

**LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

JAMES CARMAN, TREASURER



Dave Yost • Auditor of State

Board of Education
Louisville City School District
407 East Main Street
Louisville, Ohio 44641

We have reviewed the *Independent Accountants' Report* of the Louisville City School District, Stark County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Louisville City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 29, 2013

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**LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

TABLE OF CONTENTS

Independent Accountants' Report	2 - 3
Management's Discussion and Analysis	4 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund.....	20
Statement of Fiduciary Assets and Liabilities - Agency Fund	21
Notes to the Basic Financial Statements.....	22 - 48
Supplementary Data:	
Schedule of Receipts and Expenditures of Federal Awards	49 - 50
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	51 - 52
Independent Accountants' Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance Required By <i>OMB Circular A-133</i>	53 - 54
Schedule of Findings and Responses <i>OMB Circular A-133 § .505</i>	55 - 56



Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Louisville City School District, Stark County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Louisville City School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Louisville City School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Louisville City School District, Stark County, Ohio, as of June 30, 2012, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012, on our consideration of the Louisville City School 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Louisville City School District
Independent Accountants' Report

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Louisville City School District's basic financial statements taken as a whole. The schedule of receipts and expenditures of federal awards provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of receipts and expenditures of federal awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
December 20, 2012

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The management's discussion and analysis of Louisville City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. 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 2012 are as follows:

- The School District has experienced a substantial drop in revenue requiring it to seek additional funding and implement expenditure reductions.
- There were significant additions to nondepreciable capitals assets due to the construction in progress related to the OSFC school building project.

Using these Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2012?" The *Statement of Net Assets* and *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

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

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the bond retirement debt service fund and the Ohio school facilities capital projects 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

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

The School District as a Whole

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011.

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 1
Net Assets
Governmental Activities

	2012	2011	Change
Assets			
Current and Other Assets	\$17,264,198	\$41,295,093	(\$24,030,895)
Capital Assets, Net	76,994,147	54,284,791	22,709,356
<i>Total Assets</i>	<u>94,258,345</u>	<u>95,579,884</u>	<u>(1,321,539)</u>
Liabilities			
Current Liabilities	11,730,148	13,956,851	2,226,703
Long-Term Liabilities:			
Due Within One Year	1,236,544	1,309,509	72,965
Due in More Than One Year	31,334,031	32,388,834	1,054,803
<i>Total Liabilities</i>	<u>44,300,723</u>	<u>47,655,194</u>	<u>3,354,471</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	49,833,281	30,729,799	19,103,482
Restricted	1,290,693	17,013,460	(15,722,767)
Unrestricted (Deficit)	(1,166,352)	181,431	(1,347,783)
<i>Total Net Assets</i>	<u>\$49,957,622</u>	<u>\$47,924,690</u>	<u>\$2,032,932</u>

Total assets decreased as a result of receiving Ohio School Facilities Commission (OSFC) funds for the building project, lowering the intergovernmental receivable significantly. The decrease in current assets was offset by a large addition to nondepreciable capital assets due to the additions to construction in progress related the OSFC building project.

Total liabilities decreased due to large accounts and contracts payable amounts due to a number of construction projects contracts existing at the end of the prior fiscal year. At the end of fiscal year 2012, there were not as many payables related to the projects.

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

Table 2 shows the changes in net assets for fiscal years 2012 and 2011.

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2
Changes in Net Assets
Governmental Activities

	2012	2011	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$2,225,663	\$1,808,452	\$417,211
Operating Grants and Contributions	2,933,364	5,298,327	(2,364,963)
Capital Grants and Contributions	0	2,611,361	(2,611,361)
Total Program Revenues	<u>5,159,027</u>	<u>9,718,140</u>	<u>(4,559,113)</u>
General Revenues:			
Property Taxes	7,607,113	8,787,040	(1,179,927)
Grants and Entitlements	14,710,915	14,709,917	998
Unrestricted Contributions	13,241	5,657	7,584
Payments in Lieu of Taxes	2,722	35,527	(32,805)
Investment Earnings	18,156	81,036	(62,880)
Miscellaneous	144,009	109,816	34,193
Total General Revenues	<u>22,496,156</u>	<u>23,728,993</u>	<u>(1,232,837)</u>
Total Revenues	<u>27,655,183</u>	<u>33,447,133</u>	<u>(5,791,950)</u>
Program Expenses			
Instruction:			
Regular	9,615,606	13,312,516	3,696,910
Special	3,053,373	3,469,057	415,684
Vocational	351,440	420,794	69,354
Student Intervention Services	1,009,132	890,002	(119,130)
Support Services:			
Pupils	1,506,209	1,636,817	130,608
Instructional Staff	708,169	1,007,046	298,877
Board of Education	65,987	64,819	(1,168)
Administration	1,833,173	1,829,322	(3,851)
Fiscal	562,998	622,783	59,785
Business	117,336	69,500	(47,836)
Operation and Maintenance of Plant	2,327,921	2,581,963	254,042
Pupil Transportation	915,150	1,312,042	396,892
Central	99,370	20,770	(78,600)
Operation of Non-Instructional Services	1,363,935	1,640,263	276,328
Extracurricular Activities	860,642	2,164,996	1,304,354
Interest and Fiscal Charges	1,231,810	1,239,418	7,608
Total Program Expenses	<u>25,622,251</u>	<u>32,282,108</u>	<u>6,659,857</u>
Increase in Net Assets	2,032,932	1,165,025	867,907
<i>Net Assets Beginning of Year</i>	<u>47,924,690</u>	<u>46,759,665</u>	<u>1,165,025</u>
<i>Net Assets End of Year</i>	<u>\$49,957,622</u>	<u>\$47,924,690</u>	<u>\$2,032,932</u>

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
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.

The majority of the School District's expenses are for instruction. Additional supporting services for pupils, staff, pupil transportation 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. Extracurricular activities decreased significantly from the prior fiscal year as a result of the completion of the stadium bleacher project in fiscal year 2011.

