LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2017

Dave Yost • Auditor of State

LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY

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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, 2017, 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 fraud or error.

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, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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 Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is 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 January 3, 2018, 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.

Dave Yost
Auditor of State
Columbus, Ohio

January 3, 2018

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The management's discussion and analysis of Louisville City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. 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 2017 are as follows:

- During the second half of fiscal year 2016 and the first part of fiscal year 2017, the School District was bargaining contracts with both the certified staff and the classified staff. In October 2016, the School District settled with the classified staff. However, in November 2016, the certified staff went on strike for a total of 16 school days. Although the strike ceased at the end of November, the contract was not settled until late January 2017.

- Due to the teacher strike, there was a shift in expenditures. Salary and benefit expenditures decreased in fiscal year 2017 since there were 16 work days not paid for the majority of the School District's teaching staff. However, a portion of those reductions were offset by the additional salaries and benefits for the substitutes who worked during the work stoppage. Also, purchased service expenditures increased as a result of the crisis because the School District needed to continue operations. The net impact to the School District came at a cost of nearly $295,000.

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 2017?" 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 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 non-fiduciary 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 11. 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 fiscal year 2017 compared to 2016.

Table 1
Net Position
Governmental Activities

	2017	Restated 2016	Change
Assets			
Current and Other Assets	$19,194,558	$18,299,150	$895,408
Capital Assets, Net	63,944,867	65,823,030	(1,878,163)
Total Assets	83,139,425	84,122,180	(982,755)
Deferred Outflows of Resources			
Deferred Charge on Refunding	1,340,881	1,429,092	(88,211)
Pension	8,533,992	3,953,111	4,580,881
Total Deferred Outflows of Resources	9,874,873	5,382,203	4,492,670
Liabilities			
Current Liabilities	3,282,712	3,365,166	82,454
Long-Term Liabilities:			
Due Within One Year	1,426,564	1,537,137	110,573
Due in More Than One Year:			
Net Pension Liability	46,946,707	38,176,871	(8,769,836)
Other Amounts	27,712,279	28,648,899	936,620
Total Liabilities	79,368,262	71,728,073	(7,640,189)
Deferred Inflows of Resources			
Property Taxes	10,417,447	10,240,756	(176,691)
Pension	183,193	2,726,813	2,543,620
Deferred Inflows of Resources	10,600,640	12,967,569	2,366,929
Net Position			
Net Investment in Capital Assets	38,485,409	38,835,737	(350,328)
Restricted	2,272,410	2,306,428	(34,018)
Unrestricted (Deficit)	(37,712,423)	(36,333,424)	(1,378,999)
Total Net Position	$3,045,396	$4,808,741	($1,763,345)

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017 and is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For reasons discussed that follow, 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.

GASB 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.

GASB 68 requires the net pension liability to equal 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 *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 previously, 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.

The net pension liability increase represents the School District's proportionate share of the unfunded benefits of the School Employees Retirement System (SERS) and the State Teachers Retirement System of Ohio (STRS) plans. As indicated previously, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

Overall, the position of the School District deteriorated, as evidenced by the decrease in net position. This is largely because of a decrease to unrestricted net position, resulting largely from the aforementioned increase in the net pension liability.

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, State and Federal grants, and contributions for capital improvement.

Table 2 shows the changes in net position for fiscal years 2017 and 2016.

Table 2
Changes in Net Position
Governmental Activities

	2017	Restated 2016	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	$2,768,433	$2,523,893	$244,540
Operating Grants, Contributions and Interest	3,650,118	3,549,488	100,630
Capital Grants and Contributions	23,510	4,463	19,047
Total Program Revenues	6,442,061	6,077,844	364,217
General Revenues:			
Property Taxes	10,650,931	10,314,654	336,277
Grants and Entitlements	14,784,153	15,090,105	(305,952)
Unrestricted Contributions	2,900	2,850	50
Payments in Lieu of Taxes	9,754	76,704	(66,950)
Investment Earnings	53,772	31,049	22,723
Miscellaneous	100,319	199,030	(98,711)
Total General Revenues	25,601,829	25,714,392	(112,563)
Total Revenues	32,043,890	31,792,236	251,654
Program Expenses			
Instruction:			
Regular	12,134,155	11,585,332	(548,823)
Special	3,783,492	3,268,075	(515,417)
Vocational	305,241	433,539	128,298
Student Intervention Services	1,791,830	1,473,105	(318,725)
Support Services:			
Pupils	1,389,283	1,467,762	78,479
Instructional Staff	1,241,516	1,065,535	(175,981)
Board of Education	149,852	89,317	(60,535)
Administration	2,151,023	2,069,752	(81,271)
Fiscal	611,171	729,968	118,797
Business	37,529	35,424	(2,105)
Operation and Maintenance of Plant	3,508,954	3,587,697	78,743
Pupil Transportation	1,468,925	974,309	(494,616)
Central	1,022,195	108,820	(913,375)
Operation of Non-Instructional Services	1,882,127	1,737,869	(144,258)
Extracurricular Activities	1,070,324	1,008,024	(62,300)
Interest and Fiscal Charges	1,259,618	1,147,725	(111,893)
Total Program Expenses	33,807,235	30,782,253	(3,024,982)
Increase (Decrease) in Net Position	(1,763,345)	1,009,983	(2,773,328)
Net Position Beginning of Year	4,808,741	3,798,758	1,009,983
Net Position End of Year	$3,045,396	$4,808,741	($1,763,345)

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs. Property taxes increased by over $300,000 from the prior fiscal year. This was due to an increase in assessed values of property within the School District.

