



Dave Yost • Auditor of State

**LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	14
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund.....	20
Statement of Fiduciary Assets and Liabilities Agency Funds.....	21
Notes to the Basic Financial Statements	22
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability	56
Schedule of the District's Contributions	58
Schedule of Expenditures of Federal Awards	63
Notes to the Schedule of Expenditures of Federal Awards	64
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	65
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.....	67
Schedule of Findings.....	69

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louisville City School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position thereof and the respective 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 the 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 December 8, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

December 8, 2016

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Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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, 2016. 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 2016 are as follows:

- In May 2016, the School District finalized an advanced refunding of the School District's 2009 School Facilities bonds which were originally issued for \$8,500,000. As a result, the total savings for the taxpayers of Louisville City School District are \$1,457,065.
- During fiscal year 2016, the School District began working with Meeder Investment Management to begin utilizing a more structured and more aggressive investment plan. Based on this change, interest earnings have increased significantly from \$3,370 received in fiscal year 2015 to \$31,628 received in fiscal year 2016.
- The School District experienced its ninth consecutive year of declining enrollment.
- For the third fiscal year in a row, the School District received more money than it expended on a cash basis.

Using these Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" 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.

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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 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 2016 compared to 2015.

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Table 1
Net Position
Governmental Activities

	2016	2015	Change
Assets			
Current and Other Assets	\$18,299,150	\$16,890,367	\$1,408,783
Capital Assets, Net	65,895,745	67,475,615	(1,579,870)
<i>Total Assets</i>	<u>84,194,895</u>	<u>84,365,982</u>	<u>(171,087)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	1,429,092	785,525	643,567
Pension	3,953,111	2,471,110	1,482,001
<i>Total Deferred Outflows of Resources</i>	<u>5,382,203</u>	<u>3,256,635</u>	<u>2,125,568</u>
Liabilities			
Current Liabilities	3,365,166	3,913,019	547,853
Long-Term Liabilities:			
Due Within One Year	1,537,137	1,210,535	(326,602)
Due in More Than One Year:			
Net Pension Liability	38,176,871	33,684,876	(4,491,995)
Other Amounts	28,648,899	29,037,828	388,929
<i>Total Liabilities</i>	<u>71,728,073</u>	<u>67,846,258</u>	<u>(3,881,815)</u>
Deferred Inflows of Resources			
Property Taxes	10,240,756	9,804,983	(435,773)
Pension	2,726,813	6,099,903	3,373,090
Deferred Inflows of Resources	<u>12,967,569</u>	<u>15,904,886</u>	<u>2,937,317</u>
Net Position			
Net Investment in Capital Assets	38,908,452	39,600,467	(692,015)
Restricted	2,306,428	1,976,438	329,990
Unrestricted (Deficit)	(36,333,424)	(37,705,432)	1,372,008
<i>Total Net Position</i>	<u>\$4,881,456</u>	<u>\$3,871,473</u>	<u>\$1,009,983</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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 *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

Overall, the position of the School District improved, as evidenced by the increase in net position. This is largely because of an increase to unrestricted net position, resulting largely from effective cost-control in the general fund.

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 2016 and 2015.

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Table 2
Changes in Net Position
Governmental Activities

	2016	2015	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$2,523,893	\$2,684,080	(\$160,187)
Operating Grants, Contributions and Interest	3,549,488	3,562,680	(13,192)
Capital Grants and Contributions	4,463	0	4,463
Total Program Revenues	<u>6,077,844</u>	<u>6,246,760</u>	<u>(168,916)</u>
General Revenues:			
Property Taxes	10,314,654	10,053,237	261,417
Grants and Entitlements	15,090,105	14,968,291	121,814
Unrestricted Contributions	2,850	40,775	(37,925)
Payments in Lieu of Taxes	76,704	32,334	44,370
Investment Earnings	31,049	1,882	29,167
Miscellaneous	199,030	104,401	94,629
Total General Revenues	<u>25,714,392</u>	<u>25,200,920</u>	<u>513,472</u>
Total Revenues	<u>31,792,236</u>	<u>31,447,680</u>	<u>344,556</u>
Program Expenses			
Instruction:			
Regular	11,585,332	12,188,466	603,134
Special	3,268,075	3,064,247	(203,828)
Vocational	433,539	415,809	(17,730)
Student Intervention Services	1,473,105	1,330,326	(142,779)
Support Services:			
Pupils	1,467,762	1,521,183	53,421
Instructional Staff	1,065,535	1,037,284	(28,251)
Board of Education	89,317	40,330	(48,987)
Administration	2,069,752	2,039,785	(29,967)
Fiscal	729,968	473,710	(256,258)
Business	35,424	62,094	26,670
Operation and Maintenance of Plant	3,587,697	3,876,088	288,391
Pupil Transportation	974,309	1,525,401	551,092
Central	108,820	107,210	(1,610)
Operation of Non-Instructional Services	1,737,869	1,674,447	(63,422)
Extracurricular Activities	1,008,024	948,500	(59,524)
Interest and Fiscal Charges	1,147,725	1,257,441	109,716
Total Program Expenses	<u>30,782,253</u>	<u>31,562,321</u>	<u>780,068</u>
Increase (Decrease) in Net Position	1,009,983	(114,641)	1,124,624
<i>Net Position Beginning of Year</i>	<u>3,871,473</u>	<u>3,986,114</u>	<u>(114,641)</u>
<i>Net Position End of Year</i>	<u>\$4,881,456</u>	<u>\$3,871,473</u>	<u>\$1,009,983</u>

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs. Property taxes increased by over \$200,000 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 and business operations are the next largest area of expenses. The remaining amount of program expenses are to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities. Program expenses increased almost across the board, but decreased significantly in regular instruction and pupil transportation. The decrease in regular instruction was largely due to the fact that many teachers retired in the prior fiscal year and were replaced by teachers that were at a lower rate on the wage scale. The decrease in pupil transportation was due to the prior fiscal year's expenses being inflated by the disposal of a large amount of pupil transportation-related capital assets that were not fully depreciated.

