Instruction	49,267
Other Purposes	77,268
Unrestricted (Deficit)	(37,705,432)
<i>Total Net Position</i>	<u>\$3,871,473</u>

See accompanying notes to the basic financial statements

Louisville City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$12,188,466	\$681,253	\$7,200	(\$11,500,013)
Special	3,064,247	144,934	2,517,662	(401,651)
Vocational	415,809	24,933	36,214	(354,662)
Student Intervention Services	1,330,326	79,064	0	(1,251,262)
Support Services:				
Pupils	1,521,183	81,119	17,011	(1,423,053)
Instructional Staff	1,037,284	59,738	0	(977,546)
Board of Education	40,330	2,513	0	(37,817)
Administration	2,039,785	111,147	33,025	(1,895,613)
Fiscal	473,710	26,455	0	(447,255)
Business	62,094	3,558	0	(58,536)
Operation and Maintenance of Plant	3,876,088	128,937	0	(3,747,151)
Pupil Transportation	1,525,401	71,426	0	(1,453,975)
Central	107,210	6,372	0	(100,838)
Operation of Non-Instructional Services	1,674,447	662,964	931,333	(80,150)
Extracurricular Activities	948,500	599,667	20,235	(328,598)
Interest and Fiscal Charges	1,257,441	0	0	(1,257,441)
<i>Totals</i>	<u>\$31,562,321</u>	<u>\$2,684,080</u>	<u>\$3,562,680</u>	<u>(25,315,561)</u>
General Revenues				
Property Taxes Levied for:				
				7,936,096
				1,758,126
				222,448
				136,567
				14,968,291
				40,775
				32,334
				1,882
				<u>104,401</u>
				<u>25,200,920</u>
				(114,641)
				<u>3,986,114</u>
				<u>\$3,871,473</u>

See accompanying notes to the basic financial statements

Louisville City School District

Balance Sheet

Governmental Funds

June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,571,516	\$1,306,338	\$909,471	\$5,787,325
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	126,665	0	0	126,665
Accounts Receivable	500	0	352	852
Accrued Interest Receivable	1,606	0	0	1,606
Interfund Receivable	35,266	0	0	35,266
Intergovernmental Receivable	9,994	0	376,082	386,076
Inventory Held for Resale	0	0	16,582	16,582
Materials and Supplies Inventory	0	0	5,445	5,445
Prepaid Items	19,520	0	0	19,520
Taxes Receivable	8,302,238	1,841,400	402,658	10,546,296
<i>Total Assets</i>	<u>\$12,067,305</u>	<u>\$3,147,738</u>	<u>\$1,710,590</u>	<u>\$16,925,633</u>
Liabilities				
Accounts Payable	\$69,642	\$0	\$57,862	\$127,504
Accrued Wages Payable	2,629,225	0	242,143	2,871,368
Interfund Payable	0	0	35,266	35,266
Matured Compensated Absences Payable	282,054	0	0	282,054
Intergovernmental Payable	491,491	0	55,790	547,281
<i>Total Liabilities</i>	<u>3,472,412</u>	<u>0</u>	<u>391,061</u>	<u>3,863,473</u>
Deferred Inflows of Resources				
Property Taxes	7,718,632	1,709,068	377,283	9,804,983
Unavailable Revenue	376,174	84,702	104,297	565,173
<i>Total Deferred Inflows of Resources</i>	<u>8,094,806</u>	<u>1,793,770</u>	<u>481,580</u>	<u>10,370,156</u>
Fund Balances				
Nonspendable	25,951	0	5,445	31,396
Restricted	120,234	1,353,968	837,469	2,311,671
Assigned	556,539	0	0	556,539
Unassigned (Deficit)	(202,637)	0	(4,965)	(207,602)
<i>Total Fund Balances</i>	<u>500,087</u>	<u>1,353,968</u>	<u>837,949</u>	<u>2,692,004</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$12,067,305</u>	<u>\$3,147,738</u>	<u>\$1,710,590</u>	<u>\$16,925,633</u>

See accompanying notes to the basic financial statements

Louisville City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2015*

Total Governmental Funds Balances		\$2,692,004
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		67,475,615
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.		
Delinquent Property Taxes	477,125	
Intergovernmental	88,048	
Total	565,173	565,173
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(84,812)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
OSFC Bonds	(20,987,570)	
Refunding Bonds	(7,962,299)	
Deferred Charge on Refunding	785,525	
Compensated Absences	(623,764)	
Capital Leases	(674,730)	
Total	(29,462,838)	(29,462,838)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds:		
Deferred Outflows - Pension	2,471,110	
Deferred Inflows - Pension	(6,099,903)	
Net Pension Liability	(33,684,876)	
Total	(37,313,669)	(37,313,669)
 <i>Net Position of Governmental Activities</i>		 \$3,871,473

