



Dave Yost • Auditor of State



**LOUISVILLE CITY SCHOOL DISTRICT  
STARK COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louisville City School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Louisville City School District, Stark County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 22, 2014

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**Louisville City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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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, 2013. 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 2013 are as follows:

- In May of 2013, the School District was able to pass a 5.9 mill, 5 year emergency operating levy which will generate over \$1.8 million annually. This is the School District's first new operating levy in over 20 years. Collections on the levy will begin in January 2014.
- The School District experienced its sixth consecutive year of declining enrollment.
- The School District was able to lower its general fund cash basis expenditures by over \$0.5 million, and general fund cash basis revenues rose slightly by almost \$0.1 million.

### **Using these Basic Financial Statements**

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

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

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The *Statement of Net Position* and *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the School District's net position and changes in that net position. The amount of net position, the difference between all other elements in the Statement of Net Position, is one measure of the School District's financial health, or financial position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. Assessing the overall health of the School District involves many factors. Non-

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financial factors may include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency and fiscal capacity.

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

### **Reporting the School District's Most Significant Funds**

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

#### *Fiduciary Funds*

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

### **The School District as a Whole**

You may recall that the *Statement of Net Position* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

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**Table 1**  
**Net Position**  
**Governmental Activities**

	2013	2012	Change
<b>Assets</b>			
Current and Other Assets	\$13,802,125	\$17,264,198	(\$3,462,073)
Capital Assets, Net	77,803,295	76,994,147	809,148
<i>Total Assets</i>	<u>91,605,420</u>	<u>94,258,345</u>	<u>(2,652,925)</u>
<b>Deferred Outflows of Resources</b>	<u>893,873</u>	<u>948,047</u>	<u>54,174</u>
<b>Liabilities</b>			
Current Liabilities	3,792,407	4,442,156	649,749
Long-Term Liabilities:			
Due Within One Year	1,240,819	1,236,544	(4,275)
Due in More Than One Year	31,044,329	32,282,078	1,237,749
<i>Total Liabilities</i>	<u>36,077,555</u>	<u>37,960,778</u>	<u>1,883,223</u>
<b>Deferred Inflows of Resources</b>	<u>7,828,711</u>	<u>7,287,992</u>	<u>(540,719)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	49,169,611	49,833,281	(663,670)
Restricted	1,715,204	1,290,693	424,511
Unrestricted (Deficit)	(2,291,788)	(1,166,352)	(1,125,436)
<i>Total Net Position</i>	<u>\$48,593,027</u>	<u>\$49,957,622</u>	<u>(\$1,364,595)</u>

Overall, the position of the School District declined slightly, as evidenced by the decrease in net position. The School District continued to spend money related to the elementary school project, a portion of which was provided by the Ohio Schools Facility Commission. Liabilities declined as annual debt payments were made. Also, there were less payables related to the elementary school project at the end of the current fiscal year than at the end of the prior fiscal year.

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.

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Table 2 shows the changes in net position for fiscal years 2013 and 2012.

**Table 2**  
**Changes in Net Position**  
**Governmental Activities**

	2013	2012	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$2,393,498	\$2,225,663	\$167,835
Operating Grants and Contributions	2,009,862	2,933,364	(923,502)
Total Program Revenues	<u>4,403,360</u>	<u>5,159,027</u>	<u>(755,667)</u>
General Revenues:			
Property Taxes	7,951,450	7,607,113	344,337
Grants and Entitlements	15,660,475	14,710,915	949,560
Unrestricted Contributions	78,294	13,241	65,053
Payments in Lieu of Taxes	33,086	2,722	30,364
Investment Earnings	4,558	18,156	(13,598)
Miscellaneous	122,274	144,009	(21,735)
Total General Revenues	<u>23,850,137</u>	<u>22,496,156</u>	<u>1,353,981</u>
Total Revenues	<u>28,253,497</u>	<u>27,655,183</u>	<u>598,314</u>
<b>Program Expenses</b>			
Instruction:			
Regular	11,998,147	9,615,606	(2,382,541)
Special	2,941,855	3,053,373	111,518
Vocational	403,751	351,440	(52,311)
Student Intervention Services	1,096,063	1,009,132	(86,931)
Support Services:			
Pupils	1,738,160	1,506,209	(231,951)
Instructional Staff	880,984	708,169	(172,815)
Board of Education	64,809	65,987	1,178
Administration	1,917,629	1,833,173	(84,456)
Fiscal	464,526	562,998	98,472
Business	96,657	117,336	20,679
Operation and Maintenance of Plant	2,503,461	2,327,921	(175,540)
Pupil Transportation	1,259,788	915,150	(344,638)
Central	30,656	99,370	68,714
Operation of Non-Instructional Services	1,798,354	1,363,935	(434,419)
Extracurricular Activities	937,978	860,642	(77,336)
Interest and Fiscal Charges	1,485,274	1,231,810	(253,464)
Total Program Expenses	<u>29,618,092</u>	<u>25,622,251</u>	<u>(3,995,841)</u>
Increase (Decrease) in Net Position	(1,364,595)	2,032,932	(3,397,527)
<i>Net Position Beginning of Year</i>	<u>49,957,622</u>	<u>47,924,690</u>	<u>2,032,932</u>
<i>Net Position End of Year</i>	<u>\$48,593,027</u>	<u>\$49,957,622</u>	<u>(\$1,364,595)</u>

**Louisville City School District**  
*Management's Discussion and Analysis*  
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*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.