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 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Governmental Activities:				
Instruction:				
Regular	\$11,585,332	\$10,910,359	\$12,188,466	\$11,500,013
Special	3,268,075	659,839	3,064,247	401,651
Vocational	433,539	384,712	415,809	354,662
Student Intervention Services	1,473,105	1,404,404	1,330,326	1,251,262
Support Services:				
Pupils	1,467,762	1,390,890	1,521,183	1,423,053
Instructional Staff	1,065,535	1,016,817	1,037,284	977,546
Board of Education	89,317	85,125	40,330	37,817
Administration	2,069,752	1,971,142	2,039,785	1,895,613
Fiscal	729,968	703,299	473,710	447,255
Business	35,424	33,770	62,094	58,536
Operation and Maintenance of Plant	3,587,697	3,478,349	3,876,088	3,747,151
Pupil Transportation	974,309	916,224	1,525,401	1,453,975
Central	108,820	104,437	107,210	100,838
Operation of Non-Instructional Services	1,737,869	63,699	1,674,447	80,150
Extracurricular Activities	1,008,024	433,618	948,500	328,598
Interest and Fiscal Charges	1,147,725	1,147,725	1,257,441	1,257,441
Total	\$30,782,253	\$24,704,409	\$31,562,321	\$25,315,561

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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 excluding other financing sources of \$31,652,263 and expenditures excluding other financing uses of \$30,368,817. The general fund balance increase of \$1,379,214 was largely due to increased property tax and related intergovernmental revenues. The bond retirement fund balance increase of \$246,849 was due to decreased 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 2016, 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 \$25,790,350, which is higher than the original estimate of \$25,203,448. Final budget basis appropriations for expenditures totaled \$25,904,281 compared to the original estimate of \$25,597,144.

The total revenue variance between final budget and actual was \$32,781, or 0.13 percent lower than final budget revenues. The total expenditure variance between final budget and actual amounted to \$527,283 or 2.04 percent lower than final budget expenditures.

The general fund's unencumbered ending cash balance totaled \$3,921,529, which was \$494,502 more than the final budgeted amount of \$3,427,027.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal 2016 values compared to 2015. More detailed information is presented in Note 10 to the basic financial statements.

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Table 4
Capital Assets at June 30
Governmental Activities

	2016	2015
Land	\$631,908	\$631,908
Construction in Progress	0	30,310
Buildings and Improvements	63,556,181	65,309,491
Furniture, Fixtures and Equipment	1,047,364	1,132,171
Vehicles	660,292	371,735
<i>Total Capital Assets</i>	\$65,895,745	\$67,475,615

All capital assets, except land and construction in progress are reported net of depreciation. As one can see, there was a decrease in capital assets during the fiscal year, due to annual depreciation outpacing capital 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
Outstanding Debt at Year-End
Governmental Activities

	2016	2015
2009 School Facilities Bonds	\$730,741	\$7,962,299
School Facilities Refunding Bonds	20,278,779	20,987,570
2016 GO Refunding Bonds	7,987,154	0
Capital Leases	470,250	674,730
<i>Total</i>	\$29,466,924	\$29,624,599

The 2009 school facilities bonds were issued to retire notes that were issued to construct one elementary school to replace three existing elementary schools and to do additional renovations at the Louisville High School. This local money was used in conjunction with funding from the Ohio School Facilities Commission (OSFC). The school 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 \$7,988,087 with an unvoted debt margin of \$358,692 as of June 30, 2016.

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Current Issues Affecting Financial Condition

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

The financial outlook of Louisville City School District has improved since the passage of the emergency operating levy; however, there are still several long term problems on the horizon. Foremost, the School District still relies on the State for over half of its general operating funds. The School District's financial future is still tied to the political whims of the State and the views of the political party in power when it comes to educational funding. Also, the School District is expecting fiscal year 2017 to be the tenth consecutive fiscal year of decreased enrollment. The School District expects that trend to continue for the next several years. The School District does have about 121 students leaving through open enrollment or charter school enrollment, but that is more than offset by the 163 students that choose to open enroll into the School District. The real problem is that there has simply been a decline in the number of children needing to be educated. Census data shows a steep decline in student population in recent years, a statistic which has been supported by the enrollment drop. The enrollment decline means the School District needs to constantly monitor its resources and make sure that it is correctly sized to fit the population it serves. The School District cannot afford to have excess capacity.