See accompanying notes to the basic financial statements

Louisville City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$7,921,692	\$1,754,614	\$359,030	\$10,035,336
Intergovernmental	15,986,367	301,904	2,165,760	18,454,031
Interest	1,778	0	1,592	3,370
Tuition and Fees	1,441,393	0	0	1,441,393
Extracurricular Activities	251,744	0	312,016	563,760
Contributions and Donations	33,025	0	61,010	94,035
Customer Sales and Services	13,648	0	662,259	675,907
Rentals	3,020	0	0	3,020
Payments in Lieu of Taxes	32,334	0	0	32,334
Miscellaneous	98,985	0	5,416	104,401
<i>Total Revenues</i>	<u>25,783,986</u>	<u>2,056,518</u>	<u>3,567,083</u>	<u>31,407,587</u>
Expenditures				
Current:				
Instruction:				
Regular	11,482,668	0	65,135	11,547,803
Special	2,464,487	0	665,027	3,129,514
Vocational	419,476	0	0	419,476
Student Intervention Services	1,330,158	0	168	1,330,326
Support Services:				
Pupils	1,377,413	0	194,668	1,572,081
Instructional Staff	1,010,466	0	66,271	1,076,737
Board of Education	42,275	0	0	42,275
Administration	1,972,680	0	165,385	2,138,065
Fiscal	459,082	32,639	6,672	498,393
Business	59,869	0	2,225	62,094
Operation and Maintenance of Plant	2,203,548	0	203,799	2,407,347
Pupil Transportation	1,198,862	0	29,294	1,228,156
Central	107,210	0	0	107,210
Operation of Non-Instructional Services	11,861	0	1,578,082	1,589,943
Extracurricular Activities	606,564	0	324,533	931,097
Capital Outlay	78,298	0	985,813	1,064,111
Debt Service:				
Principal Retirement	0	990,000	196,198	1,186,198
Interest and Fiscal Charges	0	1,030,834	34,014	1,064,848
<i>Total Expenditures</i>	<u>24,824,917</u>	<u>2,053,473</u>	<u>4,517,284</u>	<u>31,395,674</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenditures</i>	<u>959,069</u>	<u>3,045</u>	<u>(950,201)</u>	<u>11,913</u>
Other Financing Sources (Uses)				
Transfers In	0	58,369	730,106	788,475
Transfers Out	(58,369)	0	(730,106)	(788,475)
<i>Total Other Financing Sources (Uses)</i>	<u>(58,369)</u>	<u>58,369</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	900,700	61,414	(950,201)	11,913
<i>Fund Balances (Deficit) Beginning of Year</i>	(400,613)	1,292,554	1,788,150	2,680,091
<i>Fund Balances End of Year</i>	<u>\$500,087</u>	<u>\$1,353,968</u>	<u>\$837,949</u>	<u>\$2,692,004</u>

See accompanying notes to the basic financial statements

Louisville City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015*

Net Change in Fund Balances - Total Governmental Funds \$11,913

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

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

Capital Outlay	488,475	
Current Year Depreciation	(2,340,393)	
Total		(1,851,918)

Governmental funds report proceeds from the sale of capital assets, while the statement of activities reports the related gain or loss on disposal. The difference is the net book value of the disposed capital assets. (290,435)

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

Delinquent Property Taxes	17,901	
Intergovernmental	22,192	
Total		40,093

Repayment of bond principal and capital lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,186,198

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

Accrued Interest on Bonds	1,901	
Amortization of Premium	79,649	
Amortization of Deferred Charge on Refunding	(54,174)	
Bond Accretion	(219,969)	
Total		(192,593)

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

Compensated Absences	234,172	
Early Retirement Incentive	10,075	
Total		244,247

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 2,153,307

Except for amounts reported deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,415,453)

Change in Net Position of Governmental Activities (\$114,641)