The majority of the School District's expenses are for instruction. Additional supporting services for pupils, staff, administration, business operations, and pupil transportation 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 almost across the board. This increase was largely due to significant increases in the net pension liability during the fiscal year.

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 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Governmental Activities:				
Instruction:				
Regular	$12,134,155	$11,398,820	$11,585,332	$10,910,359
Special	3,783,492	1,100,131	3,268,075	659,839
Vocational	305,241	176,147	433,539	384,712
Student Intervention Services	1,791,830	1,691,935	1,473,105	1,404,404
Support Services:				
Pupils	1,389,283	1,319,295	1,467,762	1,390,890
Instructional Staff	1,241,516	1,178,567	1,065,535	1,016,817
Board of Education	149,852	141,494	89,317	85,125
Administration	2,151,023	2,027,124	2,069,752	1,971,142
Fiscal	611,171	580,222	729,968	703,299
Business	37,529	35,436	35,424	33,770
Operation and Maintenance of Plant	3,508,954	3,360,634	3,587,697	3,478,349
Pupil Transportation	1,468,925	1,398,498	974,309	916,224
Central	1,022,195	965,181	108,820	104,437
Operation of Non-Instructional Services	1,882,127	293,092	1,737,869	63,699
Extracurricular Activities	1,070,324	438,980	1,008,024	433,618
Interest and Fiscal Charges	1,259,618	1,259,618	1,147,725	1,147,725
Total	$33,807,235	$27,365,174	$30,782,253	$24,704,409

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.

School District's Funds

Information regarding the School District's major funds can be found beginning on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $31,931,536 and expenditures of $31,248,546. The general fund balance increase of $901,976 was largely due to increased property tax and related intergovernmental revenues. The bond retirement fund balance decrease of $91,797 was due to increased debt service payments.

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 2017, 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 $25,971,254, which is higher than the original estimate of $25,883,302. Final budget basis appropriations for expenditures totaled $25,578,655 compared to the original estimate of $24,904,295.

The total revenue variance between final budget and actual was $43,914, or 0.17 percent lower than final budget revenues. The total expenditure variance between final budget and actual amounted to $98,643 or 0.39 percent higher than final budget expenditures.

The general fund's unencumbered ending cash balance totaled $4,568,740, which was $175,284 less than the final budgeted amount of $4,744,024.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal 2017 values compared to 2016. More detailed information is presented in Note 10 to the basic financial statements.

Table 4
Capital Assets at June 30
Governmental Activities

	2017	2016
Land	$631,908	$631,908
Buildings and Improvements	61,789,562	63,485,764
Furniture, Fixtures and Equipment	892,477	998,952
Vehicles	630,920	706,406
Total Capital Assets	$63,944,867	$65,823,030

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

Debt Administration

Table 5 summarizes the bonds and capital leases outstanding. More detailed information is presented in Note 11 to the basic financial statements.

Table 5
Oustanding Debt at Year-End
Governmental Activities

	2017	2016
2009 School Facilities Bonds	$607,485	$730,741
2011 School Facilities Refunding Bonds	19,590,720	20,278,779
2016 GO Refunding Bonds	7,746,195	7,987,154
Capital Leases	257,124	470,250
Total	$28,201,524	$29,466,924

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 2011 school facilities refunding bonds and 2016 general obligation refunding bonds were both issued in subsequent years to partially refund the 2009 school facilities bonds.

The School District's overall legal debt margin was $6,453,032 with an unvoted debt margin of $365,427 as of June 30, 2017.

Current Issues Affecting Financial Condition

In May 2013, the voters of the Louisville City School District approved a 5 year emergency operating levy for $1,835,000 which was critically needed to support the operations of the School District. Since collection on the levy began, the School District has been able to operate on a balanced budget; however, the renewal is only for a term of 5 years. In November 2017, the voters will be asked to renew the emergency operating levy renewal for another 5 year term. Further, even with the renewal of the levy, the School District is looking at potential deficit spending within the general fund as early as fiscal year 2019. The Board has been, and will continue to, make the necessary decisions to ensure the School District is fiscally stable and can operate efficiently.

The School District's largest revenue source is from State foundation. As such, changes in student enrollment and changes from the legislature within the constructs of the funding formula significantly affect the School District's budget overall. Through fiscal year 2017, the School District has been a formula funded district, meaning the School District received what the formula calculated; however, it is anticipated that beginning in fiscal year 2018, the School District will move to the guarantee, which means the funding formula calculates less than what the School District received in the previous year. When this occurs, the State subsidizes the formula to offset the loss. The related concern with the current biennium budget is that the legislature approved its first set of criteria (related to student enrollment loss) that can begin reducing the amount of the guarantee. This creates risk for districts on the guarantee.

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.