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 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$11,998,147	\$10,789,714	\$9,615,606	\$8,603,470
Special	2,941,855	1,762,399	3,053,373	1,486,962
Vocational	403,751	403,751	351,440	281,267
Student Intervention Services	1,096,063	1,092,540	1,009,132	1,009,132
Support Services:				
Pupils	1,738,160	1,719,835	1,506,209	1,279,462
Instructional Staff	880,984	877,484	708,169	699,007
Board of Education	64,809	64,809	65,987	65,987
Administration	1,917,629	1,820,269	1,833,173	1,671,462
Fiscal	464,526	464,526	562,998	562,998
Business	96,657	96,657	117,336	117,336
Operation and Maintenance of Plant	2,503,461	2,503,461	2,327,921	2,327,921
Pupil Transportation	1,259,788	1,259,788	915,150	915,150
Central	30,656	30,656	99,370	99,370
Operation of Non-Instructional Services	1,798,354	271,592	1,363,935	(184,884)
Extracurricular Activities	937,978	571,977	860,642	296,774
Interest and Fiscal Charges	1,485,274	1,485,274	1,231,810	1,231,810
<b>Total</b>	<b>\$29,618,092</b>	<b>\$25,214,732</b>	<b>\$25,622,251</b>	<b>\$20,463,224</b>

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 26 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 under 15 percent of all governmental expenses.

**Louisville City School District**  
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**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 \$28,471,005 and expenditures of \$31,342,407. The net change in fund balance for the year was most significant in the Ohio School Facilities Construction fund with a decrease of \$1,440,998, as a result of \$1,596,797 of capital outlay expenditures related to the OSFC building project and a decrease in the amount coming in for those projects. The general fund balance decrease of \$1,312,854 was a result of increased costs in several expenditure categories, most significantly in regular instruction.

**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 2013, 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 \$22,797,062, which is slightly higher than the original estimate of \$22,352,212. Final budget basis appropriations for expenditures totaled \$24,490,497 compared to the original estimate of \$24,490,525.

The total revenue variance between final budget and actual was insignificant. The total expenditure variance between final budget and actual amounted to \$188,385 or 0.77 percent of final budget expenditures.

The general fund's unencumbered ending cash balance totaled \$1,015,853, which was \$203,006 more than the final budgeted amount of \$812,847.

**Capital Assets and Debt Administration**

*Capital Assets*

Table 4 shows fiscal 2013 values compared to 2012. More detailed information is presented in Note 9 to the basic financial statements.

**Table 4**  
**Capital Assets at June 30**  
**Governmental Activities**

	2013	2012
Land	\$2,954,840	\$2,954,840
Construction in Progress	45,546,536	43,355,340
Buildings and Improvements	27,297,059	28,088,061
Furniture, Fixtures and Equipment	1,173,260	1,668,311
Vehicles	831,600	927,595
<i>Total Capital Assets</i>	\$77,803,295	\$76,994,147

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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 additions to construction in progress outpacing depreciation. 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 13 to the basic financial statements.

**Table 5**  
**Outstanding Debt at Year End**  
**Governmental Activities**

	2013	2012
School Facilities Bonds	\$8,227,285	\$8,285,116
Energy Conservation Bonds	105,000	155,000
Refunding School Facilities Bonds	22,320,436	22,978,653
Capital Leases	730,535	908,406
<i>Total</i>	\$31,383,256	\$32,327,175

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.

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 \$525,286 with an unvoted debt margin of \$313,763 as of June 30, 2013.

**Current Issues Affecting Financial Condition**

For the last six school years, the School District has received the State Report Card rating of Excellent (2012-2013, 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.

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On November 4, 2008, the voters of the Louisville City School District approved a 1.5 mill, \$8,500,000 bond issue to provide the opportunity for the School District to participate in the Classroom Facilities Assistance Program (CFAP) program. The program has allowed the School District to construct one elementary school to replace three existing elementary schools and provide renovation and additions to Louisville High School. This over \$40 million construction project was largely completed for the 2012-13 school year, with only small portions of the project to be completed for 2013-2014 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.