See accompanying notes to the basic financial statements

Louisville City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$7,679,281	\$7,914,029	\$7,914,029	\$0
Intergovernmental	15,574,665	15,857,330	15,992,360	135,030
Interest	1,245	2,254	872	(1,382)
Tuition and Fees	1,096,000	1,202,578	1,277,547	74,969
Extracurricular Activities	70,000	115,028	115,653	625
Customer Sales and Services	13,500	13,648	13,648	0
Rentals	2,090	3,020	3,020	0
Payments in Lieu of Taxes	38,000	32,334	32,334	0
Miscellaneous	114,079	98,126	98,485	359
<i>Total Revenues</i>	24,588,860	25,238,347	25,447,948	209,601
Expenditures				
Current:				
Instruction:				
Regular	11,129,200	11,266,549	11,183,504	83,045
Special	2,315,850	2,551,834	2,466,057	85,777
Vocational	427,467	423,464	420,617	2,847
Student Intervention Services	1,273,228	1,395,684	1,364,406	31,278
Support Services:				
Pupils	1,321,103	1,348,063	1,335,623	12,440
Instructional Staff	1,003,584	1,102,611	1,048,772	53,839
Board of Education	82,922	84,112	73,726	10,386
Administration	1,760,658	1,794,449	1,744,341	50,108
Fiscal	477,304	517,664	492,399	25,265
Business	116,327	60,799	60,045	754
Operation and Maintenance of Plant	2,404,446	2,409,003	2,335,828	73,175
Pupil Transportation	1,344,232	1,349,914	1,309,690	40,224
Central	123,377	117,067	107,378	9,689
Operation of Non-Instructional Services	19,858	19,858	18,028	1,830
Extracurricular Activities	629,183	651,433	606,506	44,927
Capital Outlay	9,900	78,298	78,298	0
<i>Total Expenditures</i>	24,438,639	25,170,802	24,645,218	525,584
<i>Excess of Revenues Over Expenditures</i>	150,221	67,545	802,730	735,185
Other Financing Uses				
Transfers Out	(57,819)	(58,369)	(58,369)	0
<i>Net Change in Fund Balance</i>	92,402	9,176	744,361	735,185
<i>Fund Balance Beginning of Year</i>	1,808,142	1,808,142	1,808,142	0
Prior Year Encumbrances Appropriated	509,178	509,178	509,178	0
<i>Fund Balance End of Year</i>	\$2,409,722	\$2,326,496	\$3,061,681	\$735,185

See accompanying notes to the basic financial statements

Louisville City School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2015

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$127,989</u></u>
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Liabilities

Due to Students	<u><u>\$127,989</u></u>
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See accompanying notes to the basic financial statements

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 - Description of the School District and Reporting Entity

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

The School District is located in Stark County and encompasses the entire City of Louisville, and a portion of Nimishillen Township. The School District has 4 instructional facilities, 1 bus garage, and 1 administrative facility, staffed by 160 classified employees and 183 certificated employees who provide services to 3,053 students and other community members.

Reporting Entity

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

Non-public Schools - Within the School District boundaries, St. Thomas Aquinas High School, St. Louis Elementary and Sacred Heart Elementary are operated as non-public schools. Current State legislation provides funding to these schools. These monies are received and disbursed on behalf of the non-public schools by the Treasurer of the School District, as directed by the non-public schools. These transactions are reported in a special revenue fund as a governmental activity of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burden on, the primary government. The School District has no component units.

The School District is associated with the Stark County Schools Council of Government Workers’ Compensation Group Rating Program, an insurance purchasing pool; Stark/Portage Area Computer Consortium, the R.G. Drage Career Center and the Stark County Tax Incentive Review Council, jointly governed organizations; and the Louisville Public Library, a related organization. These organizations are presented in Notes 17, 18 and 19 to the basic financial statements.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Louisville City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District however, has no business-type activities.

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

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

Fund Accounting

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

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The following are the School District's major governmental funds:

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

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

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

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

Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (e.g., revenues and other financing sources) and uses (e.g., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

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

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

Louisville City School District
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For the Fiscal Year Ended June 30, 2015

Pensions For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Cash and Cash Equivalents

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

During fiscal year 2015, investments were limited to STAROhio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share which is the price the investment could be sold for on June 30, 2015.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$1,778, none of which was assigned from other School District funds.

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

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or the laws of other governments, or imposed by law through constitutional provisions. Restricted assets on the balance sheet represent cash and cash equivalents for unclaimed monies and the capital improvement set aside (See Note 16).

Inventory

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

Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Louisville City School District
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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received.

The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

Compensated Absences

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

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

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

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

Accrued Liabilities and Long-term Obligations

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

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

Internal Activity

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

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or by State statute. State statute authorizes the Treasurer to assign fund balances for purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund balances for public school support, rotary, adult education and summer school.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between all other elements in the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include class size reduction, auxiliary services and other grants.

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board of Education. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue closely reflects actual revenue for the fiscal year.

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 3 – Change in Accounting Principle and Restatement of Net Position

Change in Accounting Principle

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure.

Restatement of Net Position

During fiscal year 2015, it was determined that there were misstatements related to capital assets. Net investment in capital assets was overstated by \$3,999,306.