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 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Governmental Activities:				
Instruction:				
Regular	\$9,615,606	\$8,603,470	\$13,312,516	\$11,687,635
Special	3,053,373	1,486,962	3,469,057	1,273,254
Vocational	351,440	281,267	420,794	408,101
Student Intervention Services	1,009,132	1,009,132	890,002	863,455
Support Services:				
Pupils	1,506,209	1,279,462	1,636,817	1,416,994
Instructional Staff	708,169	699,007	1,007,046	979,994
Board of Education	65,987	65,987	64,819	62,787
Administration	1,833,173	1,671,462	1,829,322	1,553,417
Fiscal	562,998	562,998	622,783	608,495
Business	117,336	117,336	69,500	67,325
Operation and Maintenance of Plant	2,327,921	2,327,921	2,581,963	2,245,896
Pupil Transportation	915,150	915,150	1,312,042	620,715
Central	99,370	99,370	20,770	20,770
Operation of Non-Instructional Services	1,363,935	(184,884)	1,640,263	152,451
Extracurricular Activities	860,642	296,774	2,164,996	(636,739)
Interest and Fiscal Charges	1,231,810	1,231,810	1,239,418	1,239,418
Total	\$25,622,251	\$20,463,224	\$32,282,108	\$22,563,968

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 29 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support a majority of expenses. Program revenues account for just over 20 percent of all governmental expenses.

School District's Funds

Information regarding the School District's major funds can be found beginning on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$29,694,339 and expenditures of \$49,511,686. The net change in fund balance for the year was most significant in the Ohio School Facilities Construction fund with a decrease of \$16,084,697, as a result of \$17,466,294 of capital outlay expenditures related to the OSFC building project. The general fund balance decrease of \$2,298,184 was a result of increased costs in almost every expenditure category.

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 2012, 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 \$22,544,195, which is slightly higher than the original estimate of \$22,356,769. Final budget basis appropriations for expenditures totaled \$25,346,385 compared to the original estimate of \$25,332,712.

The total revenue variance between final budget and actual was insignificant. The total expenditure variance between final budget and actual amounted to \$533,304 or 2.10 percent of final budget expenditures.

The general fund's unencumbered ending cash balance totaled \$2,326,139, which was \$727,689 more than the final budgeted amount of \$1,598,450.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal 2012 values compared to 2011. More detailed information is presented in Note 8 to the basic financial statements.

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 4
Capital Assets at June 30
Governmental Activities

	2012	2011
Land	\$2,954,840	\$2,756,741
Construction in Progress	43,355,340	23,084,046
Buildings and Improvements	28,088,061	25,303,570
Furniture, Fixtures and Equipment	1,668,311	2,113,675
Vehicles	927,595	1,026,759
<i>Total Capital Assets</i>	\$76,994,147	\$54,284,791

All capital assets, except land and construction in progress are reported net of depreciation. As one can see, there was an increase in capital assets during the fiscal year, due to large additions to construction in progress. Construction in progress was related to the school building project.

Debt

Table 5 summarizes the bonds, capital leases and notes outstanding. More detailed information is presented in Note 12 to the basic financial statements.

Table 5
Outstanding Debt at Year End
Governmental Activities

	2012	2011
School Facilities Bonds	\$8,285,116	\$8,742,676
Energy Conservation Bonds	155,000	200,000
Refunding School Facilities Bonds	22,030,606	22,249,340
Capital Leases	908,406	1,078,607
<i>Total</i>	\$31,379,128	\$32,270,623

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

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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 is being used in conjunction with funding from the Ohio School Facilities Commission (OSFC).

The School District's overall legal debt margin was \$2,284,749 with an unvoted debt margin of \$341,977 as of June 30, 2012.

Current Issues Affecting Financial Condition

For the last five school years, the School District has received the State Report Card rating of Excellent (2011-2012 and 2010-11) or "Excellent with Distinction" (2009-2010, 2008-2009 and 2007-2008). These designations are shared by a select number of school districts in the State. In addition, Fairhope Elementary School and Louisville Elementary School were given the designation as a "School of Promise" by the Ohio Department of Education for the 2010-2011 school year. The School of Promise Award was enjoyed by only 122 schools in Ohio for 2010-2011. The School of Promise award is given to schools closing achievement gaps for economically disadvantaged and minority students.

On November 4, 2008, the voters of the Louisville City School District approved a 1.5 mill, \$8,500,000 bond issue to provide the opportunity for the School District to participate in the Classroom Facilities Assistance Program (CFAP) program. The program has allowed the School District to construct one elementary school to replace three existing elementary schools and provide renovation and additions to Louisville High School. This over \$40 million dollar construction project will be complete for the 2012-13 school year. As a dual issue to the 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.

As a whole, the academic success and structural improvements are greatly undermined by the School District's over all tenuous financial position. The School District has not been able to pass an operating levy since 1992 resulting in stagnant local revenue growth and an increasing reliance on State and federal funding. The School District asked the voters to approve new operating revenue three times from November of 2006 to November of 2007. All three requests were rejected, two of which were turned down by at least 70 percent of the voters. Following each defeat the Board made budget cuts to allow the School District to maintain operations. These budget cuts included the textbooks budget, building supplies budgets, bus purchases, staff (through attrition), supplemental and extended time contracts, bus routes, and instituted pay-to-participate for athletics and student activity fees at the high school and middle school. The Board also approved a two year Early Retirement Incentive program with STRS to increase retirements allowing for salary cost reductions through attrition and the hiring of less experienced and less expensive staff.

The budget reductions allowed the School District to continue to operate, but did nothing for the reliance on State funding. This reliance started to become a serious problem in 2010 when the School District saw its State aid reduced by over \$1 million dollars and supplanted with short-term federal stimulus money totaling \$945,630. The School District saw its State aid cut again in 2011 by another \$464,783 and supplanted by another \$253,616 in short-term federal stimulus money. From fiscal year 2009 to 2011 the School District's State aid was reduced by over \$1.5 million dollars. In 2012, State aid was increased by \$571,099, but the federal stimulus money was completely eliminated. The School District used another short-term federally funded Education Jobs Grant totaling \$770,643 to help soften the blow of completely losing stimulus funding, but the grant was complete by the start of the 2012-13 school year. Further compounding the School District's revenue problem is the complete elimination of the tangible personal property tax reimbursement from the State for 2012-13 and the sexennial property reappraisal for Stark County. The

Louisville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

reappraisal is estimated to cost the district over \$30 million dollars in taxable property value resulting in an estimated \$150,000 reduction in property tax receipts. All of the bleak projections in revenue are forcing the School District to once again make budget cuts and try to find additional funding.