During the 2012-2013 school year and early in the 2013-2014 school year, the School District was able to make great strides in stabilizing its financial outlook. In recent years, the School District has been facing declining revenue, including fiscal year 2013 which saw total revenue hit its lowest point since the 2006 fiscal year. The School District was unsuccessful in its attempts to pass a new emergency operating levy in August and November of 2012, which was consistent with the School District's history of over twenty consecutive years of failed operating levy attempts. However in May 2013, the School District finally broke through and passed a 5.9 mill, 5-year emergency operating levy. The levy will generate over \$1.8 million annually. The new levy will provide the School District with desperately needed operating funds to replace recent reductions in unrestricted state aide. Unfortunately, the delay in passing the levy in May, 2013 as opposed to November, 2012 brought a heavy cost. If the School District had been successful in November, collections on the new levy would have started in January, 2013, but because the levy was passed in May, the School District does not start collecting until January, 2014. This delay increased the cash flow problems the School District was already expecting. Also, the School District lost over \$30 million in taxable property value as a result of the sexennial property reappraisal for Stark County. This meant that the 5.9 mill levy would only generate \$1.8 million annually as of the May election instead of about \$2 million annually in the November election. This property value change will cost the School District \$1 million over the life of the levy. The delay and property value reductions forced the School District to make changes to its operations for the 2013-2014 school year even though the levy was successful.

Throughout the May levy campaign, the School District pledged to cut costs and increase fees to save \$500,000 annually. The School District was able to achieve this by raising pay to participate caps, eliminating the pay to participate exemption for students on free and reduced lunch, increasing instructional fees, reducing 5.5 teaching positions through attrition, replacing two retired teachers with 2 first year teachers, replacing a sub caller with an automated system, sharing a food service director with a nearby district, reducing 1 bus driver through attrition, 2 secretarial positions through attrition and eliminating the part time courier. However, the largest long term savings were generated through negotiated agreements with the School District's two bargaining units. The School District's classified union agreed to a complete wage freeze for three years in the spring of 2013, but they did have a clause that allowed them to receive any wage increases the certified union received. The certified union agreed to a new three year contract in October 2013. The new three year agreement covers the 2013-2014, 2014-2015 and 2015-2016 school years. The certified union agreed to a complete wage freeze for 2013-2014 with a contingent bonus up to 1 percent based on unrestricted State aide to be paid in July 2014, an experience step increase for 2014-2015 with a contingent bonus up to 1 percent based on unrestricted State aide to be paid in July 2015, and an experience step increase for 2015-2016 with a contingent base increase up to 1 percent based on unrestricted State aide. Also certified members at the High School agreed to teach six classes daily instead of five which will allow the School District to eventually reduce staff at that building without cutting the educational programs offered. These agreements along with administrative pay freezes mean the School District will go two full school years with its staff on a complete wage freeze and is only committed to modest increases for the next two years.



**Louisville City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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The financial future of Louisville City School District is more stable than a year ago, but there are still several long term problems on the horizon. Foremost, the School District still relies on the State for almost 65 percent of its funding. The School District's financial future is still tied to the political whims of the State and the views of the political party in power when it comes to educational funding. Also the School District is expecting 2013-2014 to be the seventh consecutive year of decreased enrollment. Furthermore, the School District expects that trend to continue for the next several years. The School District does have about 120 students leaving the School District through open enrollment or charter school enrollment, but that is more than offset by the 168 students that choose to open enroll into the School District. The real problem is that there has simply been a decline in the number of children needing to be educated. Census data shows a steep decline in student population in recent years, a stat which has been supported by the enrollment drop. The enrollment decline means the School District needs to constantly monitor its resources and make sure that it is right sized to fit the population it serves. The School District cannot afford to have excess capacity.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact James Carman, Treasurer, at Louisville City School District, 407 E. Main Street, Louisville, Ohio 44641, or email at [jcarman@louisville.sparcc.org](mailto:jcarman@louisville.sparcc.org).

**Louisville City School District**

*Statement of Net Position*

*June 30, 2013*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,847,079
Accounts Receivable	174
Accrued Interest Receivable	847
Intergovernmental Receivable	262,139
Inventory Held for Resale	16,515
Materials and Supplies Inventory	52,457
Property Taxes Receivable	8,603,914
Prepaid Items	19,000
Nondepreciable Capital Assets	48,501,376
Depreciable Capital Assets, Net	<u>29,301,919</u>
<i>Total Assets</i>	<u>91,605,420</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	<u>893,873</u>
<b>Liabilities</b>	
Accounts Payable	56,677
Contracts Payable	21,617
Accrued Wages Payable	2,632,039
Matured Compensated Absences Payable	252,347
Intergovernmental Payable	741,235
Accrued Interest Payable	88,492
Long-Term Liabilities:	
Due Within One Year	1,240,819
Due In More Than One Year	<u>31,044,329</u>
<i>Total Liabilities</i>	<u>36,077,555</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	<u>7,828,711</u>
<b>Net Position</b>	
Net Investment in Capital Assets	49,169,611
Restricted for:	
Capital Projects	470,932
Debt Service	839,357
District Managed Student Activities	112,440
Other Purposes	292,475
Unrestricted (Deficit)	<u>(2,291,788)</u>
<i>Total Net Position</i>	<u><u>\$48,593,027</u></u>