The implementation of GASB 68 and the restatement of capital assets had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	\$46,036,943
GASB 68 Adjustments:	
Net Pension Liability	(40,031,178)
Deferred Outflow - Payments Subsequent to Measurement Date	1,979,655
	<u>(38,051,523)</u>
Restatement of Capital Assets	<u>(3,999,306)</u>
Restated Net Position June 30, 2014	<u><u>\$3,986,114</u></u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 4 – Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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Fund Balances	General Fund	Bond Retirement Fund	Other Governmental Funds	Total
<i>Nonspendable</i>				
Inventory	\$0	\$0	\$5,445	\$5,445
Prepaid Items	19,520	0	0	19,520
Unclaimed Monies	6,431	0	0	6,431
<i>Total Nonspendable</i>	25,951	0	5,445	31,396
<i>Restricted for</i>				
Set Asides	120,234	0	0	120,234
District Managed Activities	0	0	85,016	85,016
Classroom Facilities Maintenance	0	0	240,005	240,005
Instruction	0	0	48,638	48,638
Non-Instructional Services	0	0	36,231	36,231
Debt Service Payments	0	1,353,968	0	1,353,968
Capital Improvements	0	0	427,579	427,579
<i>Total Restricted</i>	120,234	1,353,968	837,469	2,311,671
<i>Assigned to</i>				
Public School Support	91,961	0	0	91,961
Rotary	6,208	0	0	6,208
Adult Education	3,663	0	0	3,663
Summer School	26,520	0	0	26,520
Purchases on Order:				
Instruction	140,103	0	0	140,103
Special Instruction	282,561	0	0	282,561
Non-Instructional Services	5,439	0	0	5,439
Extracurricular Activity	84	0	0	84
<i>Total Assigned</i>	556,539	0	0	556,539
<i>Unassigned (Deficit)</i>	(202,637)	0	(4,965)	(207,602)
<i>Total Fund Balances (Deficit)</i>	\$500,087	\$1,353,968	\$837,949	\$2,692,004

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

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2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).
4. Budgetary revenues and expenditures of the uniform school supplies, public school support, rotary and summer school funds are reclassified to the general fund for GAAP reporting.

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

Net Change in Fund Balance

GAAP Basis	\$900,700
Net Adjustment for Revenue Accruals	(668,999)
Net Adjustment for Expenditure Accruals	337,203
Perspective Differences:	
Uniform School Supplies	323,917
Public School Support	309,517
Rotary	6,954
Summer School	14,347
Encumbrances	<u>(479,278)</u>
Budget Basis	<u><u>\$744,361</u></u>

Note 6 - Deposits and Investments

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

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

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

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

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

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,663,814 of the School District's bank balance of \$4,663,814 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

Investments

As of June 30, 2015, the School District had \$1,859,687 invested in STAROhio, which has an average maturity of 53.4 days.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Interest Rate Risk The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in calendar year 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2015 was \$207,432 in the general fund, \$47,630 in the bond retirement debt service fund, \$5,616 in the permanent improvements capital projects fund, and \$3,510, in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2014, was \$199,769 in the general fund, \$45,783 in the bond retirement debt service fund, \$5,566 in the permanent improvement capital projects fund, and \$3,479 in the classroom facilities maintenance special revenue fund. The difference is in the timing and collection by the County Auditor.

Louisville City School District
Notes to the Basic Financial Statements
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On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$308,053,970	97.09 %	\$310,839,190	96.76 %
Public Utility Personal	9,247,130	2.91	10,424,820	3.24
Total	\$317,301,100	100.00 %	\$321,264,010	100.00 %
Tax rate per \$1,000 of assessed valuation	\$60.70		\$60.70	

Note 8 - Receivables

Receivables at June 30, 2015, consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except for a portion of the delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
IDEA-B Grant	\$170,672
Title I Grant	108,717
Federal Food Subsidies	65,672
Stimulus Title II Grant	25,729
Medicaid	9,994
Early Childhood Special Education Grant	5,292
<i>Total Governmental Activities</i>	\$386,076

Louisville City School District
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Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	Restated Balance 6/30/14	Additions	Deductions	Balance 6/30/15
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$631,908	\$0	\$0	\$631,908
Construction in Progress	0	30,310	0	30,310
Total Capital Assets not being Depreciated	631,908	30,310	0	662,218
Capital Assets, being Depreciated:				
Buildings and Improvements	78,131,644	283,429	0	78,415,073
Furniture, Fixtures and Equipment	6,575,389	149,763	(253,692)	6,471,460
Vehicles	2,286,535	24,973	(1,252,796)	1,058,712
Total Capital Assets, being Depreciated	86,993,568	458,165	(1,506,488)	85,945,245
Less Accumulated Depreciation:				
Buildings and Improvements	(11,255,908)	(1,849,674)	0	(13,105,582)
Furniture, Fixtures and Equipment	(5,142,623)	(435,678)	239,012	(5,339,289)
Vehicles	(1,608,977)	(55,041)	977,041	(686,977)
Total Accumulated Depreciation	(18,007,508)	(2,340,393) *	1,216,053	(19,131,848)
Total Capital Assets, being Depreciated, net	68,986,060	(1,882,228)	(290,435)	66,813,397
Governmental Activities Capital Assets, Net	\$69,617,968	(\$1,851,918)	(\$290,435)	\$67,475,615