Contacting the School District's Financial Management

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

Louisville City School District

Statement of Net Position

June 30, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,689,054
Accounts Receivable	3,441
Accrued Interest Receivable	8,767
Intergovernmental Receivable	557,486
Inventory Held for Resale	13,428
Materials and Supplies Inventory	5,634
Property Taxes Receivable	10,950,783
Payments in Lieu of Taxes Receivable	34,146
Prepaid Items	36,411
Nondepreciable Capital Assets	631,908
Depreciable Capital Assets, Net	65,263,837
<i>Total Assets</i>	<u>84,194,895</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	1,429,092
Pension	3,953,111
<i>Total Deferred Outflows of Resources</i>	<u>5,382,203</u>
Liabilities	
Accounts Payable	162,289
Accrued Wages Payable	2,581,907
Matured Compensated Absences Payable	12,510
Intergovernmental Payable	495,663
Accrued Interest Payable	112,797
Long-Term Liabilities:	
Due Within One Year	1,537,137
Due In More Than One Year:	
Net Pension Liability (See Note 12)	38,176,871
Other Amounts	28,648,899
<i>Total Liabilities</i>	<u>71,728,073</u>
Deferred Inflows of Resources	
Property Taxes	10,240,756
Pension	2,726,813
<i>Total Deferred Inflows of Resources</i>	<u>12,967,569</u>
Net Position	
Net Investment in Capital Assets	38,908,452
Restricted for:	
Capital Projects	341,667
Debt Service	1,500,753
Classroom Facilities Maintenance	251,642
District Managed Student Activities	103,710
Special Instruction	30,393
Other Purposes	78,263
Unrestricted (Deficit)	(36,333,424)
<i>Total Net Position</i>	<u>\$4,881,456</u>

See accompanying notes to the basic financial statements

Louisville City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$11,585,332	\$660,262	\$14,711	\$0	(\$10,910,359)
Special	3,268,075	123,449	2,484,787	0	(659,839)
Vocational	433,539	20,256	28,571	0	(384,712)
Student Intervention Services	1,473,105	68,701	0	0	(1,404,404)
Support Services:					
Pupils	1,467,762	59,869	17,003	0	(1,390,890)
Instructional Staff	1,065,535	48,718	0	0	(1,016,817)
Board of Education	89,317	4,192	0	0	(85,125)
Administration	2,069,752	90,202	8,408	0	(1,971,142)
Fiscal	729,968	26,669	0	0	(703,299)
Business	35,424	1,654	0	0	(33,770)
Operation and Maintenance of Plant	3,587,697	104,885	0	4,463	(3,478,349)
Pupil Transportation	974,309	58,085	0	0	(916,224)
Central	108,820	4,383	0	0	(104,437)
Operation of Non-Instructional Services	1,737,869	678,879	995,291	0	(63,699)
Extracurricular Activities	1,008,024	573,689	717	0	(433,618)
Interest and Fiscal Charges	1,147,725	0	0	0	(1,147,725)
Totals	\$30,782,253	\$2,523,893	\$3,549,488	\$4,463	(24,704,409)
General Revenues					
Property Taxes Levied for:					
General Purposes					8,156,858
Debt Service					1,797,267
Capital Outlay					221,869
Classroom Facilities Maintenance					138,660
Grants and Entitlements not Restricted to Specific Programs					15,090,105
Unrestricted Contributions					2,850
Payments in Lieu of Taxes					76,704
Investment Earnings					31,049
Miscellaneous					199,030
Total General Revenues					25,714,392
Change in Net Position					1,009,983
<i>Net Position Beginning of Year</i>					<u>3,871,473</u>
<i>Net Position End of Year</i>					<u><u>\$4,881,456</u></u>

See accompanying notes to the basic financial statements

Louisville City School District

Balance Sheet

Governmental Funds

June 30, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,145,836	\$1,563,715	\$803,704	\$6,513,255
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	175,799	0	0	175,799
Accounts Receivable	2,372	0	1,069	3,441
Accrued Interest Receivable	8,767	0	0	8,767
Interfund Receivable	129,659	0	0	129,659
Intergovernmental Receivable	126,395	0	431,091	557,486
Payments in Lieu of Taxes Receivable	34,146	0	0	34,146
Inventory Held for Resale	0	0	13,428	13,428
Materials and Supplies Inventory	0	0	5,634	5,634
Prepaid Items	35,334	0	1,077	36,411
Taxes Receivable	8,668,849	1,903,808	378,126	10,950,783
<i>Total Assets</i>	<u>\$13,327,157</u>	<u>\$3,467,523</u>	<u>\$1,634,129</u>	<u>\$18,428,809</u>
Liabilities				
Accounts Payable	\$136,808	\$0	\$25,481	\$162,289
Accrued Wages Payable	2,345,926	0	235,981	2,581,907
Interfund Payable	0	0	129,659	129,659
Matured Compensated Absences Payable	12,510	0	0	12,510
Intergovernmental Payable	446,362	0	49,301	495,663
<i>Total Liabilities</i>	<u>2,941,606</u>	<u>0</u>	<u>440,422</u>	<u>3,382,028</u>
Deferred Inflows of Resources				
Property Taxes	8,109,744	1,777,842	353,170	10,240,756
Unavailable Revenue	396,506	88,864	219,776	705,146
<i>Total Deferred Inflows of Resources</i>	<u>8,506,250</u>	<u>1,866,706</u>	<u>572,946</u>	<u>10,945,902</u>
Fund Balances				
Nonspendable	38,979	0	6,711	45,690
Restricted	172,434	1,600,817	753,110	2,526,361
Assigned	390,988	0	0	390,988
Unassigned (Deficit)	1,276,900	0	(139,060)	1,137,840
<i>Total Fund Balances</i>	<u>1,879,301</u>	<u>1,600,817</u>	<u>620,761</u>	<u>4,100,879</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$13,327,157</u>	<u>\$3,467,523</u>	<u>\$1,634,129</u>	<u>\$18,428,809</u>

See accompanying notes to the basic financial statements

Louisville City School District
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2016*