See accompanying notes to the basic financial statements

**Louisville City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$11,998,147	\$1,201,233	\$7,200	(\$10,789,714)
Special	2,941,855	0	1,179,456	(1,762,399)
Vocational	403,751	0	0	(403,751)
Student Intervention Services	1,096,063	0	3,523	(1,092,540)
Support Services:				
Pupils	1,738,160	0	18,325	(1,719,835)
Instructional Staff	880,984	0	3,500	(877,484)
Board of Education	64,809	0	0	(64,809)
Administration	1,917,629	91,018	6,342	(1,820,269)
Fiscal	464,526	0	0	(464,526)
Business	96,657	0	0	(96,657)
Operation and Maintenance of Plant	2,503,461	0	0	(2,503,461)
Pupil Transportation	1,259,788	0	0	(1,259,788)
Central	30,656	0	0	(30,656)
Operation of Non-Instructional Services	1,798,354	742,216	784,546	(271,592)
Extracurricular Activities	937,978	359,031	6,970	(571,977)
Interest and Fiscal Charges	1,485,274	0	0	(1,485,274)
<i>Totals</i>	<u>\$29,618,092</u>	<u>\$2,393,498</u>	<u>\$2,009,862</u>	<u>(25,214,732)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				5,970,425
Debt Service				1,634,202
Capital Outlay				346,823
Grants and Entitlements not Restricted to Specific Programs				15,660,475
Unrestricted Contributions				78,294
Payments in Lieu of Taxes				33,086
Investment Earnings				4,558
Miscellaneous				<u>122,274</u>
<i>Total General Revenues</i>				<u>23,850,137</u>
Change in Net Position				(1,364,595)
<i>Net Position Beginning of Year</i>				<u>49,957,622</u>
<i>Net Position End of Year</i>				<u>\$48,593,027</u>

See accompanying notes to the basic financial statements

**Louisville City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2013*

	General	Bond Retirement	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,500,392	\$1,070,386	\$1,358,028	\$914,216	\$4,843,022
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	4,057	0	0	0	4,057
Accounts Receivable	174	0	0	0	174
Accrued Interest Receivable	847	0	0	0	847
Intergovernmental Receivable	79,366	0	30,610	152,163	262,139
Inventory Held for Resale	0	0	0	16,515	16,515
Materials and Supplies Inventory	47,396	0	0	5,061	52,457
Prepaid Items	19,000	0	0	0	19,000
Taxes Receivable	6,591,377	1,546,115	0	466,422	8,603,914
<i>Total Assets</i>	<u>\$8,242,609</u>	<u>\$2,616,501</u>	<u>\$1,388,638</u>	<u>\$1,554,377</u>	<u>\$13,802,125</u>
<b>Liabilities</b>					
Accounts Payable	\$16,483	\$0	\$0	\$40,194	\$56,677
Contracts Payable	0	0	0	21,617	21,617
Accrued Wages Payable	2,390,254	0	0	241,785	2,632,039
Matured Compensated Absences Payable	231,901	0	0	20,446	252,347
Intergovernmental Payable	649,340	0	0	91,895	741,235
<i>Total Liabilities</i>	<u>3,287,978</u>	<u>0</u>	<u>0</u>	<u>415,937</u>	<u>3,703,915</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	6,001,821	1,390,472	0	436,418	7,828,711
Unavailable Revenue	392,763	94,398	17,384	42,638	547,183
<i>Total Deferred Inflows of Resources</i>	<u>6,394,584</u>	<u>1,484,870</u>	<u>17,384</u>	<u>479,056</u>	<u>8,375,894</u>
<b>Fund Balances</b>					
Nonspendable	70,453	0	0	5,061	75,514
Restricted	0	1,131,631	1,371,254	733,805	3,236,690
Unassigned (Deficit)	(1,510,406)	0	0	(79,482)	(1,589,888)
<i>Total Fund Balances (Deficit)</i>	<u>(1,439,953)</u>	<u>1,131,631</u>	<u>1,371,254</u>	<u>659,384</u>	<u>1,722,316</u>
<i>Total Liabilities, Deferred Inflows of   Resources, and Fund Balances</i>	<u>\$8,242,609</u>	<u>\$2,616,501</u>	<u>\$1,388,638</u>	<u>\$1,554,377</u>	<u>\$13,802,125</u>

See accompanying notes to the basic financial statements

**Louisville City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2013*

<b>Total Governmental Funds Balances</b>	<b>\$1,722,316</b>
<i>Amounts reported for governmental activities in the Statement of Net Position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	77,803,295
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	505,789
Intergovernmental	41,394
Total	547,183
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(88,492)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
OSFC Bonds	(8,227,285)
Energy Conservation Bonds	(105,000)
Refunding Bonds	(22,320,436)
Deferred Charge on Refunding	893,873
Compensated Absences	(864,966)
Early Retirement Incentive	(36,926)
Capital Leases	(730,535)
Total	(31,391,275)
<i>Net Position of Governmental Activities</i>	<b>\$48,593,027</b>