In August 2012, the School District asked the voters to approve a 5 year 5.9 mill emergency levy that would generate \$2 million dollars annually. The levy was turned down by over 60 percent of the voters. Unfortunately, because of the School District's financial position, the Board was forced to put the same levy on again for the November 2012 ballot. The levy did not pass. The Board and School District Administration had a plan prepared for this scenario.

In an anticipation of the financial difficulties ahead, the School District negotiated a complete wage freeze (base and step) for both its certified and classified unions for the 2012-13 school year. Furthermore, the certified union agreed to increase its health care contribution to 11 percent for the 2012-13 contract year and 12 percent for the 2013-14 contract year. All administrators and exempt employees have their wages frozen as well. Also, all discretionary line items in the School District's budget have been reduced by a total of \$100,000. Moving forward, if the levy does not pass, School District busing will be reduced to State minimums, everyday all day kindergarten will be reduced to all day every other day, all stipends will be eliminated which eliminates all clubs and activities, pay to participate fees will be raise to a level sufficient to cover the cost of the sport or the sport will be cut, all instructional fees will be increased, programs will be cut and class sizes increased. The cuts will result in a reduction in force that would cause the loss of over 50 staff members.

The financial future of Louisville City Schools is a precarious one, but the Board and School District Administration are committed to doing whatever it takes to continue to provide the best possible education they can using the resources they are given.

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 James Carman, Treasurer, at Louisville City School District, 407 E. Main Street, Louisville, Ohio 44641, or email at jcarman@louisville.sparcc.org.

Basic
Financial
Statements

Louisville City School District

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,181,117
Accounts Receivable	20,937
Accrued Interest Receivable	418
Intergovernmental Receivable	246,189
Inventory Held for Resale	23,318
Materials and Supplies Inventory	59,953
Property Taxes Receivable	8,466,581
Deferred Charges	265,685
Nondepreciable Capital Assets	46,310,180
Depreciable Capital Assets, Net	<u>30,683,967</u>
<i>Total Assets</i>	<u>94,258,345</u>
Liabilities	
Accounts Payable	19,302
Contracts Payable	562,264
Accrued Wages Payable	2,724,808
Matured Compensated Absences Payable	139,862
Intergovernmental Payable	905,876
Deferred Revenue	7,287,992
Accrued Interest Payable	90,044
Long-Term Liabilities:	
Due Within One Year	1,236,544
Due In More Than One Year	<u>31,334,031</u>
<i>Total Liabilities</i>	<u>44,300,723</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	49,833,281
Restricted for:	
Debt Service	772,424
District Managed Student Activities	200,720
Other Purposes	317,549
Unrestricted (Deficit)	<u>(1,166,352)</u>
<i>Total Net Assets</i>	<u>\$49,957,622</u>

See accompanying notes to the basic financial statements

Louisville City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$9,615,606	\$898,464	\$113,672	(\$8,603,470)
Special	3,053,373	0	1,566,411	(1,486,962)
Vocational	351,440	0	70,173	(281,267)
Student Intervention Services	1,009,132	0	0	(1,009,132)
Support Services:				
Pupils	1,506,209	0	226,747	(1,279,462)
Instructional Staff	708,169	3,710	5,452	(699,007)
Board of Education	65,987	0	0	(65,987)
Administration	1,833,173	70,248	91,463	(1,671,462)
Fiscal	562,998	0	0	(562,998)
Business	117,336	0	0	(117,336)
Operation and Maintenance of Plant	2,327,921	0	0	(2,327,921)
Pupil Transportation	915,150	0	0	(915,150)
Central	99,370	0	0	(99,370)
Operation of Non-Instructional Services	1,363,935	734,885	813,934	184,884
Extracurricular Activities	860,642	518,356	45,512	(296,774)
Interest and Fiscal Charges	1,231,810	0	0	(1,231,810)
Totals	\$25,622,251	\$2,225,663	\$2,933,364	(20,463,224)
General Revenues				
Property Taxes Levied for:				
General Purposes				5,917,348
Debt Service				1,331,623
Capital Outlay				358,142
Grants and Entitlements not Restricted to Specific Programs				14,710,915
Unrestricted Contributions				13,241
Payments in Lieu of Taxes				2,722
Investment Earnings				18,156
Miscellaneous				144,009
<i>Total General Revenues</i>				<u>22,496,156</u>
Change in Net Assets				2,032,932
<i>Net Assets Beginning of Year</i>				<u>47,924,690</u>
<i>Net Assets End of Year</i>				<u><u>\$49,957,622</u></u>

See accompanying notes to the basic financial statements

Louisville City School District

*Balance Sheet
Governmental Funds
June 30, 2012*

	General	Bond Retirement	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,690,244	\$970,366	\$3,369,972	\$1,147,194	\$8,177,776
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	3,341	0	0	0	3,341
Accounts Receivable	20,937	0	0	0	20,937
Accrued Interest Receivable	418	0	0	0	418
Interfund Receivable	8,118	0	0	0	8,118
Intergovernmental Receivable	892	0	167,671	77,626	246,189
Inventory Held for Resale	0	0	0	23,318	23,318
Materials and Supplies Inventory	53,573	0	0	6,380	59,953
Taxes Receivable	6,693,077	1,507,172	0	266,332	8,466,581
Total Assets	\$9,470,600	\$2,477,538	\$3,537,643	\$1,520,850	\$17,006,631
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$12,345	\$0	\$0	\$6,957	\$19,302
Contracts Payable	0	0	557,720	4,544	562,264
Accrued Wages Payable	2,495,190	0	0	229,618	2,724,808
Interfund Payable	0	0	0	8,118	8,118
Matured Compensated Absences Payable	136,220	0	0	3,642	139,862
Intergovernmental Payable	764,736	0	0	141,140	905,876
Deferred Revenue	6,189,208	1,385,754	167,671	310,050	8,052,683
Total Liabilities	9,597,699	1,385,754	725,391	704,069	12,412,913
Fund Balances					
Nonspendable	56,914	0	0	29,698	86,612
Restricted	0	1,091,784	2,812,252	839,572	4,743,608
Assigned	353,287	0	0	0	353,287
Unassigned (Deficit)	(537,300)	0	0	(52,489)	(589,789)
Total Fund Balances	(127,099)	1,091,784	2,812,252	816,781	4,593,718
Total Liabilities and Fund Balances	\$9,470,600	\$2,477,538	\$3,537,643	\$1,520,850	\$17,006,631