Louisville City School District
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$7,363,744
Accounts Receivable	4,088
Accrued Interest Receivable	4,867
Intergovernmental Receivable	563,343
Inventory Held for Resale	13,634
Materials and Supplies Inventory	5,708
Property Taxes Receivable	11,160,003
Payments in Lieu of Taxes Receivable	9,754
Prepaid Items	69,417
Nondepreciable Capital Assets	631,908
Depreciable Capital Assets, Net	63,312,959
Total Assets	83,139,425
Deferred Outflows of Resources	
Deferred Charge on Refunding	1,340,881
Pension	8,533,992
Total Deferred Outflows of Resources	9,874,873
Liabilities	
Accounts Payable	58,107
Contracts Payable	16,800
Accrued Wages Payable	2,580,937
Matured Compensated Absences Payable	58,282
Intergovernmental Payable	461,616
Accrued Interest Payable	106,970
Long-Term Liabilities:	
Due Within One Year	1,426,564
Due In More Than One Year:	
Net Pension Liability (See Note 13)	46,946,707
Other Amounts	27,712,279
Total Liabilities	79,368,262
Deferred Inflows of Resources	
Property Taxes	10,417,447
Pension	183,193
Total Deferred Inflows of Resources	10,600,640
Net Position	
Net Investment in Capital Assets	38,485,409
Restricted for:	
Capital Projects	273,489
Debt Service	1,423,054
Classroom Facilities Maintenance	361,960
District Managed Student Activities	70,258
Special Instruction	114,357
Other Purposes	29,292
Unrestricted (Deficit)	(37,712,423)
Total Net Position	$3,045,396

See accompanying notes to the basic financial statements

Louisville City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	$12,134,155	$718,067	$17,268	$0	($11,398,820)
Special	3,783,492	148,709	2,534,652	0	(1,100,131)
Vocational	305,241	15,623	113,471	0	(176,147)
Student Intervention Services	1,791,830	99,895	0	0	(1,691,935)
Support Services:					
Pupils	1,389,283	69,988	0	0	(1,319,295)
Instructional Staff	1,241,516	62,949	0	0	(1,178,567)
Board of Education	149,852	8,358	0	0	(141,494)
Administration	2,151,023	103,296	20,603	0	(2,027,124)
Fiscal	611,171	30,949	0	0	(580,222)
Business	37,529	2,093	0	0	(35,436)
Operation and Maintenance of Plant	3,508,954	124,810	0	23,510	(3,360,634)
Pupil Transportation	1,468,925	70,427	0	0	(1,398,498)
Central	1,022,195	57,014	0	0	(965,181)
Operation of Non-Instructional Services	1,882,127	627,238	961,797	0	(293,092)
Extracurricular Activities	1,070,324	629,017	2,327	0	(438,980)
Interest and Fiscal Charges	1,259,618	0	0	0	(1,259,618)
Totals	$33,807,235	$2,768,433	$3,650,118	$23,510	(27,365,174)

General Revenues	
Property Taxes Levied for:	
General Purposes	8,429,415
Debt Service	1,852,725
Capital Outlay	226,954
Classroom Facilities Maintenance	141,837
Grants and Entitlements not Restricted to Specific Programs	14,784,153
Unrestricted Contributions	2,900
Payments in Lieu of Taxes	9,754
Investment Earnings	53,772
Miscellaneous	100,319
Total General Revenues	25,601,829
Change in Net Position	(1,763,345)
Net Position Beginning of Year - Restated (See Note 3)	4,808,741
Net Position End of Year	$3,045,396

See accompanying notes to the basic financial statements

Louisville City School District
Balance Sheet
Governmental Funds
June 30, 2017

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$4,906,973	$1,461,200	$778,611	$7,146,784
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	216,960	0	0	216,960
Accounts Receivable	3,894	0	194	4,088
Accrued Interest Receivable	4,867	0	0	4,867
Interfund Receivable	11,066	0	0	11,066
Intergovernmental Receivable	235,750	0	327,593	563,343
Payments in Lieu of Taxes Receivable	9,754	0	0	9,754
Inventory Held for Resale	0	0	13,634	13,634
Materials and Supplies Inventory	0	0	5,708	5,708
Prepaid Items	65,860	0	3,557	69,417
Taxes Receivable	8,829,500	1,944,132	386,371	11,160,003
Total Assets	$14,284,624	$3,405,332	$1,515,668	$19,205,624
Liabilities				
Accounts Payable	$37,719	$0	$20,388	$58,107
Contracts Payable	16,800	0	0	16,800
Accrued Wages Payable	2,342,170	0	238,767	2,580,937
Interfund Payable	0	0	11,066	11,066
Matured Compensated Absences Payable	54,336	0	3,946	58,282
Intergovernmental Payable	412,818	0	48,798	461,616
Total Liabilities	2,863,843	0	322,965	3,186,808
Deferred Inflows of Resources				
Property Taxes	8,245,409	1,811,866	360,172	10,417,447
Unavailable Revenue	394,095	84,446	338,959	817,500
Total Deferred Inflows of Resources	8,639,504	1,896,312	699,131	11,234,947
Fund Balances				
Nonspendable	70,792	0	9,265	80,057
Restricted	212,028	1,509,020	718,009	2,439,057
Assigned	585,730	0	0	585,730
Unassigned (Deficit)	1,912,727	0	(233,702)	1,679,025
Total Fund Balances	2,781,277	1,509,020	493,572	4,783,869
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$14,284,624	$3,405,332	$1,515,668	$19,205,624

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, 2017

Total Governmental Funds Balances		$4,783,869
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		63,944,867
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	477,032	
Intergovernmental	330,820	
Tuition and Fees	9,648	
Total		817,500
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(106,970)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
OSFC Bonds	(607,485)	
Refunding Bonds	(27,336,915)	
Deferred Charge on Refunding	1,340,881	
Capital Leases	(257,124)	
Compensated Absences	(937,319)	
Total		(27,797,962)
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	8,533,992	
Net Pension Liability	(46,946,707)	
Deferred Inflows - Pension	(183,193)	
Total		(38,595,908)
Net Position of Governmental Activities		$3,045,396