Total Governmental Funds Balances	\$4,100,879
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	65,895,745
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	502,987
Intergovernmental	202,159
Total	705,146
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(112,797)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
OSFC Bonds	(730,741)
Refunding Bonds	(28,265,933)
Deferred Charge on Refunding	1,429,092
Capital Leases	(470,250)
Compensated Absences	(719,112)
Total	(28,756,944)
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	3,953,111
Net Pension Liability	(38,176,871)
Deferred Inflows - Pension	(2,726,813)
Total	(36,950,573)
 <i>Net Position of Governmental Activities</i>	 \$4,881,456

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, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$8,136,526	\$1,793,105	\$359,161	\$10,288,792
Intergovernmental	16,197,805	298,196	2,019,777	18,515,778
Interest	31,049	0	579	31,628
Tuition and Fees	1,278,634	0	0	1,278,634
Extracurricular Activities	164,856	0	379,594	544,450
Contributions and Donations	11,258	0	5,180	16,438
Customer Sales and Services	19,156	0	678,353	697,509
Rentals	3,300	0	0	3,300
Payments in Lieu of Taxes	76,704	0	0	76,704
Miscellaneous	191,437	0	7,593	199,030
<i>Total Revenues</i>	<u>26,110,725</u>	<u>2,091,301</u>	<u>3,450,237</u>	<u>31,652,263</u>
Expenditures				
Current:				
Instruction:				
Regular	11,080,783	0	14,833	11,095,616
Special	2,654,183	0	628,035	3,282,218
Vocational	433,863	0	0	433,863
Student Intervention Services	1,471,464	0	1,641	1,473,105
Support Services:				
Pupils	1,239,857	0	176,919	1,416,776
Instructional Staff	1,036,273	0	10,629	1,046,902
Board of Education	89,788	0	0	89,788
Administration	1,883,987	0	163,730	2,047,717
Fiscal	565,390	153,681	6,552	725,623
Business	35,424	0	0	35,424
Operation and Maintenance of Plant	2,257,182	0	233,921	2,491,103
Pupil Transportation	1,247,241	0	33,601	1,280,842
Central	93,870	0	14,950	108,820
Operation of Non-Instructional Services	11,256	0	1,689,721	1,700,977
Extracurricular Activities	630,950	0	361,644	992,594
Capital Outlay	0	0	101,038	101,038
Debt Service:				
Principal Retirement	0	980,000	204,480	1,184,480
Interest and Fiscal Charges	0	836,200	25,731	861,931
<i>Total Expenditures</i>	<u>24,731,511</u>	<u>1,969,881</u>	<u>3,667,425</u>	<u>30,368,817</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,379,214</u>	<u>121,420</u>	<u>(217,188)</u>	<u>1,283,446</u>
Other Financing Sources (Uses)				
Refunding Bonds Issued	0	6,840,000	0	6,840,000
Premium on Refunding Bonds Issued	0	1,147,154	0	1,147,154
Payment to Refunded Bond Escrow Agent	0	(7,861,725)	0	(7,861,725)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>125,429</u>	<u>0</u>	<u>125,429</u>
<i>Net Change in Fund Balances</i>	1,379,214	246,849	(217,188)	1,408,875
<i>Fund Balances Beginning of Year</i>	<u>500,087</u>	<u>1,353,968</u>	<u>837,949</u>	<u>2,692,004</u>
<i>Fund Balances End of Year</i>	<u>\$1,879,301</u>	<u>\$1,600,817</u>	<u>\$620,761</u>	<u>\$4,100,879</u>

See accompanying notes to the basic financial statements

Louisville City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2016*

Net Change in Fund Balances - Total Governmental Funds \$1,408,875

*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	482,069	
Current Year Depreciation	(2,061,939)	
Total		(1,579,870)

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

Delinquent Property Taxes	25,862	
Intergovernmental	114,111	
Total		139,973

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.

Principal Retirement	1,184,480	
Payment to Refunded Bond Escrow Agent	7,861,725	
Total		9,046,205

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	(27,985)	
Amortization of Premium	79,651	
Amortization of Deferred Charge on Refunding	(54,174)	
Bond Accretion	(283,286)	
Total		(285,794)

Proceeds of debt are other financing sources in the governmental funds, but increase liabilities in the governmental activities.

Refunding Bonds Issued	(6,840,000)	
Premium on Refunding Bonds Issued	(1,147,154)	
Total		(7,987,154)

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. (95,348)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 2,220,617

Except for amounts reported deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,857,521)