See accompanying notes to the basic financial statements

Louisville City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2012*

Total Governmental Funds Balances	\$4,593,718
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	76,994,147
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes and intergovernmental receivable.	
Property Taxes	521,479
Intergovernmental	243,212
Total	764,691
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(90,044)
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in funds.	265,685
Long-term liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:	
School Facilities Bonds	(7,940,000)
Energy Conservation Bonds	(155,000)
Refunding Bonds	(21,675,000)
Accounting Gain/Loss	948,047
Accretion	(166,074)
Premium on Bonds	(1,482,695)
Compensated Absences	(1,041,891)
Early Retirement Incentive	(149,556)
Capital Leases	(908,406)
Total	(32,570,575)
<i>Net Assets of Governmental Activities</i>	\$49,957,622

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, 2012

	General	Bond Retirement	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$5,853,279	\$1,311,576	\$0	\$354,710	\$7,519,565
Intergovernmental	15,344,973	232,570	1,383,661	2,757,163	19,718,367
Interest	3,572	0	14,584	1,260	19,416
Tuition and Fees	882,463	0	0	0	882,463
Extracurricular Activities	120,023	0	0	463,441	583,464
Contributions and Donations	10,383	0	0	54,214	64,597
Customer Sales and Services	11,488	0	0	738,595	750,083
Rentals	9,653	0	0	0	9,653
Payments in Lieu of Taxes	2,722	0	0	0	2,722
Miscellaneous	136,358	0	650	7,001	144,009
<i>Total Revenues</i>	<u>22,374,914</u>	<u>1,544,146</u>	<u>1,398,895</u>	<u>4,376,384</u>	<u>29,694,339</u>
Expenditures					
Current:					
Instruction:					
Regular	12,226,896	0	0	390,726	12,617,622
Special	2,154,650	0	0	1,098,063	3,252,713
Vocational	350,849	0	0	37,566	388,415
Student Intervention Services	1,009,132	0	0	0	1,009,132
Support Services:					
Pupils	1,356,911	0	0	255,941	1,612,852
Instructional Staff	754,472	0	0	110,732	865,204
Board of Education	65,987	0	0	0	65,987
Administration	1,817,882	0	0	111,961	1,929,843
Fiscal	516,469	24,738	11,095	8,486	560,788
Business	117,336	0	0	0	117,336
Operation and Maintenance of Plant	2,431,374	0	6,203	281,733	2,719,310
Pupil Transportation	1,164,443	0	0	24,283	1,188,726
Central	99,370	0	0	0	99,370
Operation of Non-Instructional Services	12,715	0	0	1,655,850	1,668,565
Extracurricular Activities	585,789	0	0	339,541	925,330
Capital Outlay	16,631	0	17,466,294	897,010	18,379,935
Debt Service:					
Principal Retirement	0	800,000	0	170,201	970,201
Interest and Fiscal Charges	0	1,092,411	0	47,946	1,140,357
<i>Total Expenditures</i>	<u>24,680,906</u>	<u>1,917,149</u>	<u>17,483,592</u>	<u>5,430,039</u>	<u>49,511,686</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(2,305,992)</u>	<u>(373,003)</u>	<u>(16,084,697)</u>	<u>(1,053,655)</u>	<u>(19,817,347)</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	65,058	0	0	0	65,058
Transfers In	0	57,250	0	0	57,250
Transfers Out	(57,250)	0	0	0	(57,250)
<i>Total Other Financing Sources (Uses)</i>	<u>7,808</u>	<u>57,250</u>	<u>0</u>	<u>0</u>	<u>65,058</u>
<i>Net Change in Fund Balances</i>	<u>(2,298,184)</u>	<u>(315,753)</u>	<u>(16,084,697)</u>	<u>(1,053,655)</u>	<u>(19,752,289)</u>
<i>Fund Balances Beginning of Year</i>	<u>2,171,085</u>	<u>1,407,537</u>	<u>18,896,949</u>	<u>1,870,436</u>	<u>24,346,007</u>
<i>Fund Balances End of Year</i>	<u>(\$127,099)</u>	<u>\$1,091,784</u>	<u>\$2,812,252</u>	<u>\$816,781</u>	<u>\$4,593,718</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, 2012*

Net Change in Fund Balances - Total Governmental Funds (\$19,752,289)

*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 capital outlay expense exceeded depreciation in the current period.

Capital Outlay	24,303,867	
Current Year Depreciation	<u>(1,467,441)</u>	
Total		22,836,426

Governmental funds report proceeds from the sale of capital assets, while the statement of activities reports the related gain or loss on disposal. The difference is the net book value of the disposed capital assets. (127,070)

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

Property Taxes	87,548	
Intergovernmental	<u>(2,126,704)</u>	
Total		(2,039,156)

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 assets. 970,201

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

Accrued Interest on Bonds	1,751	
Amortization of Premium	79,651	
Amortization of Loss	(54,174)	
Amortization of Issuance Costs	(14,498)	
Bond Accretion	<u>(104,183)</u>	
Total		(91,453)

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

Compensated Absences	43,742	
Early Retirement Incentive	<u>192,531</u>	
Total		<u>236,273</u>