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, 2017

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	$8,450,077	$1,857,143	$369,666	$10,676,886
Intergovernmental	15,932,130	296,031	2,053,467	18,281,628
Interest	52,862	0	1,079	53,941
Tuition and Fees	1,516,300	0	0	1,516,300
Extracurricular Activities	209,067	0	385,484	594,551
Contributions and Donations	23,503	0	26,720	50,223
Customer Sales and Services	14,209	0	626,605	640,814
Rentals	7,120	0	0	7,120
Payments in Lieu of Taxes	9,754	0	0	9,754
Miscellaneous	96,125	0	4,194	100,319
Total Revenues	26,311,147	2,153,174	3,467,215	31,931,536
Expenditures				
Current:				
Instruction:				
Regular	10,612,734	0	9,680	10,622,414
Special	2,643,063	0	777,098	3,420,161
Vocational	280,098	0	0	280,098
Student Intervention Services	1,791,001	0	829	1,791,830
Support Services:				
Pupils	1,196,169	0	7,768	1,203,937
Instructional Staff	1,119,933	0	12,718	1,132,651
Board of Education	149,852	0	0	149,852
Administration	1,850,433	0	155,346	2,005,779
Fiscal	557,029	32,549	6,524	596,102
Business	37,529	0	0	37,529
Operation and Maintenance of Plant	2,235,750	0	123,296	2,359,046
Pupil Transportation	1,267,295	0	32,200	1,299,495
Central	1,022,195	0	0	1,022,195
Operation of Non-Instructional Services	11,354	0	1,711,321	1,722,675
Extracurricular Activities	617,936	0	424,768	1,042,704
Capital Outlay	16,800	0	102,644	119,444
Debt Service:				
Principal Retirement	0	1,280,000	213,126	1,493,126
Interest and Fiscal Charges	0	932,422	17,086	949,508
Total Expenditures	25,409,171	2,244,971	3,594,404	31,248,546
Net Change in Fund Balances	901,976	(91,797)	(127,189)	682,990
Fund Balances Beginning of Year	1,879,301	1,600,817	620,761	4,100,879
Fund Balances End of Year	$2,781,277	$1,509,020	$493,572	$4,783,869

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, 2017

Net Change in Fund Balances - Total Governmental Funds		$682,990
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	172,564	
Current Year Depreciation	(2,050,727)	
Total		(1,878,163)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	(25,955)	
Intergovernmental	128,661	
Tuition and Fees	9,648	
Total		112,354
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.		1,493,126
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	5,827	
Amortization of Premium	135,609	
Amortization of Deferred Charge on Refunding	(88,211)	
Bond Accretion	(363,335)	
Total		(310,110)
Compensated Absences 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.		(218,207)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		2,137,543
Except for amounts reported deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(3,782,878)
Change in Net Position of Governmental Activities		($1,763,345)

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$8,390,154	$8,418,664	$8,404,429	($14,235)
Intergovernmental	15,934,037	15,988,323	15,969,072	(19,251)
Interest	56,367	56,559	56,463	(96)
Tuition and Fees	1,250,039	1,254,287	1,252,166	(2,121)
Extracurricular Activities	92,096	92,409	92,253	(156)
Contributions and Donations	2,895	2,905	2,900	(5)
Customer Sales and Services	14,185	14,233	14,209	(24)
Rentals	7,108	7,132	7,120	(12)
Payments in Lieu of Taxes	42,000	42,000	34,146	(7,854)
Miscellaneous	94,421	94,742	94,582	(160)
Total Revenues	25,883,302	25,971,254	25,927,340	(43,914)
Expenditures				
Current:				
Instruction:				
Regular	10,391,594	10,652,455	10,558,968	93,487
Special	2,562,127	2,623,662	2,675,317	(51,655)
Vocational	298,324	332,744	324,033	8,711
Student Intervention Services	1,767,186	1,776,341	1,894,342	(118,001)
Support Services:				
Pupils	1,189,994	1,223,442	1,205,896	17,546
Instructional Staff	1,105,885	1,156,894	1,168,195	(11,301)
Board of Education	148,546	148,548	154,926	(6,378)
Administration	1,750,953	1,776,609	1,775,897	712
Fiscal	546,124	558,463	561,625	(3,162)
Business	36,854	49,189	47,655	1,534
Operation and Maintenance of Plant	2,225,525	2,274,532	2,310,801	(36,269)
Pupil Transportation	1,255,914	1,284,572	1,311,686	(27,114)
Central	1,009,239	1,037,887	1,027,720	10,167
Operation of Non-Instructional Services	11,210	12,991	12,578	413
Extracurricular Activities	604,820	653,526	612,584	40,942
Capital Outlay	0	16,800	35,075	(18,275)
Total Expenditures	24,904,295	25,578,655	25,677,298	(98,643)
Excess of Revenues Over Expenditures	979,007	392,599	250,042	(142,557)
Other Financing Uses				
Transfers Out	0	0	(32,727)	(32,727)
Net Change in Fund Balance	979,007	392,599	217,315	(175,284)
Fund Balance Beginning of Year	3,921,529	3,921,529	3,921,529	0
Prior Year Encumbrances Appropriated	429,896	429,896	429,896	0
Fund Balance End of Year	$5,330,432	$4,744,024	$4,568,740	($175,284)

See accompanying notes to the basic financial statements

Louisville City School District

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2017

Assets	
Equity in Pooled Cash and Cash Equivalents	$105,302
Liabilities	
Due to Students	$105,302

See accompanying notes to the basic financial statements

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 155 classified employees and 180 certificated employees who provide services to 2,857 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 and St. Louis 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 18, 19 and 20 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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

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 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 13.

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, 2017, but which were levied to finance fiscal year 2017 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 and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 13)

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.