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, 2013*

	General	Bond Retirement	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$5,996,398	\$1,621,356	\$0	\$349,386	\$7,967,140
Intergovernmental	15,238,778	284,972	150,287	2,181,283	17,855,320
Interest	1,089	0	1,978	1,491	4,558
Tuition and Fees	1,148,539	0	0	0	1,148,539
Extracurricular Activities	187,249	0	0	262,570	449,819
Contributions and Donations	7,722	0	0	87,407	95,129
Customer Sales and Services	45,264	0	0	742,216	787,480
Rentals	7,660	0	0	0	7,660
Payments in Lieu of Taxes	33,086	0	0	0	33,086
Miscellaneous	118,740	0	3,534	0	122,274
<i>Total Revenues</i>	<u>22,784,525</u>	<u>1,906,328</u>	<u>155,799</u>	<u>3,624,353</u>	<u>28,471,005</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	11,523,987	0	0	9,538	11,533,525
Special	2,180,344	0	0	749,560	2,929,904
Vocational	412,155	0	0	90	412,245
Student Intervention Services	1,093,231	0	0	2,832	1,096,063
Support Services:					
Pupils	1,465,082	0	0	247,192	1,712,274
Instructional Staff	860,165	0	0	14,916	875,081
Board of Education	64,809	0	0	0	64,809
Administration	1,831,285	0	0	109,084	1,940,369
Fiscal	469,237	33,235	0	7,247	509,719
Business	96,657	0	0	0	96,657
Operation and Maintenance of Plant	2,227,721	0	0	213,811	2,441,532
Pupil Transportation	1,172,850	0	0	28,811	1,201,661
Central	30,656	0	0	0	30,656
Operation of Non-Instructional Services	10,547	0	0	1,723,159	1,733,706
Extracurricular Activities	599,063	0	0	357,820	956,883
Capital Outlay	96	0	1,596,797	99,544	1,696,437
Debt Service:					
Principal Retirement	0	820,000	0	177,871	997,871
Interest and Fiscal Charges	0	1,072,740	0	40,275	1,113,015
<i>Total Expenditures</i>	<u>24,037,885</u>	<u>1,925,975</u>	<u>1,596,797</u>	<u>3,781,750</u>	<u>31,342,407</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,253,360)</u>	<u>(19,647)</u>	<u>(1,440,998)</u>	<u>(157,397)</u>	<u>(2,871,402)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	59,494	0	0	59,494
Transfers Out	(59,494)	0	0	0	(59,494)
<i>Total Other Financing Sources (Uses)</i>	<u>(59,494)</u>	<u>59,494</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(1,312,854)</u>	<u>39,847</u>	<u>(1,440,998)</u>	<u>(157,397)</u>	<u>(2,871,402)</u>
<i>Fund Balances (Deficit) Beginning 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>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$1,439,953)</u>	<u>\$1,131,631</u>	<u>\$1,371,254</u>	<u>\$659,384</u>	<u>\$1,722,316</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, 2013*

**Net Change in Fund Balances - Total Governmental Funds** (\$2,871,402)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of 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	2,240,950	
Current Year Depreciation	(1,431,802)	
Total		809,148

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

Property Taxes	(15,690)	
Intergovernmental	(201,818)	
Total		(217,508)

Repayment of bond principal and capital lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 997,871

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	(264,133)	
Amortization of Premium	79,649	
Amortization of Deferred Charge on Refunding	(54,174)	
Bond Accretion	(133,601)	
Total		(372,259)

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	176,925	
Early Retirement Incentive	112,630	
Total		289,555

*Change in Net Position of Governmental Activities* (\$1,364,595)

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, 2013*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$6,172,230	\$6,303,474	\$6,303,474	\$0
Intergovernmental	14,847,898	15,159,106	15,160,304	1,198
Interest	2,127	2,172	660	(1,512)
Tuition and Fees	1,026,854	1,023,185	1,025,390	2,205
Extracurricular Activities	94,453	96,461	96,461	0
Contributions and Donations	1,351	680	680	0
Customer Sales and Services	36,231	37,001	45,264	8,263
Rentals	7,432	7,590	7,660	70
Payments in Lieu of Taxes	32,125	33,086	33,086	0
Miscellaneous	131,511	134,307	138,704	4,397
<i>Total Revenues</i>	<u>22,352,212</u>	<u>22,797,062</u>	<u>22,811,683</u>	<u>14,621</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	11,535,202	11,506,693	11,477,953	28,740
Special	2,292,029	2,297,068	2,281,566	15,502
Vocational	407,342	408,237	407,640	597
Student Intervention Services	1,190,285	1,192,902	1,192,182	720
Support Services:				
Pupils	1,458,530	1,461,736	1,448,017	13,719
Instructional Staff	880,543	882,479	855,432	27,047
Board of Education	74,224	74,387	74,028	359
Administration	1,755,006	1,758,864	1,724,303	34,561
Fiscal	529,897	531,062	525,267	5,795
Business	112,169	112,416	111,715	701
Operation and Maintenance of Plant	2,391,272	2,396,529	2,371,931	24,598
Pupil Transportation	1,229,377	1,232,080	1,219,160	12,920
Central	38,054	38,138	37,683	455
Operation of Non-Instructional Services	12,732	12,760	12,760	0
Extracurricular Activities	583,741	585,024	562,353	22,671
Capital Outlay	122	122	122	0
<i>Total Expenditures</i>	<u>24,490,525</u>	<u>24,490,497</u>	<u>24,302,112</u>	<u>188,385</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(2,138,313)</u>	<u>(1,693,435)</u>	<u>(1,490,429)</u>	<u>203,006</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(59,364)	(59,494)	(59,494)	0
Advance In	8,118	8,118	8,118	0
<i>Total Other Financing Sources (Uses)</i>	<u>(51,246)</u>	<u>(51,376)</u>	<u>(51,376)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(2,189,559)	(1,744,811)	(1,541,805)	203,006
<i>Fund Balance Beginning of Year</i>	2,257,224	2,257,224	2,257,224	0
Prior Year Encumbrances Appropriated	300,434	300,434	300,434	0
<i>Fund Balance End of Year</i>	<u>\$368,099</u>	<u>\$812,847</u>	<u>\$1,015,853</u>	<u>\$203,006</u>