Change in Net Assets of Governmental Activities \$2,032,932

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$6,147,188	\$6,147,188	\$6,260,633	\$113,445
Intergovernmental	15,075,951	15,261,565	15,344,081	82,516
Interest	5,398	5,398	4,085	(1,313)
Tuition and Fees	850,196	852,658	877,323	24,665
Extracurricular Activities	26,326	26,326	9,653	(16,673)
Contributions and Donations	50,540	50,540	54,915	4,375
Customer Sales and Services	6,000	6,000	8,241	2,241
Rentals	21,156	21,156	11,488	(9,668)
Payments in Lieu of Taxes	35,000	35,000	30,798	(4,202)
Miscellaneous	139,014	138,364	135,539	(2,825)
<i>Total Revenues</i>	<u>22,356,769</u>	<u>22,544,195</u>	<u>22,736,756</u>	<u>192,561</u>
Expenditures				
Current:				
Instruction:				
Regular	13,414,949	13,431,435	12,200,122	1,231,313
Special	2,077,807	2,079,707	2,220,610	(140,903)
Vocational	327,224	327,310	356,812	(29,502)
Student Intervention Services	940,759	948,463	1,009,132	(60,669)
Support Services:				
Pupils	1,268,505	1,274,018	1,344,658	(70,640)
Instructional Staff	747,908	741,475	759,930	(18,455)
Board of Education	81,502	81,676	70,363	11,313
Administration	1,632,030	1,632,930	1,745,898	(112,968)
Fiscal	484,720	478,774	496,644	(17,870)
Business	157,162	154,563	126,977	27,586
Operation and Maintenance of Plant	2,354,613	2,345,756	2,560,589	(214,833)
Pupil Transportation	1,150,099	1,146,542	1,193,955	(47,413)
Central	112,875	121,767	118,192	3,575
Operation of Non-Instructional Services	15,469	15,469	11,780	3,689
Extracurricular Activities	562,240	562,240	580,814	(18,574)
Capital Outlay	4,850	4,260	16,605	(12,345)
<i>Total Expenditures</i>	<u>25,332,712</u>	<u>25,346,385</u>	<u>24,813,081</u>	<u>533,304</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(2,975,943)</u>	<u>(2,802,190)</u>	<u>(2,076,325)</u>	<u>725,865</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	55,116	55,116	65,058	9,942
Transfers Out	(57,250)	(57,250)	(57,250)	0
Advance In	10,983	10,983	10,983	0
Advances Out	0	0	(8,118)	(8,118)
<i>Total Other Financing Sources (Uses)</i>	<u>8,849</u>	<u>8,849</u>	<u>10,673</u>	<u>1,824</u>
<i>Net Change in Fund Balance</i>	(2,967,094)	(2,793,341)	(2,065,652)	727,689
<i>Fund Balance Beginning of Year</i>	3,914,074	3,914,074	3,914,074	0
Prior Year Encumbrances Appropriated	477,717	477,717	477,717	0
<i>Fund Balance End of Year</i>	<u>\$1,424,697</u>	<u>\$1,598,450</u>	<u>\$2,326,139</u>	<u>\$727,689</u>

See accompanying notes to the basic financial statements

Louisville City School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2012

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$115,381</u></u>
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Liabilities

Due to Students	<u><u>\$115,381</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, 2012

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 6 instructional facilities, 1 bus garage, and 1 administrative facility, staffed by 146 classified employees and 209 certificated employees who provide services to 3,192 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. 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 13, 14 and 15 to the basic financial statements.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Louisville City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. 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 assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

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

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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

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.

Ohio School Facilities Capital Projects Fund The Ohio school facilities capital projects fund accounts for and report the proceeds of notes and bonds as well grants restricted for the building and equipping of the classroom facilities.

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

Measurement Focus

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

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 2012, investments were limited to STAROhio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share which is the price the investment could be sold for on June 30, 2012.

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 Ohio school facilities fund during fiscal year 2012 amounted to \$14,584, which includes \$6,697 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 or enabling legislation. Restricted assets on the balance sheet represent cash and cash equivalents required by State statute to be set aside for unclaimed monies.

Inventory

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

Capital Assets

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

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

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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

Interfund Balances

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

Compensated Absences

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

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

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

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

Accrued Liabilities and Long-term Obligations

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 compensated absences 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 represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include food service, auxiliary services and classroom maintenance.

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

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, 2012

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 – Fund Balance

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

Fund Balances	General Fund	Bond Retirement Fund	Ohio School Facilities Fund	Other Governmental Funds	Total
<i>Nonspendable</i>					
Inventory	\$53,573	\$0	\$0	\$29,698	\$83,271
Unclaimed Monies	3,341	0	0	0	3,341
<i>Total Nonspendable</i>	56,914	0	0	29,698	86,612
<i>Restricted for</i>					
Food Service Operations	0	0	0	27,888	27,888
Classroom Maintenance	0	0	0	239,711	239,711
District Managed Activities	0	0	0	200,720	200,720
Non-Instructional Services	0	0	0	35,894	35,894
Other Purposes	0	0	0	11,020	11,020
Debt Service Payments	0	1,091,784	0	0	1,091,784
Capital Improvements	0	0	2,812,252	324,339	3,136,591
<i>Total Restricted</i>	0	1,091,784	2,812,252	839,572	4,743,608
<i>Assigned to</i>					
Other Purposes	353,287	0	0	0	353,287
<i>Unassigned (Deficit)</i>	(537,300)	0	0	(52,489)	(589,789)
<i>Total Fund Balances</i>	(\$127,099)	\$1,091,784	\$2,812,252	\$816,781	\$4,593,718

Note 4 - Budgetary Basis of Accounting

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Budgetary revenues and expenditures of the public school support, rotary and summer school funds are reclassified to the general fund for GAAP reporting.

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

Net Change in Fund Balance

GAAP Basis	(\$2,298,184)
Net Adjustment for Revenue Accruals	285,158
Advances In	10,983
Beginning Fair Value Adjustments for Investments	4,206
Ending Fair Value Adjustments for Investments	0
Net Adjustment for Expenditure Accruals	255,212
Advances Out	(8,118)
Perspective Differences:	
Public School Support	(12,249)
Rotary	1,496
Summer School	(1,599)
Encumbrances	<u>(302,557)</u>
Budget Basis	<u><u>(\$2,065,652)</u></u>

Note 5 - 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, 2012

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

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

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

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

Deposits

Custodial credit risk 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, \$250,000 of the School District's bank balance of \$2,525,127 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Investments

As of June 30, 2012, the School District had \$6,393,427 invested in STAROhio, which has an average maturity of 52.5 days.

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

Credit Risk STAROhio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The 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. All of the School District's investments are in STAR Ohio.