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 positon 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 2017, investments were limited to federal home loan mortgage corporation notes and federal national mortgage association notes reported at fair value, commercial paper reported at amortized cost, repurchase agreements reported at cost, and STAR Ohio. The School District's commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase of less than one year.

During fiscal year 2017, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 amounted to $52,862, $15,328 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 17).

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 entitlement 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.

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 acquisition 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, 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 and Improvements	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.

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 has also assigned fund balances for public school support, rotary, adult education, summer school, and to cover a gap between fiscal year 2018's estimated revenue and appropriated budget.

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.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are receipted in the year the bonds are issued.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Note 3 – Changes in Accounting Principles and Restatement of Net Position

Changes in Accounting Principles

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

The School District also implemented GASB's *Implementation Guide No. 2016-1.* These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Restatement of Net Position

During fiscal year 2017, it was determined that capital assets and depreciation were overstated in the prior fiscal year. This restatement had the following effect on net position at June 30, 2016:

	Governmental Activities
Net Position at June 30, 2016	$4,881,456
Capital Assets	(283,172)
Capital Assets Depreciation	210,457
Restated Net Position at June 30, 2016	$4,808,741

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 as follows:

Fund Balances	General Fund	Bond Retirement Fund	Other Governmental Funds	Total
Nonspendable:				
Inventory	$0	$0	$5,708	$5,708
Prepaid Items	65,860	0	3,557	69,417
Unclaimed Monies	4,932	0	0	4,932
Total Nonspendable	70,792	0	9,265	80,057
Restricted for:				
Set Asides	212,028	0	0	212,028
District Managed Activites	0	0	70,258	70,258
Classroom Facilities Maintenance	0	0	355,521	355,521
Instruction	0	0	12,956	12,956
Non-Instructional Services	0	0	16,088	16,088
Debt Service Payments	0	1,509,020	0	1,509,020
Capital Improvements	0	0	263,186	263,186
Total Restricted	212,028	1,509,020	718,009	2,439,057
Assigned to:				
Fiscal Year 2018 Operations	79,457	0	0	79,457
Public School Support	84,703	0	0	84,703
Rotary	3,670	0	0	3,670
Adult Education	3,663	0	0	3,663
Summer School	15,962	0	0	15,962
Purchases on Order:				
Instruction	222,110	0	0	222,110
Support Services	156,666	0	0	156,666
Non-Instructional Services	1,224	0	0	1,224
Capital Outlay	18,275	0	0	18,275
Total Assigned	585,730	0	0	585,730
Unassigned (Deficit)	1,912,727	0	(233,702)	1,679,025
Total Fund Balances	$2,781,277	$1,509,020	$493,572	$4,783,869

Note 5 – Budgetary Basis of Accounting

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

The major differences between the budget basis and GAAP basis are:

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

2. Investments are reported at cost (budget basis) rather than fair value (GAAP basis).

3. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (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.

5. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).

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

Net Change in Fund Balance

GAAP Basis	$901,976
Net Adjustment for Revenue Accruals	(689,761)
Beginning Fair Value Adjustments for Investments	870
Ending Fair Value Adjustments for Investments	(1,169)
Net Adjustment for Expenditure Accruals	(145,497)
Perspective Differences:	
Uniform School Supplies	321,916
Public School Support	263,911
Rotary	10,578
Summer School	7,794
Encumbrances	(453,303)
Budget Basis	$217,315

Note 6 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage 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 (STAR Ohio); and

8. Commercial paper and bankers acceptances if training requirement has 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, $314,282 of the School District's bank balance of $2,191,529 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 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 and five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at one hundred and two percent or a rate set by the Treasurer of State. Financial institutions opting not to participate in OPCS will collateralize utilizing the specific pledge method at one hundred and five percent.

Investments

As of June 30, 2017, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Fair Value:				
Federal Home Loan Mortgage Corporation Notes	$995,400	Less than two years	AA+	16.95 %
Federal National Mortgage Association Notes	39,584	Less than five years	AA+	0.67
Amortized Cost:				
Commercial Paper	898,023	Less than one year	A1	15.29
Cost:				
Repurchase Agreements	2,923,749	1 Day	N/A	49.78
Net Asset Value Per Share:				
STAR Ohio	1,016,333	45.5 Days	AAAm	N/A
Total Investments	$5,873,089			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The preceding chart identifies the School District's recurring fair value measurements as of June 30, 2017. All of the School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

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 STAR Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio 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 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016, and are collected in calendar year 2017 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, 2017, are available to finance fiscal year 2017 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, 2017 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, 2017, was $208,247 in the general fund, $47,820 in the bond retirement debt service fund, $5,820 in the permanent improvements capital projects fund, and $3,637 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2016, was $162,599 in the general fund, $37,102 in the bond retirement debt service fund, $4,516 in the permanent improvement capital projects fund, and $2,823 in the classroom facilities maintenance special revenue fund. The difference is in the timing and collection by the County Auditor.

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 2017 taxes were collected are:

	2016 Second-Half Collections		2017 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	$345,394,200	96.29 %	$351,842,440	96.28 %
Public Utility Personal	13,297,690	3.71	13,584,360	3.72
Total	$358,691,890	100.00 %	$365,426,800	100.00 %
Tax rate per $1,000 of assessed valuation	$59.60		$59.50	

During fiscal year 2017, property values increased in the School District. This caused the tax rate to decrease so that the emergency and bond levies would meet their collection amounts.