Change in Net Position of Governmental Activities \$1,009,983

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, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$8,005,353	\$8,191,771	\$8,181,359	(\$10,412)
Intergovernmental	15,734,608	16,101,983	16,081,404	(20,579)
Interest	22,523	23,047	23,018	(29)
Tuition and Fees	1,097,363	1,122,917	1,121,490	(1,427)
Extracurricular Activities	90,871	92,987	92,869	(118)
Contributions and Donations	2,789	2,854	2,850	(4)
Customer Sales and Services	18,744	19,180	19,156	(24)
Rentals	3,229	3,304	3,300	(4)
Payments in Lieu of Taxes	42,500	42,500	42,558	58
Miscellaneous	185,468	189,807	189,565	(242)
<i>Total Revenues</i>	25,203,448	25,790,350	25,757,569	(32,781)
Expenditures				
Current:				
Instruction:				
Regular	11,451,723	11,589,130	11,294,431	294,699
Special	2,772,701	2,805,971	2,732,231	73,740
Vocational	444,738	450,074	433,444	16,630
Student Intervention Services	1,509,805	1,527,921	1,489,845	38,076
Support Services:				
Pupils	1,325,400	1,341,304	1,291,970	49,334
Instructional Staff	1,071,469	1,084,325	1,085,834	(1,509)
Board of Education	85,684	86,712	99,567	(12,855)
Administration	1,908,230	1,931,127	1,862,340	68,787
Fiscal	566,401	573,197	565,852	7,345
Business	36,347	36,783	36,936	(153)
Operation and Maintenance of Plant	2,360,836	2,389,163	2,439,289	(50,126)
Pupil Transportation	1,307,941	1,323,635	1,302,491	21,144
Central	100,014	101,214	97,563	3,651
Operation of Non-Instructional Services	11,549	11,688	17,261	(5,573)
Extracurricular Activities	644,306	652,037	627,944	24,093
<i>Total Expenditures</i>	25,597,144	25,904,281	25,376,998	527,283
<i>Net Change in Fund Balance</i>	(393,696)	(113,931)	380,571	494,502
<i>Fund Balance Beginning of Year</i>	3,061,681	3,061,681	3,061,681	0
Prior Year Encumbrances Appropriated	479,277	479,277	479,277	0
<i>Fund Balance End of Year</i>	\$3,147,262	\$3,427,027	\$3,921,529	\$494,502

See accompanying notes to the basic financial statements

Louisville City School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$120,148</u></u>
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Liabilities

Due to Students	<u><u>\$120,148</u></u>
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See accompanying notes to the basic financial statements

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 181 certificated employees who provide services to 2,917 students and other community members.

Reporting Entity

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

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

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

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

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

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

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

Fund Accounting

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

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

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

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

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

Measurement Focus

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

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

Basis of Accounting

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

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

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

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

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

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

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Cash and Cash Equivalents

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

During fiscal year 2016, investments were limited to federal home loan mortgage corporation notes reported at fair value, commercial paper reported at amortized 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 2016, 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 2016, 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 2016 amounted to \$31,049, \$10,615 of which was assigned from other School District funds.

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

Restricted Assets

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

Inventory

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Description	Governmental Activities Estimated Lives
Buildings 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.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Board of Education or by State statute. State statute authorizes the Treasurer to assign fund balances for purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund balances for public school support, rotary, adult education and summer school.

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.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Note 3 – Changes in Accounting Principles

For fiscal year 2016, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” GASB Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,” GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” GASB Statement No. 79, “Certain External Investment Pools and Pool Participants,” and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the School District’s financial statements.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the School District’s financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The School District participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The School District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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
<i>Nonspendable:</i>				
Inventory	\$0	\$0	\$5,634	\$5,634
Prepaid Items	35,334	0	1,077	36,411
Unclaimed Monies	3,645	0	0	3,645
<i>Total Nonspendable</i>	38,979	0	6,711	45,690
<i>Restricted for:</i>				
Set Asides	172,434	0	0	172,434
District Managed Activities	0	0	103,688	103,688
Classroom Facilities Maintenance	0	0	244,867	244,867
Instruction	0	0	8,940	8,940
Non-Instructional Services	0	0	64,790	64,790
Debt Service Payments	0	1,600,817	0	1,600,817
Capital Improvements	0	0	330,825	330,825
<i>Total Restricted</i>	172,434	1,600,817	753,110	2,526,361
<i>Assigned to:</i>				
Public School Support	72,635	0	0	72,635
Rotary	3,763	0	0	3,763
Adult Education	3,663	0	0	3,663
Summer School	18,667	0	0	18,667
Purchases on Order:				
Instruction	275,455	0	0	275,455
Support Services	16,805	0	0	16,805
<i>Total Assigned</i>	390,988	0	0	390,988
<i>Unassigned (Deficit)</i>	1,276,900	0	(139,060)	1,137,840
<i>Total Fund Balances (Deficit)</i>	\$1,879,301	\$1,600,817	\$620,761	\$4,100,879

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.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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	\$1,379,214
Net Adjustment for Revenue Accruals	(596,553)
Ending Fair Value Adjustments for Investments	(870)
Net Adjustment for Expenditure Accruals	(567,586)
Perspective Differences:	
Uniform School Supplies	366,070
Public School Support	191,868
Rotary	6,969
Summer School	31,357
Encumbrances	<u>(429,898)</u>
Budget Basis	<u><u>\$380,571</u></u>

Note 6 – Deposits and Investments

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

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

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, \$3,172,989 of the School District's bank balance of \$5,445,313 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 five percent of the deposits being secured.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Investments

Investments are reported at fair value. As of June 30, 2016, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Net Asset Value Per Share:				
STAR Ohio	\$10,026	48.6 Days	AAAm	N/A
Fair Value:				
Federal Home Loan Mortgage Corporation Notes	1,000,220	Less than three years	AA+	66.38 %
Amortized Cost:				
Commercial Paper	<u>496,672</u>	Less than one year	A1	32.96
Total Investments	<u><u>\$1,506,918</u></u>			

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 above chart identifies the School District's recurring fair value measurements as of June 30, 2016. All of the School District's investments measured at fair value are valued using quoted market prices (Level 1 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 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in calendar year 2016 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, 2016, are available to finance fiscal year 2016 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, 2016 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, 2016 was \$162,599 in the general fund, \$37,102 in the bond retirement debt service fund, \$4,516 in the permanent improvements capital projects fund, and \$2,823 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2015, was \$207,432 in the general fund, \$47,630 in the bond retirement debt service fund, \$5,616 in the permanent improvement capital projects fund, and \$3,510 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 2016 taxes were collected are:

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$310,839,190	96.76 %	\$345,394,200	96.29 %
Public Utility Personal	10,424,820	3.24	13,297,690	3.71
Total	\$321,264,010	100.00 %	\$358,691,890	100.00 %
Tax rate per \$1,000 of assessed valuation	\$60.70		\$59.60	

During fiscal year 2016, 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.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 8 – Receivables

Receivables at June 30, 2016, consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except for a portion of the delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
IDEA-B Grant	\$223,775
Special Education Reimbursement	108,385
Title I Grant	105,103
Federal Food Subsidies	69,133
Stimulus Title II Grant	26,463
Medicaid Reimbursement	18,010
Early Childhood Special Education Grant	6,617
Total Governmental Activities	\$557,486

Note 9 – 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	(192,424)
Current Book Value	\$1,185,291

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
2017	\$230,212
2018	230,212
2019	35,496
Total Minimum Lease Payment	495,920
Less: Amount Representing Interest	(25,670)
Present Value of Minimum Lease Payments	\$470,250

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Balance 6/30/15	Additions	Deductions	Balance 6/30/16
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$631,908	\$0	\$0	\$631,908
Construction in Progress	30,310	7,833	(38,143)	0
Total Capital Assets, not being Depreciated	<u>662,218</u>	<u>7,833</u>	<u>(38,143)</u>	<u>631,908</u>
Capital Assets, being Depreciated:				
Buildings and Improvements	78,415,073	120,222	0	78,535,295
Furniture, Fixtures and Equipment	6,471,460	29,457	(7,205)	6,493,712
Vehicles	1,058,712	362,700	(166,966)	1,254,446
Total Capital Assets, being Depreciated	<u>85,945,245</u>	<u>512,379</u>	<u>(174,171)</u>	<u>86,283,453</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(13,105,582)	(1,866,327)	0	(14,971,909)
Furniture, Fixtures and Equipment	(5,339,289)	(121,469)	7,205	(5,453,553)
Vehicles	(686,977)	(74,143)	166,966	(594,154)
Total Accumulated Depreciation	<u>(19,131,848)</u>	<u>(2,061,939) *</u>	<u>174,171</u>	<u>(21,019,616)</u>
Total Capital Assets, being Depreciated, net	<u>66,813,397</u>	<u>(1,549,560)</u>	<u>0</u>	<u>65,263,837</u>
Governmental Activities Capital Assets, Net	<u>\$67,475,615</u>	<u>(\$1,541,727)</u>	<u>(\$38,143)</u>	<u>\$65,895,745</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$625,812
Special	44,542
Vocational	7,880
Support Services:	
Pupils	29,742
Instructional Staff	20,407
Administration	32,745
Fiscal	630
Operation and Maintenance of Plant	1,150,632
Pupil Transportation	70,800
Operation of Non-Instructional Services	54,887
Extracurricular Activities	23,862
Total Depreciation Expense	<u>\$2,061,939</u>

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 11 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2016 were as follows:

	Amount Outstanding 6/30/15		Additions	Deletions	Amount Outstanding 6/30/16		Amounts Due in One Year
General Obligation Bonds:							
2009 School Facilities Commission							
Bonds (2.00%-5.00%):							
Serial Bonds	\$1,735,000	\$0	\$1,270,000	\$465,000	\$170,000		
Term Bonds	5,810,000	0	5,810,000	0	0		
Capital Appreciation Bonds	30,000	0	0	30,000	0		
Accretion on Capital Appreciation Bonds	114,495	45,115	0	159,610	0		
Premium	272,804	0	196,673	76,131	0		
Total 2009 School Facilities Commission Bonds	7,962,299	45,115	7,276,673	730,741	170,000		
2011 Ohio School Facilities Commission							
Refunding Bonds (0.70%-4.00%):							
Serial Bonds	14,925,000	0	880,000	14,045,000	925,000		
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	576,627	238,171	0	814,798	0		
Premium	970,943	0	66,962	903,981	0		
Total 2011 Ohio School Facilities Commission Refunding Bonds	20,987,570	238,171	946,962	20,278,779	925,000		
2016 General Obligation Refunding							
Bonds (2.00%-4.00%):							
Serial Bonds	0	6,840,000	0	6,840,000	185,000		
Premium	0	1,147,154	0	1,147,154	0		
Total 2016 General Obligation Refunding Bonds	0	7,987,154	0	7,987,154	185,000		
Total General Obligation Bonds	28,949,869	8,270,440	8,223,635	28,996,674	1,280,000		
Other Long-term Obligations:							
Net Pension Liability:							
STRS	27,873,345	3,520,511	0	31,393,856	0		
SERS	5,811,531	971,484	0	6,783,015	0		
Total Net Pension Liability	33,684,876	4,491,995	0	38,176,871	0		
Capital Leases	674,730	0	204,480	470,250	213,126		
Compensated Absences	623,764	126,435	31,087	719,112	44,011		
Total Other Long-term Obligations	34,983,370	4,618,430	235,567	39,366,233	257,137		
Total Governmental Activities Long-term Liabilities	\$63,933,239	\$12,888,870	\$8,459,202	\$68,362,907	\$1,537,137		

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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, 2016. 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, 2016 is \$590,000. The accretion recorded for 2016 was \$45,115, for a total outstanding bond liability of \$189,610.

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, 2016, is \$2,215,000. The accretion recorded for fiscal year 2016 was \$238,171, for a total outstanding bond liability of \$1,089,798.