Note 6 - 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 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in calendar year 2012 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, 2012, are available to finance fiscal year 2012 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, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The amount available as an advance at June 30, 2012 was \$503,869 in the general fund, \$121,418 in the bond retirement debt service fund, \$19,584 in the permanent improvements capital projects fund, and \$12,239 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2011, was \$911,223 in the general fund, \$199,731 in the bond retirement debt service fund, \$35,476 in the permanent improvement capital projects fund, and \$22,171 in the classroom facilities maintenance special revenue fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$333,326,760	97.60 %	\$333,730,710	97.59 %
Public Utility Personal	7,887,600	2.31	8,246,680	2.41
Tangible Personal Property	316,650	0.09	0	0.00
Total	\$341,531,010	100.00 %	\$341,977,390	100.00 %
Tax rate per \$1,000 of assessed valuation	\$49.10		\$49.10	

Note 7 - Receivables

Receivables at June 30, 2012, 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 OSFC monies and 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	
Ohio School Facilities Commission	\$167,671
IDEA-B	45,915
Title I	29,626
Stimulus Title II	2,085
Medicaid	892
<i>Total Governmental Activities</i>	\$246,189

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 8 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	Balance 6/30/11	Additions	Deductions	Balance 6/30/12
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$2,756,741	\$204,599	(\$6,500)	\$2,954,840
Construction in Progress	23,084,046	20,271,294	0	43,355,340
Total Capital Assets not being Depreciated	25,840,787	20,475,893	(6,500)	46,310,180
Capital Assets, being Depreciated:				
Buildings and Improvements	36,584,888	3,604,258	(1,873,071)	38,316,075
Furniture, Fixtures and Equipment	6,433,359	223,716	(395,951)	6,261,124
Textbooks and Library Books	2,379,090	0	(826,777)	1,552,313
Vehicles	2,426,494	0	0	2,426,494
Total Capital Assets, being Depreciated	47,823,831	3,827,974	(3,095,799)	48,556,006
Less Accumulated Depreciation:				
Buildings and Improvements	(11,281,318)	(786,719)	1,840,023	(10,228,014)
Furniture, Fixtures and Equipment	(4,534,637)	(445,127)	386,951	(4,592,813)
Textbooks and Library Books	(2,164,137)	(136,431)	748,255	(1,552,313)
Vehicles	(1,399,735)	(99,164)	0	(1,498,899)
Total Accumulated Depreciation	(19,379,827)	(1,467,441) *	2,975,229	(17,872,039)
Total Capital Assets, being Depreciated, net	28,444,004	2,360,533	(120,570)	30,683,967
Governmental Activities Capital Assets, Net	\$54,284,791	\$22,836,426	(\$127,070)	\$76,994,147

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$954,828
Special	44,542
Vocational	7,880
Support Services:	
Pupils	27,483
Instructional Staff	62,914
Administration	33,810
Operation and Maintenance of Plant	114,901
Pupil Transportation	95,433
Operation of Non-Instructional Services	105,133
Extracurricular Activities	20,517
Total Depreciation Expense	\$1,467,441

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 9 - 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 Reserve Balance as of June 30, 2011	\$0
Current Year Set-aside Requirement	544,491
Current Year Offsets	(456,562)
Qualifying Disbursements	(87,929)
Totals	\$0
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Reserve Balance as of June 30, 2012	\$0

Note 10 - Capital Leases

In prior fiscal years, the School District entered into lease agreements for four school buses and football stadium bleachers. These lease obligations meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, "Accounting for Leases," and have been recorded on the government-wide statements. The payments for these capital leases are shown on a GAAP basis as debt service expenditures in permanent improvement capital projects fund.

	Governmental Activities
Asset:	
Vehicles and Bleachers	\$1,321,006
Less: Accumulated depreciation	(91,476)
Current Book Value	\$1,229,530

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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
2013	\$218,147
2014	188,683
2015	159,218
2016	159,218
2017	159,218
2018	159,218
Total Minimum Lease Payment	1,043,702
Less: Amount Representing Interest	(135,296)
Present Value of Minimum Lease Payments	\$908,406

Note 11 - 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 2012, the School District's contracted with Indiana Insurance for the following coverage:

Type of Coverage	Coverage	Deductible
Liability	\$1,000,000/\$2,000,000	\$5,000
School Leaders Errors/Omissions	\$1,000,000/\$1,000,000	\$2,500
Law Enforcement Liability	\$1,000,000/\$1,000,000	\$2,500
Sexual Misconduct/Molestation	\$1,000,000/\$1,000,000	\$0
Employers Stop Gap Liability	\$1,000,000/\$2,000,000	\$0
Employee Benefits Liability	\$1,000,000/\$3,000,000	\$1,000
Excess Liability/Umbrella	\$5,000,000/\$5,000,000	\$0
Fleet Insurance	\$1,000,000 liability	\$250/\$500
Property Insurance	\$114,057,362	\$5,000
Inland Marine	\$2,624,313	\$500
Crime	\$50,000	\$1,000
Employee Dishonesty	\$50,000	\$1,000
Coverage According to the Terrorism Risk		
Insurance Act (TRIA) of 2002 and 2005	N/A	N/A

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

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Worker's Compensation

The School District participates in the Stark County Schools Council of Government Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management Inc. provides administrative, cost control and actuarial services to the GRP, and the firm of AultComp provides medical review analysis services to the GRP.

Note 12 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2012 were as follows:

	Amount Outstanding 6/30/11	Additions	Deletions	Amount Outstanding 6/30/12	Amounts Due in One Year
Governmental Activities					
School Facilities Bonds (2.25%-5.0%)	\$350,000	\$0	\$350,000	\$0	\$0
2009 School Facilities Bonds (2.00%-5.00%)					
Serial Bonds	2,210,000	0	110,000	2,100,000	65,000
Term Bonds	5,810,000	0	0	5,810,000	0
Capital Appreciation Bonds	30,000	0	0	30,000	0
Accretion on Capital Appreciation Bonds	19,119	15,129	0	34,248	0
Premium	323,557	0	12,689	310,868	0
Total 2009 School Facilities Bonds	8,392,676	15,129	122,689	8,285,116	65,000
Energy Conservation Bonds (6.125%)	200,000	0	45,000	155,000	50,000
Ohio School Facilities Commission					
Refunding Bonds (0.70%-4.00%)					
Serial Bonds	17,455,000	0	295,000	17,160,000	705,000
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	42,772	89,054	0	131,826	0
Premium	1,238,789	0	66,962	1,171,827	0
Unamortized Loss	(1,002,221)	0	(54,174)	(948,047)	0
Total Ohio School Facilities Commission					
Refunding Bonds	22,249,340	89,054	307,788	22,030,606	705,000
Capital Leases	1,078,607	0	170,201	908,406	177,872
Compensated Absences	1,085,633	140,947	184,689	1,041,891	114,612
Early Retirement Incentive	342,087	33,502	226,033	149,556	124,060
Total Governmental Activities	\$33,698,343	\$278,632	\$1,406,400	\$32,570,575	\$1,236,544

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

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

The serial, term, and capital appreciation bonds remained outstanding at June 30, 2012. 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, 2012 is \$590,000. The accretion recorded for 2012 was \$15,129, for a total outstanding bond liability of \$64,248.