Note 8 – Receivables

Receivables at June 30, 2017, 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:	
Title VI-B Grant	$200,033
School Foundation Tuition	154,728
Title I Grant	91,374
Workers' Compensation Rebate	72,203
Title II-A	27,276
Medicaid Reimbursement	14,195
IDEA Early Childhood Grant	3,534
Total Governmental Activities	$563,343

Note 9 – Tax Abatements

School District property taxes were reduced by $48,477 for fiscal year 2017 under enterprise zone agreements entered into by Nimishillen Township.

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Restated Balance 6/30/16	Additions	Deductions	Balance 6/30/17
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	$631,908	$0	$0	$631,908
Capital Assets, being Depreciated:				
Buildings and Improvements	79,555,785	161,111	0	79,716,896
Furniture, Fixtures and Equipment	5,169,400	11,453	0	5,180,853
Vehicles	1,275,096	0	0	1,275,096
Total Capital Assets, being Depreciated	86,000,281	172,564	0	86,172,845
Less Accumulated Depreciation:				
Buildings and Improvements	(16,070,021)	(1,857,313)	0	(17,927,334)
Furniture, Fixtures and Equipment	(4,170,448)	(117,928)	0	(4,288,376)
Vehicles	(568,690)	(75,486)	0	(644,176)
Total Accumulated Depreciation	(20,809,159)	(2,050,727) *	0	(22,859,886)
Total Capital Assets, being Depreciated, net	65,191,122	(1,878,163)	0	63,312,959
Governmental Activities Capital Assets, Net	$65,823,030	($1,878,163)	$0	$63,944,867

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$607,900
Special	44,543
Vocational	7,880
Support Services:	
Pupils	29,741
Instructional Staff	19,267
Administration	34,245
Fiscal	629
Operation and Maintenance of Plant	1,151,858
Pupil Transportation	76,977
Operation of Non-Instructional Services	54,745
Extracurricular Activities	22,942
Total Depreciation Expense	$2,050,727

Note 11 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2017 were as follows:

	Amount Outstanding 6/30/16	Additions	Deletions	Amount Outstanding 6/30/17	Amounts Due in One Year
General Obligation Bonds:					
2009 School Facilities Commission Bonds (2.00%-5.00%):					
Serial Bonds	$465,000	$0	$170,000	$295,000	$185,000
Capital Appreciation Bonds	30,000	0	0	30,000	0
Accretion on Capital Appreciation Bonds	159,610	59,433	0	219,043	0
Premium	76,131	0	12,689	63,442	0
Total 2009 School Facilities Commission Bonds	730,741	59,433	182,689	607,485	185,000
2011 Ohio School Facilities Commission Refunding Bonds (0.70%-4.00%):					
Serial Bonds	14,045,000	0	925,000	13,120,000	965,000
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	814,798	303,902	0	1,118,700	0
Premium	903,981	0	66,961	837,020	0
Total 2011 Ohio School Facilities Commission Refunding Bonds	20,278,779	303,902	991,961	19,590,720	965,000
2016 General Obligation Refunding Bonds (2.00%-4.00%):					
Serial Bonds	6,840,000	0	185,000	6,655,000	0
Premium	1,147,154	0	55,959	1,091,195	0
Total 2016 General Obligation Refunding Bonds	7,987,154	0	240,959	7,746,195	0
Total General Obligation Bonds	28,996,674	363,335	1,415,609	27,944,400	1,150,000
Other Long-Term Obligations:					
Net Pension Liability:					
SERS	6,783,015	2,095,465	0	8,878,480	0
STRS	31,393,856	6,674,371	0	38,068,227	0
Total Net Pension Liability	38,176,871	8,769,836	0	46,946,707	0
Capital Leases	470,250	0	213,126	257,124	222,151
Compensated Absences	719,112	297,243	79,036	937,319	54,413
Total Other Long-Term Obligations	39,366,233	9,067,079	292,162	48,141,150	276,564
Total Governmental Activities Long-Term Liabilities	$68,362,907	$9,430,414	$1,707,771	$76,085,550	$1,426,564

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 and capital appreciation bonds remained outstanding at June 30, 2017. 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, 2017 is $590,000. The accretion recorded for 2017 was $59,433, for a total outstanding bond liability of $249,043.

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, 2017, is $2,215,000. The accretion recorded for fiscal year 2017 was $303,902, for a total outstanding bond liability of $1,393,700.

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, 2017, $19,170,000 of the defeased bonds are still outstanding.

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:

Year	Amount
2028	$2,055,000

On May 12, 2016, the School District issued $6,840,000 in refunding serial general obligation bonds. The bonds were issued for the purpose of advance refunding a portion of the 2009 school facilities bonds to take advantage of lower interest rates. The bonds were issued for a 21 year period with final maturity at December 1, 2036. The proceeds of the new bonds were placed in an irrevocable trust 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. At June 30, 2017, $6,980,000 of the defeased bonds are still outstanding.

The school facilities bonds will be paid from the debt service fund. There is no repayment schedule for the net pension liability; however, employer pension contributions are made from the general fund and food service, title VI-B, and title I special revenue funds. For additional information related to the net pension liability, see Note 13. Compensated absences are to be paid from the general fund and food service, 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, 2017 was $6,453,032 with an unvoted debt margin of $365,427.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2017 are as follows:

	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	$1,150,000	$886,723	$0	$0	$0	$0
2019	110,000	869,110	0	0	150,000	945,000
2020	0	865,810	0	0	135,000	1,205,000
2021	1,150,000	848,560	0	0	10,000	205,000
2022	1,270,000	810,990	0	0	10,000	145,000
2023-2027	9,005,000	3,182,912	0	0	0	0
2028-2032	4,035,000	1,122,275	4,240,000	172,200	0	0
2033-2037	3,350,000	345,000	0	0	0	0
Total	$20,070,000	$8,931,380	$4,240,000	$172,200	$305,000	$2,500,000

Note 12 – 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 the permanent improvement capital projects fund.