**Louisville City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2013*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u>\$119,884</u>
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**Liabilities**

Due to Students	<u>\$119,884</u>
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See accompanying notes to the basic financial statements

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**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

Louisville City School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board of Education (the “Board”) form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by State statute and 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 150 classified employees and 200 certificated employees who provide services to 3,110 students and other community members.

*Reporting Entity*

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

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

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

The School District is associated with the Stark County Schools Council of Government Workers’ Compensation Group Rating Program, an insurance purchasing pool; Stark/Portage Area Computer Consortium, the R.G. Drage Career Center and the Stark County Tax Incentive Review Council, jointly governed organizations; and the Louisville Public Library, a related organization;. These organizations are presented in Notes 14, 15 and 16 to the basic financial statements.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

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

***Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

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

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

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

***Fund Accounting***

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

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

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

**Measurement Focus**

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

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

**Basis of Accounting**

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

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

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

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**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, 2013*

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***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 2013, investments were limited to STAR Ohio. 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. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold for on June 30, 2013.

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 2013 amounted to \$1,978, which includes \$700 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.

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***Restricted Assets***

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

***Inventory***

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

***Capital Assets***

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

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

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

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

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

***Compensated Absences***

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

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

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

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

***Accrued Liabilities and Long-term Obligations***

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



**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and 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. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order, provided such amounts have been lawfully appropriated.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

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

***Net Position***

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

***Estimates***

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

***Budgetary Data***

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

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

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

**Note 3 – Changes in Accounting Principles**

***Changes in Accounting Principles***

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements”, Statement No. 61, “The Financial Reporting Entity: Omnibus, an Amendment of GASB Statements No. 14 and No. 34”, Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”, Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 65, “Items Previously Reported as Assets and Liabilities”, and Statement No. 66, “Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units presentation and certain disclosure requirements. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District’s financial statements.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2013

**Note 4 – Fund Balance**

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

Fund Balances	General Fund	Bond Retirement Fund	Ohio School Facilities Fund	Other Governmental Funds	Total
<i><b>Nonspendable</b></i>					
Inventory	\$47,396	\$0	\$0	\$5,061	\$52,457
Prepaid Items	19,000	0	0	0	19,000
Unclaimed Monies	4,057	0	0	0	4,057
<i>Total Nonspendable</i>	<u>70,453</u>	<u>0</u>	<u>0</u>	<u>5,061</u>	<u>75,514</u>
<i><b>Restricted for</b></i>					
Classroom Maintenance	0	0	0	251,589	251,589
District Managed Activities	0	0	0	112,440	112,440
Non-Instructional Services	0	0	0	8,624	8,624
Other Purposes	0	0	0	32,477	32,477
Debt Service Payments	0	1,131,631	0	0	1,131,631
Capital Improvements	0	0	1,371,254	328,675	1,699,929
<i>Total Restricted</i>	<u>0</u>	<u>1,131,631</u>	<u>1,371,254</u>	<u>733,805</u>	<u>3,236,690</u>
<i>Unassigned (Deficit)</i>	<u>(1,510,406)</u>	<u>0</u>	<u>0</u>	<u>(79,482)</u>	<u>(1,589,888)</u>
<i>Total Fund Balances (Deficit)</i>	<u><u>(\$1,439,953)</u></u>	<u><u>\$1,131,631</u></u>	<u><u>\$1,371,254</u></u>	<u><u>\$659,384</u></u>	<u><u>\$1,722,316</u></u>

**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. 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).

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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	(\$1,312,854)
Net Adjustment for Revenue Accruals	(84,385)
Advances In	8,118
Net Adjustment for Expenditure Accruals	(15,346)
Perspective Differences:	
Public School Support	202,424
Rotary	8,334
Summer School	3,820
Encumbrances	<u>(351,916)</u>
Budget Basis	<u><u>(\$1,541,805)</u></u>

**Note 6 - Deposits and Investments**

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

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

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

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

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

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;

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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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 (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements 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, \$2,669,789 of the School District's bank balance of \$3,169,789 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

**Investments**

As of June 30, 2013, the School District had \$1,858,319 invested in STAROhio, which has an average maturity of 57.5 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.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

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

### **Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in calendar year 2013 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, 2013, are available to finance fiscal year 2013 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, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2013 was \$196,793 in the general fund, \$61,245 in the bond retirement debt service fund, \$7,001 in the permanent improvements capital projects fund, and \$4,374, in the classroom facilities maintenance special revenue fund. 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 improvement capital projects fund, and \$12,239 in the classroom facilities maintenance special revenue fund. The difference is in the timing and collection by the County Auditor.