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$840,251
Special	42,869
Vocational	7,713
Support Services:	
Pupils	27,905
Instructional Staff	19,586
Administration	31,974
Fiscal	262
Operation and Maintenance of Plant	1,201,971
Pupil Transportation	57,187
Operation of Non-Instructional Services	86,388
Extracurricular Activities	24,287
Total Depreciation Expense	\$2,340,393

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 10 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2015 were as follows:

	Amount Outstanding 6/30/14	Additions	Deletions	Amount Outstanding 6/30/15	Amounts Due in One Year
General Obligation Bonds:					
2009 School Facilities Bonds (2.00%-5.00%)					
Serial Bonds	\$1,885,000	\$0	\$150,000	\$1,735,000	\$100,000
Term Bonds	5,810,000	0	0	5,810,000	0
Capital Appreciation Bonds	30,000	0	0	30,000	0
Accretion on Capital Appreciation Bonds	80,141	34,354	0	114,495	0
Premium	285,492	0	12,688	272,804	0
Total 2009 School Facilities Bonds	8,090,633	34,354	162,688	7,962,299	100,000
Energy Conservation Bonds (6.125%)	55,000	0	55,000	0	0
Ohio School Facilities Commission					
Refunding Bonds (0.70%-4.00%)					
Serial Bonds	15,710,000	0	785,000	14,925,000	880,000
Term Bonds	4,240,000	0	0	4,240,000	0
Capital Appreciation Bonds	275,000	0	0	275,000	0
Accretion on Capital Appreciation Bonds	391,012	185,615	0	576,627	0
Premium	1,037,904	0	66,961	970,943	0
Total Ohio School Facilities Commission					
Refunding Bonds	21,653,916	185,615	851,961	20,987,570	880,000
Total General Obligation Bonds	29,799,549	219,969	1,069,649	28,949,869	980,000
Other Long-term Obligations:					
Net Pension Liability:					
STRS	33,202,547	0	5,329,202	27,873,345	0
SERS	6,828,631	0	1,017,100	5,811,531	0
Total Net Pension Liability	40,031,178	0	6,346,302	33,684,876	0
Capital Leases	870,928	0	196,198	674,730	204,480
Compensated Absences	857,936	47,882	282,054	623,764	26,055
Early Retirement Incentive	10,075	0	10,075	0	0
Total Other Long-term Obligations	41,770,117	47,882	6,834,629	34,983,370	230,535
Total Governmental Activities Long-term Liabilities	\$71,569,666	\$267,851	\$7,904,278	\$63,933,239	\$1,210,535

On October 15, 2001, Louisville City School District issued \$26,270,000 in voted general obligation serial bonds for the construction of a new Middle School, and renovations and additions to North Nimishillen Elementary and to the High School. The bonds were issued for a twenty-nine year period with final maturity at December 1, 2029. These bonds were partially refunded in fiscal year 2011 and the nonrefunded portion was fully repaid in fiscal year 2012.

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

The serial, term, and capital appreciation bonds remained outstanding at June 30, 2015. Interest on the capital appreciation bonds will be accreted annually until the point of maturity of the capital appreciation bonds which is 2020 through 2022.

The final maturity amount of outstanding capital appreciation bonds at June 30, 2015 is \$590,000. The accretion recorded for 2015 was \$34,354, for a total outstanding bond liability of \$144,495.

The 2009 School Facilities Commission term bonds maturing on December 1, 2027, 2032 and 2036 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue		
	\$1,025,000	\$1,855,000	\$2,930,000
2024	\$180,000	\$0	\$0
2025	295,000	0	0
2026	305,000	0	0
2030	0	590,000	0
2031	0	615,000	0
2033	0	0	680,000
2034	0	0	715,000
2035	0	0	750,000
Total	\$780,000	\$1,205,000	\$2,145,000

The remaining principal amount of the term bonds (\$245,000, \$650,000, and \$785,000) will mature at the stated maturity.