	Governmental Activities
Asset:	
Vehicles and Bleachers	$1,377,715
Less: Accumulated depreciation	(240,510)
Current Book Value	$1,137,205

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
2018	$230,212
2019	35,496
Total Minimum Lease Payment	265,708
Less: Amount Representing Interest	(8,584)
Present Value of Minimum Lease Payments	$257,124

Note 13 – 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.

The 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 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:

Benefit	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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 years 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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was $531,339 for fiscal year 2017. Of this amount, $67,626 is reported as an intergovernmental payable.

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, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website 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 is 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 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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 to 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.

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. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The entire 14 percent employer contribution rate was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was $1,606,204 for fiscal year 2017. Of this amount, $300,979 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, 2016, 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:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.11887310%	0.11359327%	
Proportion of the Net Pension Liability Current Measurement Date	0.12130600%	0.11372811%	
Change in Proportionate Share	0.00243290%	0.00013484%	
Proportionate Share of the Net Pension Liability	$8,878,480	$38,068,227	$46,946,707
Pension Expense	$1,022,563	$2,760,315	$3,782,878

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$119,750	$1,538,140	$1,657,890
Changes of assumptions	592,687	0	592,687
Net difference between projected and actual earnings on pension plan investments	732,346	3,160,686	3,893,032
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	233,576	19,264	252,840
School District contributions subsequent to the measurement date	531,339	1,606,204	2,137,543
Total Deferred Outflows of Resources	$2,209,698	$6,324,294	$8,533,992
Deferred Inflows of Resources			
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	$0	$183,193	$183,193

$2,137,543 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	$460,725	$687,717	$1,148,442
2019	460,196	687,718	1,147,914
2020	546,919	1,900,563	2,447,482
2021	210,519	1,258,899	1,469,418
Total	$1,678,359	$4,534,897	$6,213,256

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, 2016, compared with June 30, 2015, are presented as follows:

Method	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3.00 percent	3.00 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation	7.75 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by 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 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 an arithmetic weighted average 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 asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategy	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. 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 earnings were calculated using the long-term assumed investment rate of return (7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$11,754,554	$8,878,480	$6,471,086

Actuarial Assumptions – STRS

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary Increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2.00 percent simple applied as follows: for members retiring before August 1, 2013, 2.00 percent per year; for members retiring August 1, 2013, or later, 2.00 percent COLA commences 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 no set-back from age 90 and above.

Actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
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	100.00 %	

* 10-year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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 previously. 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 of future plan members, are excluded. 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, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	$50,589,580	$38,068,227	$27,505,727

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

Note 14 – 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. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, 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 pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the

Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was $23,500. 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 2017, the School District's surcharge obligation was $63,705.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $63,705, $62,018, and $92,175, respectively. The full amount has been contributed for fiscal years 2016 and 2015.

State Teachers Retirement System

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio 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 discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

Note 15 – 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 325 days for certified employees, 326 days for classified 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 77 days. Upon retirement of a certified employee, payment is made for one-fourth of accumulated but unused sick leave credit to a maximum of 76 days. Upon retirement of administrators, payment is made for one-fourth of total sick leave accumulation, for limited amounts of days for various contracts. Employees receiving such payment must meet the retirement provisions set by STRS or SERS.

Life Insurance

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

Longevity

The Board pays a longevity allowance to classified personnel at 5 years, 10 years, 15 years, 20 years, 25 years, 27 years, and 30 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 16 – 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 2017, the School District 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/Ommissions	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	100,896,028	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.

Workers' Compensation

The School District participates in a workers compensation program jointly sponsored by the Ohio Association of School Business Officials (OASBO) and the Ohio School Board Association (OSBA), known as SchoolComp. CompManagement, Incorporated (CMI) is the program's third party administrator. SchoolComp serves to group its members' risks for the purpose of obtaining a favorable experience rating to determine its premium liability to the Ohio Bureau of Workers' Compensation (OBWC) and the Ohio Workers' Compensation Fund. This may be accomplished through participation in a group rating program or through group retrospective rating. The School District has chosen to participate in the group rating program for fiscal year 2017. Participation in SchoolComp is restricted to members who meet enrollment criteria and are jointly in good standing with OASBO and OSBA. OASBO and OSBA are certified sponsors recognized by OBWC.

Note 17 – 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, 2016	$172,434
Current Year Set-aside Requirement	523,237
Current Year Offsets	(367,548)
Qualifying Disbursements	(116,095)
Totals	$212,028
Set-aside Balance Carried Forward to Future Fiscal Years	$212,028
Set-aside Balance as of June 30, 2017	$212,028

Note 18 – Insurance Purchasing Pool

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

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

Note 19 – 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 SPARCC. The Stark County Educational Service Center serves as the fiscal agent of SPARCC and receives funding from the State Department of Education. The Board exercises total control over the operations of SPARCC 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 $156,057 to SPARCC during fiscal year 2017 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 R.G. Drage 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 2017. 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 an advisory council 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.

Note 20 – 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 21 – Accountability

At June 30, 2017, the following funds had deficit fund balances:

	Amount
Other Governmental Funds:	
Food Service	($67,407)
Title VI-B	(79,099)
Title I	(57,142)
Preschool Grant	(3,694)
Class Size Reduction	(17,343)

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.