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

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

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

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

On December 2, 2010, the School District issued \$21,970,000 in general obligation bonds to refund a portion of the Ohio School Facilities Commission general obligation serial bonds in order to take advantage of lower interest rates. The bonds included serial, term and capital appreciation (deep discount) bonds in the amount of \$17,455,000, \$4,240,000 and \$275,000, respectively. The bonds were issued for a twenty year period with a final maturity at December 1, 2029. The final maturity amount of outstanding capital appreciation bonds at June 30, 2012, is \$2,215,000. The accretion recorded for 2012 was \$89,054, for a total outstanding bond liability of \$406,826.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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, 2012, \$21,620,000 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

The school facilities bonds and the energy conservation bonds will be paid from the debt service fund. Compensated absences and the early retirement incentive are to be paid from the general fund, food service, auxiliary services, 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, 2012 was \$2,284,749 with an unvoted debt margin of \$341,977.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2012 are as follows:

	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$770,000	\$1,063,246	\$0	\$0	\$0	\$0
2014	895,000	1,046,328	0	0	0	0
2015	935,000	1,027,465	0	0	0	0
2016	980,000	1,007,565	0	0	0	0
2017	1,095,000	983,278	0	0	0	0
2018-2022	3,680,000	4,616,497	0	0	305,000	2,500,000
2023-2027	8,260,000	2,612,755	780,000	919,435	0	0
2028-2032	2,645,000	716,391	5,690,000	867,328	0	0
2033-2037	0	0	3,580,000	464,175	0	0
Total	\$19,260,000	\$13,073,525	\$10,050,000	\$2,250,938	\$305,000	\$2,500,000

	2007 Energy Conservation Bonds	
	Principal	Interest
2013	\$50,000	\$9,494
2014	50,000	6,431
2015	55,000	3,369
Total	\$155,000	\$19,294

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 13 - Insurance Purchasing Pool

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

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

Note 14 - Jointly Governed Organizations

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

SPARCC is governed by a board of directors comprised of each Superintendent within the Consortium. The Stark County Educational Service Center serves as the fiscal agent of the Consortium and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of SPARCC is limited to its voting authority and any representation it may have on the board of directors. The continued existence of SPARCC is not dependent on the School District's continued participation and no equity interest exists. Louisville City School District paid \$31,532 to SPARCC during fiscal year 2012 for services. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 2100 38th Street N.W., Canton, Ohio 44709.

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

Stark County Tax Incentive Review Council The Stark County Tax Incentive Review Council (TIRC) is a jointly governed organization, created as a regional council of governments pursuant to State statutes. TIRC has 24 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, ten members appointed by township trustees, one member from the county auditor's office and six members appointed by boards of education located within the enterprise zones of Stark County. The TIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Agreement; however, the council can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of this Council. The continued existence of the TIRC is not dependent upon the School District's continued participation and no measurable equity interest exists.

Note 15 – Related Organization

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

Note 16 - Defined Benefit Pension Plans

School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$437,679, \$397,506 and \$408,013, respectively. For fiscal year 2012, 55.42percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

State Teachers Retirement System

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

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$1,757,194 and \$100,086 for the fiscal year ended June 30, 2012, \$1,727,819 and \$101,427 for the fiscal year ended June 30, 2011, and \$1,634,460 and \$83,760 for the fiscal year ended June 30, 2010. For fiscal year 2012, 78.47 percent has been contributed for the DB plan and 78.47 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2012 were \$21,607 made by the School District and \$15,434 made by the plan members. In addition, member contributions of \$71,490 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2012, six members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 17 - Postemployment Benefits

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$68,926 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$87,881, \$98,659, and \$63,281, respectively. For fiscal year 2012, 55.42 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$25,847, \$25,580, and \$15,378 respectively. For fiscal year 2012, 55.42 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 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. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$135,169, \$132,909, and \$125,728, respectively. For fiscal year 2012, 78.47 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Note 18 - 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. Up to one year's maximum accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

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

Early Notification of Retirement Incentive

Any employee giving notice of retirement no later than February 1 in any year, will receive double severance pay up to a maximum of \$10,000 for the doubled portion. The Board does not limit the number of employees participating in the plan in any one year. Nine employees retired in fiscal year 2011 and eight employees in fiscal year 2012 took advantage of the early retirement incentive offered by the School District. The doubled portion relating to these retirees totaled \$124,060 for fiscal year 2011 retirees to be paid on January 1, 2013. Also, \$25,496 per year for the fiscal year 2012 retirees is to be paid on July 30 2013. These expenditures are reflected in the funds from which the employee's salary and severance are paid.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance through Fortis, to eligible employees.

Longevity

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

Insurance Benefits

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

Note 19 - Contingencies

Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

Litigation

The School District is not party to legal proceedings.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 20 – Contractual Commitments

At June 30, 2012, the School District’s significant contractual commitments consisted of:

Project	Contract Amount	Amount Paid	Remaining on Contract
OSFC Construction Project	\$44,374,747	\$40,298,255	\$4,076,492
Vasco Sports	116,857	112,857	4,000
Totals	<u>\$44,491,604</u>	<u>\$40,411,112</u>	<u>\$4,080,492</u>

Note 21 - Interfund Balances and Transfers

Interfund Balances

Interfund balances at June 30, 2012 consisted of the following:

	Interfund Balances	
	June 30, 2012	
	Receivables	Payables
General	\$8,118	\$0
Nonmajor Funds		
Title I	0	6,402
Stimulus Title II	0	1,716
Total Nonmajor Funds	<u>0</u>	<u>8,118</u>
Total Governmental Funds	<u>\$8,118</u>	<u>\$8,118</u>

As of June 30, 2012, all interfund balances outstanding are anticipated to be repaid in one year. Advances were originally made to support operations in various funds.