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

On December 2, 2010, the School District issued \$21,970,000 in general obligation bonds to refund a portion of the Ohio School Facilities Commission general obligation serial bonds in order to take advantage of lower interest rates. The bonds included serial, term and capital appreciation (deep discount) bonds in the amount of \$17,455,000, \$4,240,000 and \$275,000, respectively. The bonds were issued for a twenty year period with a final maturity at December 1, 2029. The final maturity amount of outstanding capital appreciation bonds at June 30, 2015, is \$2,215,000. The accretion recorded for 2015 was \$185,615, for a total outstanding bond liability of \$851,627.

The bonds were sold at a premium of \$1,272,270. Net proceeds of \$22,999,308 were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2015, \$20,510,000 of the defeased bonds are still outstanding.

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The Ohio School Facilities Commission Refunding term bonds maturing on December 1, 2029 are subject to mandatory sinking fund. The mandatory redemption is to occur in December 2028 (with the remaining principal amount of \$2,185,000 to be paid at stated maturity on December 1, 2029) at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2028	\$2,055,000

The school facilities bonds and the energy conservation bonds will be paid from the debt service fund. The School District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences and the early retirement incentive are to be paid from the general fund, food service, auxiliary services, title VI-B, and title I special revenue funds. Capital leases will be paid from the permanent improvement capital projects fund.

The overall debt margin of the School District as of June 30, 2015 was \$3,252,729 with an unvoted debt margin of \$321,264.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2015 are as follows:

	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$980,000	\$1,007,565	\$0	\$0	\$0	\$0
2017	1,095,000	983,278	0	0	0	0
2018	1,150,000	953,403	0	0	0	0
2019	110,000	935,440	0	0	150,000	945,000
2020	0	931,441	0	0	135,000	1,205,000
2021-2025	7,240,000	3,797,299	180,000	319,395	20,000	350,000
2026-2030	6,085,000	1,328,060	5,085,000	1,051,010	0	0
2031-2035	0	0	3,250,000	802,908	0	0
2036-2037	0	0	1,535,000	77,625	0	0
Total	<u>\$16,660,000</u>	<u>\$9,936,486</u>	<u>\$10,050,000</u>	<u>\$2,250,938</u>	<u>\$305,000</u>	<u>\$2,500,000</u>

Note 11 - Capital Leases

In prior fiscal years, the School District entered into lease agreements for football stadium bleachers and school buses. These lease obligations meet the criteria of a capital lease and have been recorded on the government-wide statements. The payments for these capital leases are shown on a GAAP basis as debt service expenditures in permanent improvement capital projects fund.

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	Governmental Activities
Asset:	
Vehicles and Bleachers	\$1,377,715
Less: Accumulated depreciation	(144,339)
Current Book Value	\$1,233,376

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

	Governmental Activities
2016	\$230,212
2017	230,212
2018	230,212
2019	35,495
Total Minimum Lease Payment	726,131
Less: Amount Representing Interest	(51,401)
Present Value of Minimum Lease Payments	\$674,730

Note 12 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose

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corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$490,192 for fiscal year 2015. Of this amount \$84,914 is reported as an intergovernmental payable.

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Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

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Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$1,663,115 for fiscal year 2015. Of this amount \$282,468 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$5,811,531	\$27,873,345	\$33,684,876
Proportion of the Net Pension Liability	0.114831%	0.1145945%	
Pension Expense	\$339,775	\$1,075,678	\$1,415,453

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$49,462	\$268,341	\$317,803
School District contributions subsequent to the measurement date	490,192	1,663,115	2,153,307
Total Deferred Outflows of Resources	<u>\$539,654</u>	<u>\$1,931,456</u>	<u>\$2,471,110</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$943,228</u>	<u>\$5,156,675</u>	<u>\$6,099,903</u>

\$2,153,307 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$223,316)	(\$1,222,083)	(\$1,445,399)
2017	(223,316)	(1,222,083)	(1,445,399)
2018	(223,316)	(1,222,083)	(1,445,399)
2019	(223,818)	(1,222,085)	(1,445,903)
Total	(\$893,766)	(\$4,888,334)	(\$5,782,100)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation		3.25 percent
Future Salary Increases, including inflation		4.00 percent to 22 percent
COLA or Ad Hoc COLA		3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation	
Actuarial Cost Method		Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums

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over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$8,291,328	\$5,811,531	\$3,725,808

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$39,903,733	\$27,873,345	\$17,699,686

Note 13 - Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$62,679.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$92,175, \$71,163, and \$74,376, respectively. For fiscal year 2015, 74.37 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

Plan Description - The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS

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to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$121,702, and \$127,620 respectively. The full amount has been contributed for fiscal years 2014 and 2013.