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$333,730,710	97.59 %	\$304,978,320	97.20 %
Public Utility Personal	8,246,680	2.41	8,784,510	2.80
<b>Total</b>	<b>\$341,977,390</b>	<b>100.00 %</b>	<b>\$313,762,830</b>	<b>100.00 %</b>
Tax rate per \$1,000 of assessed valuation	\$49.10		\$49.10	

**Note 8 - Receivables**

Receivables at June 30, 2013, 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
<b>Governmental Activities</b>	
Worker's Compensation	\$71,637
IDEA-B	70,798
Title I	60,907
Ohio School Facilities Commission	30,610
Stimulus Title II	17,652
Medicaid	7,729
Early Childhood Special Education	2,806
<i>Total Governmental Activities</i>	<i>\$262,139</i>



**Louisville City School District**  
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**Note 9 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Balance 6/30/12	Additions	Deductions	Balance 6/30/13
<b>Governmental Activities</b>				
Capital Assets, not being Depreciated:				
Land	\$2,954,840	\$0	\$0	\$2,954,840
Construction in Progress	43,355,340	2,191,196	0	45,546,536
Total Capital Assets not being Depreciated	46,310,180	2,191,196	0	48,501,376
Capital Assets, being Depreciated:				
Buildings and Improvements	38,316,075	0	0	38,316,075
Furniture, Fixtures and Equipment	7,813,437	49,754	0	7,863,191
Vehicles	2,426,494	0	(44,730)	2,381,764
Total Capital Assets, being Depreciated	48,556,006	49,754	(44,730)	48,561,030
Less Accumulated Depreciation:				
Buildings and Improvements	(10,228,014)	(791,002)	0	(11,019,016)
Furniture, Fixtures and Equipment	(6,145,126)	(544,805)	0	(6,689,931)
Vehicles	(1,498,899)	(95,995)	44,730	(1,550,164)
Total Accumulated Depreciation	(17,872,039)	(1,431,802) *	44,730	(19,259,111)
Total Capital Assets, being Depreciated, net	30,683,967	(1,382,048)	0	29,301,919
Governmental Activities Capital Assets, Net	\$76,994,147	\$809,148	\$0	\$77,803,295

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$934,208
Special	44,542
Vocational	7,880
Support Services:	
Pupils	27,936
Instructional Staff	48,902
Administration	33,545
Operation and Maintenance of Plant	119,896
Pupil Transportation	92,090
Operation of Non-Instructional Services	102,117
Extracurricular Activities	20,686
Total Depreciation Expense	\$1,431,802

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**Note 10 - 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 2013, the School District contracted with Ohio Casualty Insurance for the following coverage:

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

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

***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 14). 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.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**Note 11 - Set Asides**

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

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

	Capital Acquisition
Set-aside Balances as of June 30, 2012	\$0
Current Year Set-aside Requirement	530,742
Current Year Offsets	(506,558)
Qualifying Disbursements	(82,892)
Totals	(\$58,708)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2013	\$0

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

**Note 12 - 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 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	(135,781)
Current Book Value	\$1,185,225

**Louisville City School District**  
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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
2014	\$188,683
2015	159,218
2016	159,218
2017	159,218
2018	159,218
Total Minimum Lease Payment	825,555
Less: Amount Representing Interest	(95,020)
Present Value of Minimum Lease Payments	\$730,535

**Note 13 – Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2013 were as follows:

	Amount Outstanding 6/30/12	Additions	Deletions	Amount Outstanding 6/30/13	Amounts Due in One Year
<b>Governmental Activities</b>					
2009 School Facilities Bonds (2.00%-5.00%)					
Serial Bonds	\$2,100,000	\$0	\$65,000	\$2,035,000	\$150,000
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	34,248	19,857	0	54,105	0
Premium	310,868	0	12,688	298,180	0
Total 2009 School Facilities Bonds	8,285,116	19,857	77,688	8,227,285	150,000
Energy Conservation Bonds (6.125%)	155,000	0	50,000	105,000	50,000
Ohio School Facilities Commission					
Refunding Bonds (0.70%-4.00%)					
Serial Bonds	17,160,000	0	705,000	16,455,000	745,000
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	131,826	113,744	0	245,570	0
Premium	1,171,827	0	66,961	1,104,866	0
Total Ohio School Facilities Commission	22,978,653	113,744	771,961	22,320,436	745,000
Capital Leases	908,406	0	177,871	730,535	156,426
Compensated Absences	1,041,891	79,013	255,938	864,966	112,541
Early Retirement Incentive	149,556	17,937	130,567	36,926	26,852
Total Governmental Activities	\$33,518,622	\$230,551	\$1,464,025	\$32,285,148	\$1,240,819

**Louisville City School District**  
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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, 2013. 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, 2013 is \$590,000. The accretion recorded for 2013 was \$19,857, for a total outstanding bond liability of \$84,105.