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, 2016, \$19,870,000 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, 2016, \$6,980,000 of the defeased bonds are still outstanding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$1,150,315, but incurred an accounting loss of \$697,741 (difference between amount paid to bond escrow agent and the refunding amount), which is shown in the following table:

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

	2009 School Facilities Commission Bonds
Serial Bonds	\$1,170,000
Term Bonds	5,810,000
Premium on Bonds	183,984
Total 2009 School Facilities Commission	
Bonds Outstanding	7,163,984
Amount Paid to Refunded Bond Escrow Agent	(7,861,725)
2016 Refunding Accounting Loss	(\$697,741)

An analysis of the refunding issues follows:

	2009 School School Facilities Commission Bonds
Outstanding at June 30, 2015	\$7,575,000
Amount Refunded	(6,980,000)
Principal Retirement	(100,000)
Outstanding Principal at June 30, 2016	\$495,000

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

The overall debt margin of the School District as of June 30, 2016 was \$7,988,087 with an unvoted debt margin of \$358,692.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2016 are as follows:

	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$1,280,000	\$932,023	\$0	\$0	\$0	\$0
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
2022-2026	8,205,000	3,495,449	0	0	10,000	145,000
2027-2031	5,515,000	1,474,928	4,240,000	172,200	0	0
2032-2036	3,220,000	476,400	0	0	0	0
2037	720,000	14,400	0	0	0	0
Total	\$21,350,000	\$9,863,403	\$4,240,000	\$172,200	\$305,000	\$2,500,000

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 12 – Defined Benefit Pension Plans

Net Pension Liability

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

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

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:

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2016, 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 \$528,870 for fiscal year 2016. Of this amount, \$61,287 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, OH 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 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes 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 at age 50.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013 must have at least ten years of qualifying service credit 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, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,691,747 for fiscal year 2016. Of this amount \$300,181 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, 2015, 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:

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.11483100%	0.11459449%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.11887310%</u>	<u>0.11359327%</u>	
Change in Proportionate Share	<u>0.00404210%</u>	<u>-0.00100122%</u>	
Proportionate Share of the Net			
Pension Liability	\$6,783,015	\$31,393,856	\$38,176,871
Pension Expense	\$491,323	\$1,366,198	\$1,857,521

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$109,219	\$1,431,164	\$1,540,383
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	192,111	0	192,111
School District contributions subsequent to the measurement date	<u>528,870</u>	<u>1,691,747</u>	<u>2,220,617</u>
Total Deferred Outflows of Resources	<u>\$830,200</u>	<u>\$3,122,911</u>	<u>\$3,953,111</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$224,743	\$2,257,812	\$2,482,555
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>0</u>	<u>244,258</u>	<u>244,258</u>
Total Deferred Inflows of Resources	<u>\$224,743</u>	<u>\$2,502,070</u>	<u>\$2,726,813</u>

\$2,220,617 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	(\$20,239)	(\$570,578)	(\$590,817)
2018	(20,239)	(570,578)	(590,817)
2019	(20,757)	(570,578)	(591,335)
2020	<u>137,822</u>	<u>640,828</u>	<u>778,650</u>
Total	<u>\$76,587</u>	<u>(\$1,070,906)</u>	<u>(\$994,319)</u>

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2015, are presented as follows:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$9,405,603	\$6,783,015	\$4,574,578

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected 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
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.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Actuarial assumptions used in the June 30, 2015 valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops best estimates 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	10 Year Expected Nominal 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.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. 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, 2015.

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	\$43,608,436	\$31,393,856	\$21,064,610

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 13 – Postemployment Benefits

School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. 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 2016, the School District's surcharge obligation was \$62,018.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$62,018, \$92,175, and \$71,163, respectively. The full amount has been contributed for fiscal years 2015 and 2014.

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) 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 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 which may be deducted from employer contributions. For fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$121,702, respectively. The full amount has been contributed for fiscal year 2014.

Note 14 – Other Employee Benefits

Compensated Absences

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with a maximum of 325 days for both classified and certified employees and unlimited for administrators. Upon retirement of a classified employee, payment is made for one-fourth of total sick leave accumulation, for a maximum payment of 76 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 a limited amount of days. 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, 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.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 15 – Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2016, 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/Omissions	1,000,000/1,000,000	2,500
Law Enforcement Liability	1,000,000/1,000,000	2,500
Sexual Misconduct/Molestation	1,000,000/1,000,000	0
Employers Stop Gap Liability	1,000,000/2,000,000	0
Employee Benefits Liability	1,000,000/3,000,000	1,000
Excess Liability/Umbrella	5,000,000/5,000,000	0
Fleet Insurance	1,000,000 liability	250/500
Property Insurance	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.

Worker's 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 2016. 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.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 16 – Set Asides

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

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

	Capital Acquisition
Set-aside Balances as of June 30, 2015	\$120,234
Current Year Set-aside Requirement	525,666
Current Year Offsets	(360,948)
Qualifying Disbursements	(112,518)
Totals	\$172,434
Set-aside Balance Carried Forward to Future Fiscal Years	\$172,434
Set-aside Balance as of June 30, 2016	\$172,434

Note 17 – Insurance Purchasing Pool

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

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

Note 18 – Jointly Governed Organizations

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 \$171,610 to SPARCC during fiscal year 2016 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 2016. Financial information can be obtained by writing the R.G. Drage Career Center, 6805 Richville Drive S.W., Massillon, Ohio 44646.

Stark County Tax Incentive Review Council The Stark County Tax Incentive Review Council (TIRC) is a jointly governed organization, created as a regional council of governments pursuant to State statutes. TIRC has 24 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, ten members appointed by township trustees, one member from the county auditor's office and six members appointed by boards of education located within the enterprise zones of Stark County. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. The TIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of this Council.