Note 14 - Other Employee Benefits

Compensated Absences

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with a maximum of 276 days for both classified and certified employees and unlimited for administrators. Upon retirement of a classified employee, payment is made for one-fourth of total sick leave accumulation, for a maximum payment of 72 days. Upon retirement of a certified employee, payment is made for one-fourth of accumulated but unused sick leave credit to a maximum of 72 days. Upon retirement of administrators, payment is made for one-fourth of total sick leave accumulation, for an unlimited amount of days. Employees receiving such payment must meet the retirement provisions set by STRS or SERS.

Early Notification of Retirement Incentive

Any employee giving notice of retirement no later than February 1 in any year, will receive double severance pay up to a maximum of \$10,000 for the doubled portion. The Board does not limit the number of employees participating in the plan in any one year. The program ended after fiscal year 2013, and the final related payments of \$10,075 were paid in July of 2014. These expenditures are reflected in the funds from which the employee's salary and severance are paid.

Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance through Consumer's Life, to eligible employees.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Longevity

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

Insurance Benefits

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

Note 15 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2015, the School District's contracted with Ohio Casualty Insurance for the following coverage:

Type of Coverage	Coverage	Deductible
Liability	\$1,000,000/\$2,000,000	\$5,000
School Leaders Errors/Omissions	\$1,000,000/\$1,000,000	\$2,500
Law Enforcement Liability	\$1,000,000/\$1,000,000	\$2,500
Sexual Misconduct/Molestation	\$1,000,000/\$1,000,000	\$0
Employers Stop Gap Liability	\$1,000,000/\$2,000,000	\$0
Employee Benefits Liability	\$1,000,000/\$3,000,000	\$1,000
Excess Liability/Umbrella	\$5,000,000/\$5,000,000	\$0
Fleet Insurance	\$1,000,000 liability	\$250/\$500
Property Insurance	\$113,982,887	\$5,000
Inland Marine	\$2,624,313	\$500
Crime	\$50,000	\$1,000
Employee Dishonesty	\$50,000	\$1,000
Coverage According to the Terrorism Risk		
Insurance Act (TRIA) of 2002 and 2005	N/A	N/A

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Worker's Compensation

The School District participates in the Stark County Schools Council of Government Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management Inc. provides administrative, cost control and actuarial services to the GRP, and the firm of AultComp provides medical review analysis services to the GRP.

Note 16 - Set Asides

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

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

	Capital Acquisition
Set-aside Balances as of June 30, 2014	\$0
Current Year Set-aside Requirement	527,039
Current Year Offsets	(358,949)
Qualifying Disbursements	(47,856)
Totals	\$120,234
Set-aside Balance Carried Forward to Future Fiscal Years	\$120,234
Set-aside Balance as of June 30, 2015	\$120,234

Note 17 - Insurance Purchasing Pool

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Note 18 - Jointly Governed Organizations

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

SPARCC is governed by a board of directors comprised of each Superintendent within the Consortium. The Stark County Educational Service Center serves as the fiscal agent of the Consortium and receives funding from the State Department of Education. The Board exercises total control over the operations of the Consortium including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. Louisville City School District paid \$80,766 to SPARCC during fiscal year 2015 for services. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 2100 38th Street N.W., Canton, Ohio 44709.

R.G. Drage Career Center The Stark County Area Vocational School (R.G. Drage) is a joint vocational school which is a jointly governed organization among six school districts. It is operated under the direction of a seven member Board consisting of one representative from each of the six participating school district's boards and one board member that rotates from each participating district. The Board exercises total control over the operations of the Center including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. R.G. Drage offers vocational education. The Board has its own budgeting and taxing authority. The School District did not pay R.G. Drage for services during fiscal year 2015. Financial information can be obtained by writing the R.G. Drage Career Center, 6805 Richville Drive S.W., Massillon, Ohio 44646.

Stark County Tax Incentive Review Council The Stark County Tax Incentive Review Council (TIRC) is a jointly governed organization, created as a regional council of governments pursuant to State statutes. TIRC has 24 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, ten members appointed by township trustees, one member from the county auditor's office and six members appointed by boards of education located within the enterprise zones of Stark County. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. 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.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 19 – Related Organization

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

Note 20 - Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015, Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

Litigation

The School District is not party to legal proceedings.