Note 22 – Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, 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. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year-end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Litigation

The School District is not party to legal proceedings.

Note 23 – Interfund Balances

Interfund balances at June 30, 2017, consisted of the following:

	Interfund Balances June 30, 2017	
	Receivables	Payables
General	$11,066	$0
Other Governmental Funds:		
Title VI-B	0	10,041
Title I	0	1,025
Total Other Governmental Funds	0	11,066
Total Governmental Funds	$11,066	$11,066

The advances from the general fund to the other governmental funds were made to cover negative cash balances. The balances are anticipated to be repaid in one year.

Note 24 – 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 fiscal 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	$453,303
Other Governmental Funds	160,792
Total Governmental Funds	$614,095

Required
Supplementary
Information

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 Four Fiscal Years (1)**

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.12130600%	0.11887310%	0.11483100%	0.11483100%
School District's Proportionate Share of the Net Pension Liability	$8,878,480	$6,783,015	$5,811,531	$6,828,631
School District's Covered Payroll	$3,777,643	$3,719,214	$3,325,420	$3,443,366
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	235.03%	182.38%	174.76%	198.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined 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 Four Fiscal Years (1)**

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.11372811%	0.11359327%	0.11459449%	0.11459449%
School District's Proportionate Share of the Net Pension Liability	$38,068,227	$31,393,856	$27,873,345	$33,202,547
School District's Covered Payroll	$12,083,907	$11,879,393	$11,750,469	$11,974,638
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	315.03%	264.27%	237.21%	277.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined 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

	2017	2016	2015	2014
Contractually Required Contribution	$531,339	$528,870	$490,192	$460,903
Contributions in Relation to the Contractually Required Contribution	(531,339)	(528,870)	(490,192)	(460,903)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll	$3,795,279	$3,777,643	$3,719,214	$3,325,420
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
$476,562	$463,528	$423,086	$432,277	$307,258	$310,272
(476,562)	(463,528)	(423,086)	(432,277)	(307,258)	(310,272)
$0	$0	$0	$0	$0	$0
$3,443,366	$3,446,291	$3,365,843	$3,192,590	$3,122,541	$3,159,596
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Louisville City School District, Ohio

Required Supplementary Information

Schedule of School District Contributions

State Teachers Retirement System of Ohio

Last Ten Fiscal Years

	2017	2016	2015	2014
Contractually Required Contribution	$1,606,204	$1,691,747	$1,663,115	$1,527,561
Contributions in Relation to the Contractually Required Contribution	(1,606,204)	(1,691,747)	(1,663,115)	(1,527,561)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll	$11,472,886	$12,083,907	$11,879,393	$11,750,469
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
$1,556,703	$1,757,194	$1,727,819	$1,634,460	$1,644,329	$1,614,938
(1,556,703)	(1,757,194)	(1,727,819)	(1,634,460)	(1,644,329)	(1,614,938)
$0	$0	$0	$0	$0	$0
$11,974,638	$13,516,877	$13,290,915	$12,572,769	$12,648,685	$12,422,600
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Changes in Assumptions – SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented as follows:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation	7.75 percent net of investment expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**	**Non-Cash Expenditures**
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education				
Child Nutrition Cluster:				
School Breakfast Program	10.553	049874-3L70-2016	$13,943	
School Breakfast Program	10.553	049874-3L70-2017	172,916	
National School Lunch Program	10.555	049874-3L60-2016	55,190	
National School Lunch Program	10.555	049874-3L60-2017	464,987	$105,748
Total Child Nutrition Cluster			707,036	105,748
Total U.S. Department of Agriculture			**707,036**	**105,748**
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education				
Title I Grants to Local Educational Agencies	84.010	049874-3M00-2016	69,826	
Title I Grants to Local Educational Agencies	84.010	049874-3M00-2017	277,157	
Total Title I Grants to Local Educational Agencies			346,983	
Special Education Cluster:				
Special Education Grants to States	84.027	049874-3M20-2016	82,438	
Special Education Grants to States	84.027	049874-3M20-2017	470,440	
Special Education Preschool Grants	84.173	049874-3C50-2016	3,327	
Special Education Preschool Grants	84.173	049874-3C50-2017	14,088	
Total Special Education Cluster			570,293	
Supporting Effective Instruction State Grants	84.367	049874-3Y60-2016	15,852	
Supporting Effective Instruction State Grants	84.367	049874-3Y60-2017	61,191	
Total Supporting Effective Instruction State Grants			77,043	
Total U.S. Department of Education			**994,319**	
Total Expenditures of Federal Awards			**$1,701,355**	**$105,748**

The accompanying notes are an integral part of this schedule.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Louisville City School District (the District) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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 D – FOOD DONATION PROGRAM

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

NOTE E - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2017 to 2018 programs:

Title I Grants to Local Educational Agencies		84.010		$17,237
Special Education - Grants to States		84.027		$89,110
Supporting Effective Instruction State Grants		84.367		$7,608

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 the Louisville City School District, Stark County , (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 3, 2018.

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.

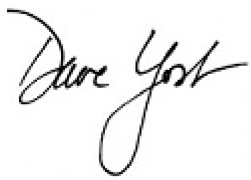
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies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



Dave Yost
Auditor of State
Columbus, Ohio

January 3, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 Louisville City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Louisville City School District's major federal program for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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, 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, 2017.

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 the Uniform Guidance, 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 Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

January 3, 2018

LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR §200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Special Education Cluster CFDA 84.027 and 84.173
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	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

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LOUISVILLE CITY SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 13, 2018

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