Note 19 – Related Organization

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 20 – Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

Litigation

The School District is party to legal proceedings.

Note 21 – Accountability

At June 30, 2016, the following funds had deficit fund balances:

	<u>Amount</u>
<i>Other Governmental Funds:</i>	
Food Service	(\$8,583)
Title VI-B	(61,280)
Title I	(46,594)
Preschool Grant	(3,087)
Class Size Reduction	(12,911)

The deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficits in these funds and provides transfers when cash is required, rather than when accruals occur.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 22 – Interfund Balances

Interfund balances at June 30, 2016 consisted of the following:

	Interfund Balances	
	June 30, 2016	
	Receivables	Payables
General	\$129,659	\$0
Other Governmental Funds:		
Title VI-B	0	84,713
Title I	0	35,279
E-Rate	0	3,292
Class Size Reduction	0	6,375
Total Other Governmental Funds	0	129,659
Total Governmental Funds	\$129,659	\$129,659

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 23 – Significant Commitments

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At 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	\$429,898
Other Governmental Funds	132,746
	\$562,644

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 Three Fiscal Years (1)**

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.11887310%	0.11483100%	0.11483100%
School District's Proportionate Share of the Net Pension Liability	\$6,783,015	\$5,811,531	\$6,828,631
School District's Covered-Employee Payroll	\$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-Employee Payroll	182.38%	174.76%	198.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

* 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 Three Fiscal Years (1)**

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.11359327%	0.11459449%	0.11459449%
School District's Proportionate Share of the Net Pension Liability	\$31,393,856	\$27,873,345	\$33,202,547
School District's Covered-Employee Payroll	\$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-Employee Payroll	264.27%	237.21%	277.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

* 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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$528,870	\$490,192	\$460,903	\$476,562
Contributions in Relation to the Contractually Required Contribution	<u>(528,870)</u>	<u>(490,192)</u>	<u>(460,903)</u>	<u>(476,562)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$3,777,643	\$3,719,214	\$3,325,420	\$3,443,366
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%

2012	2011	2010	2009	2008	2007
\$463,528	\$423,086	\$432,277	\$307,258	\$310,272	\$324,757
(463,528)	(423,086)	(432,277)	(307,258)	(310,272)	(324,757)
\$0	\$0	\$0	\$0	\$0	\$0
\$3,446,291	\$3,365,843	\$3,192,590	\$3,122,541	\$3,159,596	\$3,040,796
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,691,747	\$1,663,115	\$1,527,561	\$1,556,703
Contributions in Relation to the Contractually Required Contribution	<u>(1,691,747)</u>	<u>(1,663,115)</u>	<u>(1,527,561)</u>	<u>(1,556,703)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$12,083,907	\$11,879,393	\$11,750,469	\$11,974,638
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
\$1,757,194	\$1,727,819	\$1,634,460	\$1,644,329	\$1,614,938	\$1,558,154
(1,757,194)	(1,727,819)	(1,634,460)	(1,644,329)	(1,614,938)	(1,558,154)
\$0	\$0	\$0	\$0	\$0	\$0
\$13,516,877	\$13,290,915	\$12,572,769	\$12,648,685	\$12,422,600	\$11,985,800
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	049874-3L70-2015	\$13,051	
School Breakfast Program	10.553	049874-3L70-2016	105,770	
National School Lunch Program	10.555	049874-3L60-2015	52,620	
National School Lunch Program	10.555	049874-3L60-2016	462,082	\$95,432
Total Child Nutrition Cluster			<u>633,523</u>	<u>95,432</u>
Total U.S. Department of Agriculture			<u>633,523</u>	<u>95,432</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	049874-3M00-2015	75,044	
Title I Grants to Local Educational Agencies	84.010	049874-3M00-2016	290,380	
Total Title I Grants to Local Educational Agencies			<u>365,424</u>	
Special Education Cluster:				
Special Education Grants to States	84.027	049874-3M20-2015	484,909	
Special Education Grants to States	84.027	049874-3M20-2016	97,055	
Special Education Preschool Grants	84.173	049874-3C50-2015	3,067	
Special Education Preschool Grants	84.173	049874-3C50-2016	16,405	
Total Special Education Cluster			<u>601,436</u>	
Supporting Effective Instruction State Grant	84.367	049874-3Y60-2015	18,589	
Supporting Effective Instruction State Grant	84.367	049874-3Y60-2016	67,371	
Total Supporting Effective Instruction State Grant			<u>85,960</u>	
Total U.S. Department of Education			<u>1,052,820</u>	
Total Expenditures of Federal Awards			<u>\$1,686,343</u>	<u>\$95,432</u>

The accompanying notes are an integral part of this schedule.

**LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016. 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 or changes in net assets 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 2016 to 2017 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Special Education Grants to States	84.027	\$ 56,829
Supporting Effective Instruction State Grant	84.367	\$ 4,236



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Louisville City School District, Stark County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 8, 2016.

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*.

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001

www.ohioauditor.gov

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

December 8, 2016



Dave Yost • Auditor of State

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

Louisville City School District
Stark County
7602 Fulton Drive NW
Massillon, Ohio 44646

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Louisville City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Louisville City School District's major federal program for the year ended June 30, 2016. 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 program.

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, the Louisville City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

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
Auditor of State
Columbus, Ohio

December 8, 2016

**LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR §200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster CFDA 10.553 and 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

**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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Dave Yost • Auditor of State

LOUISVILLE CITY SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 17, 2017