Note 21 – Accountability

At June 30, 2015, the preschool grant special revenue fund had a deficit fund balance of \$1,106. The deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficits in these funds and provides transfers when cash is required, rather than when accruals occur.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 22 – Interfund Activity

Interfund Transfers

	Transfer From		
Transfer to	General	Other Governmental	Total
Bond Retirement Fund	\$58,369	\$0	\$58,369
Other Governmental Funds	0	730,106	730,106
Total	\$58,369	\$730,106	\$788,475

During fiscal year 2015, the general fund transferred \$58,369 to the bond retirement debt service fund for debt obligations. Transfers of \$730,106 were also made between other governmental funds for the purpose of capital outlay. The transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

Interfund Balances

During fiscal year 2015, the general fund made advances of \$35,266 to the Title VI-B IDEA special revenues fund to cover a negative cash balance. The balance is anticipated to be repaid in one year.

Note 23 – Significant Commitments

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$479,278
Other Governmental Funds	250,987
	\$730,265

Note 24 – Subsequent Events

In August, 2015, the School District entered into a five year lease purchase agreement for four school buses at a total cost of \$327,426.

Louisville City School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.114831%	0.114831%
School District's Proportionate Share of the Net Pension Liability	\$5,811,531	\$6,828,631
School District's Covered-Employee Payroll	\$3,325,420	\$3,443,366
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	174.76%	198.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

Louisville City School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.1145945%	0.1145945%
School District's Proportionate Share of the Net Pension Liability	\$27,873,345	\$33,202,547
School District's Covered-Employee Payroll	\$11,750,469	\$11,974,638
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	237.21%	277.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

Louisville City School District, Ohio
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$490,192	\$460,903	\$476,562	\$463,526
Contributions in Relation to the Contractually Required Contribution	<u>(490,192)</u>	<u>(460,903)</u>	<u>(476,562)</u>	<u>(463,526)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$3,719,214	\$3,325,420	\$3,443,366	\$3,446,291
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

2011	2010	2009	2008	2007	2006
\$423,086	\$432,277	\$307,258	\$310,272	\$324,757	\$323,882
<u>(423,086)</u>	<u>(432,277)</u>	<u>(307,258)</u>	<u>(310,272)</u>	<u>(324,757)</u>	<u>(323,882)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,365,843	\$3,192,590	\$3,122,541	\$3,159,596	\$3,040,796	\$3,061,267
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

Louisville City School District, Ohio
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$1,663,115	\$1,527,561	\$1,556,703	\$1,757,194
Contributions in Relation to the Contractually Required Contribution	<u>(1,663,115)</u>	<u>(1,527,561)</u>	<u>(1,556,703)</u>	<u>(1,757,194)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$11,879,393	\$11,750,469	\$11,974,638	\$13,516,877
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$1,727,819	\$1,634,460	\$1,644,329	\$1,614,938	\$1,558,154	\$1,616,017
<u>(1,727,819)</u>	<u>(1,634,460)</u>	<u>(1,644,329)</u>	<u>(1,614,938)</u>	<u>(1,558,154)</u>	<u>(1,616,017)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$13,290,915	\$12,572,769	\$12,648,685	\$12,422,600	\$11,985,800	\$12,430,900
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed Through Ohio Department of Education:</i>					
<i>Child Nutrition Cluster:</i>					
<i>Cash Assistance:</i>					
National School Breakfast Program	10.553	\$ 98,520		\$ 98,520	
National School Lunch Program	10.555	428,735		428,735	
<i>Non-Cash Assistance (Food Distribution)</i>					
National School Lunch Program	10.555		\$ 63,886		\$ 63,886
Total Child Nutrition Cluster		527,255	63,886	527,255	63,886
Total U.S. Department of Agriculture		527,255	63,886	527,255	63,886
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed Through Ohio Department of Education:</i>					
<i>Special Education Cluster:</i>					
Special Education Grants to States	84.027	519,972		569,155	
Special Education Preschool Grants	84.173	15,038		14,837	
Total Special Education Cluster		535,010		583,992	
Title I, Grants to Local Educational Agencies	84.010	354,013		354,123	
Improving Teacher Quality State Grants	84.367	94,715		93,342	
ARRA - Race to the Top Incentive Grants Recovery Act, Resident Educator Program	84.395	151		151	
Total U.S. Department of Education		983,889		1,031,608	
Total Federal Awards Expenditures		\$1,511,144	\$63,886	\$1,558,863	\$63,886

The accompanying notes are an integral part of this schedule.

**LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Louisville City School District (the District's) federal award programs receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louisville City School District, Stark County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 12, 2016, wherein we noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We also noted the District restated capital assets.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

February 12, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Louisville City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Louisville City School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on The Major Federal Program

In our opinion, the Louisville City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 12, 2016

**LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: Special Education Grants to States 84.027 and Special Education Preschool Grants 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	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

**LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	The District did not maintain proper capital asset records.	Yes	Finding No Longer Valid



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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
MARCH 22, 2016