Transfers

During fiscal year 2012, the general fund transferred \$57,250 to the bond retirement debt service fund for debt obligations. The transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

Louisville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 22 – Accountability

Deficit Fund Balances

At June 30, 2012, the following funds had deficit fund balances:

	<u>Amount</u>
<i>Major Funds</i>	
General Fund	(\$127,099)
<i>Non-Major Funds</i>	
Title VI-B	(26,426)
Title I	(19,306)
Preschool Grant	(4,851)
Class Size Reduction	(1,905)

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.

Compliance

The School District did not submit the annual financial report to the NRMSIR or SID for the fiscal year ended June 30, 2011 in noncompliance with 17 CFR 240.15c-12.

SUPPLEMENTARY DATA

LOUISVILLE CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Child Nutrition Cluster:</i>				
(C)(D) School Breakfast Program	10.553	2012	\$ 85,378	\$ 85,378
(D)(E) National School Lunch Program - Food Donation	10.555	2012	67,901	67,901
(C)(D) National School Lunch Program	10.555	2012	446,050	446,050
Total National School Lunch Program			<u>513,951</u>	<u>513,951</u>
<i>Total Child Nutrition Cluster</i>			<u>599,329</u>	<u>599,329</u>
Total U.S. Department of Agriculture			<u>599,329</u>	<u>599,329</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Title I Cluster:</i>				
(G) Title I Grants to Local Educational Agencies	84.010	2011	69,450	62,889
(G) Title I Grants to Local Educational Agencies	84.010	2012	344,367	312,364
Total Title I Grants to Local Educational Agencies			<u>413,817</u>	<u>375,253</u>
(G) ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	7,710	14,026
<i>Total Title I Cluster</i>			<u>421,527</u>	<u>389,279</u>
<i>Special Education Cluster:</i>				
(H)(F) Special Education_Grants to States	84.027	2011	30,042	95,341
(H)(F) Special Education_Grants to States	84.027	2012	589,314	498,252
Total Special Education _Grants to States			<u>619,356</u>	<u>593,593</u>
(H) ARRA Special Education_Grants to States, Recovery Act	84.391	2011	46,648	50,012
(H) Special Education_Preschool Grants	84.173	2011	4,083	3,402
(H) Special Education_Preschool Grants	84.173	2012	17,215	16,798
Total Special Education_Preschool Grants			<u>21,298</u>	<u>20,200</u>
<i>Total Special Education Cluster</i>			<u>687,302</u>	<u>663,805</u>
Educational Technology State Grants	84.318	2012	627	1,333
Improving Teacher Quality State Grants	84.367	2011	11,800	21,364
Improving Teacher Quality State Grants	84.367	2012	94,316	77,426
Total Improving Teacher Quality State Grants			<u>106,116</u>	<u>98,790</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Ohio Residence Program, Recovery Act	84.395A	2012	1,750	-
(F) Education Jobs Fund	84.410	2011	8,812	12,848
(F) Education Jobs Fund	84.410	2012	761,831	761,831
Total Education Jobs Fund			<u>770,643</u>	<u>774,679</u>
Total U.S. Department of Education			<u>1,987,965</u>	<u>1,927,886</u>
Total Federal Financial Assistance			<u>\$ 2,587,294</u>	<u>\$ 2,527,215</u>

-Continued

**LOUISVILLE CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass through numbers for fiscal year 2012
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis
- (D) Included as part of "Child Nutrition Cluster" in determining major programs
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value
- (F) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2012, the ODE authorized the following transfers

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Special Education_Grants to States	84.027	2011	\$ 3,944	
Special Education_Grants to States	84.027	2012		\$ 3,944
Education Jobs Fund	84.410	2011	8,050	
Education Jobs Fund	84.410	2012		8,050
 Total			<u>\$ 11,994</u>	<u>\$ 11,994</u>

- (G) Included as part of "Title I Cluster" in determining major programs.
- (H) Included as part of "Special Education Cluster" in determining major programs.



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**Independent Accountants' 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 East Main Street
Louisville, Ohio 44641

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Louisville City School District, Stark County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Louisville City School District's basic financial statements and have issued our report thereon dated December 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisville City School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Louisville City School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Louisville City School District's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Louisville City School District's financial statements will not be prevented, or detected and timely corrected.

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

Board of Education
Louisville City School District

Compliance and Other Matters

As part of reasonably assuring whether the Louisville City School 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, providing an opinion 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2012-LCSD-001.

The Louisville City School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Louisville City School District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the management and Board of Education of the Louisville City School District, federal awarding agencies and pass-through entities, and others within the Louisville City School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 20, 2012



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Compliance With Requirements Applicable to Its
Major Federal Program and on Internal Control Over Compliance
Required By OMB Circular A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of the Louisville City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Louisville City School District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings and responses identifies the Louisville City School District's major federal program. The Louisville City School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Louisville City School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Louisville City School District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Louisville City School District's compliance with these requirements.

In our opinion, the Louisville City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The Louisville City School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Louisville City School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Louisville City School District's internal control over compliance.

Board of Education
Louisville City School District

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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the management and Board of Education of the Louisville City School District, federal awarding agencies and pass-through entities, and others within the Louisville City School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 20, 2012

**LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Education Jobs Fund (CFDA #84.410)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**LOUISVILLE CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

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

Finding Number	2012-LCSD-001
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17 CFR 240.15c-12 states that the issuer of bonds must provide a copy of the annual report to each Nationally Recognized Municipal Securities Information Repository (NRMSIR) and State Information Depository (SID).

The District did not submit the annual financial report to the NRMSIR or SID for the year ended June 30, 2011.

By not timely filing to the approved Nationally Recognized Municipal Securities Information Repository (NRMSIR) and State Information Depository (SID) failure to provide the annual information and operating data could lead to the District losing its tax exempt status and could result in the debt holder declaring the entire principal amount then outstanding and accrued interest immediately due and payable. The District could also be liable for any or all taxes incurred by the debt holder if holdings were to lose their tax exempt status.

We recommend the annual financial report be provided to the NRMSIR and SID on a timely basis following the issuance of the annual report.

Client Response: The District will remit the requested information as noted.

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
FEBRUARY 12, 2013**