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, 2013, is \$2,215,000. The accretion recorded for 2013 was \$113,744, for a total outstanding bond liability of \$520,570.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
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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, 2013, \$21,530,000 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, 2013 was \$525,286 with an unvoted debt margin of \$313,763.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2013 are as follows:

	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
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	1,150,000	953,403	0	0	0	0
2019-2023	4,110,000	4,494,319	0	0	305,000	2,500,000
2024-2028	8,620,000	1,987,505	1,025,000	1,198,205	0	0
2029-2033	705,000	510,416	6,095,000	750,983	0	0
2034-2037	0	0	2,930,000	301,750	0	0
<b>Total</b>	<b>\$18,490,000</b>	<b>\$12,010,279</b>	<b>\$10,050,000</b>	<b>\$2,250,938</b>	<b>\$305,000</b>	<b>\$2,500,000</b>

	2007 Energy Conservation Bonds	
	Principal	Interest
2014	\$50,000	\$6,431
2015	55,000	3,369
<b>Total</b>	<b>\$105,000</b>	<b>\$9,800</b>

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
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**Note 14 - 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 15 - Jointly Governed Organizations**

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

SPARCC is governed by a board of directors comprised of each Superintendent within the Consortium. The Stark County Educational Service Center serves as the fiscal agent of the Consortium and receives funding from the State Department of Education. The Board exercises total control over the operations of the Consortium including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. Louisville City School District paid \$61,038 to SPARCC during fiscal year 2013 for services. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 2100 38<sup>th</sup> Street N.W., Canton, Ohio 44709.

***Stark County Area Vocational School*** The Stark County Area Vocational School (R.G. Drage) is a joint vocational school which is a jointly governed organization among six school districts. It is operated under the direction of a seven member Board consisting of one representative from each of the six participating school district's boards and one board member that rotates from each participating district. The Board exercises total control over the operations of the Center including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. R.G. Drage offers vocational education. The Board has its own budgeting and taxing authority. The School District did not pay R.G. Drage for services during fiscal year 2013. Financial information can be obtained by writing the R.G. Drage Career Center, 2800 Richville Drive S.W., Massillon, Ohio 44646.

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

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
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each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of this Council.

**Note 16 – 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 17 - 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](http://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, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining .90 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, 2013, 2012, and 2011 were \$451,081, \$437,679 and \$397,506, respectively. For fiscal year 2013, 67.60 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

***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](http://www.strsoh.org).



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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. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, 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 \$1,556,703 and \$102,355 for the fiscal year ended June 30, 2013, \$1,757,194 and \$100,086 for the fiscal year ended June 30, 2012, and \$1,727,819 and \$101,427 for the fiscal year ended June 30, 2011. For fiscal year 2013, 81.27 percent has been contributed for the DB plan and 81.27 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 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2013 were \$16,613 made by the School District and \$11,866 made by the plan members. In addition, member contributions of \$73,111 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

***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, 2013, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
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**Note 18 – 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](http://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 2013, 0.16 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 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$68,867 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, 2013, 2012, and 2011 were \$74,376, \$87,881, and \$98,659, respectively. For fiscal year 2013, 67.60 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$25,481, \$25,847, and \$25,580 respectively. For fiscal year 2013, 67.60 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

***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](http://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.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
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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 2013, 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, 2013, 2012, and 2011 were \$127,620, \$135,169, and \$132,909, respectively. For fiscal year 2013, 81.27 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

## **Note 19 - Other Employee Benefits**

### ***Compensated Absences***

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

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

### ***Early Notification of Retirement Incentive***

Any employee giving notice of retirement no later than February 1 in any year, will receive double severance pay up to a maximum of \$10,000 for the doubled portion. The Board does not limit the number of employees participating in the plan in any one year. Eight employees retired in fiscal year 2012 and four employees in fiscal year 2013 took advantage of the early retirement incentive offered by the School District. The doubled portion relating to these retirees totaled \$26,851 for fiscal year 2012 retirees, paid on July 12, 2013. Also, \$10,075 per year for the fiscal year 2013 retirees is to be paid on July 30, 2014. These expenditures are reflected in the funds from which the employee's salary and severance are paid.

### ***Life Insurance***

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

### ***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.

**Louisville City School District**  
*Notes to the Basic Financial Statements*  
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***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 20 - Contingencies**

***Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

***Litigation***

The School District is not party to legal proceedings.

**Note 21 – Accountability**

At June 30, 2013, the following funds had deficit fund balances:

	<u>Amount</u>
<b><i>Major Funds</i></b>	
General Fund	(\$1,439,953)
<b><i>Non-Major Funds</i></b>	
Food Service	(76,407)
Preschool Grant	(2,376)
Class Size Reduction	(699)

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

**Note 22 - Interfund Transfers**

During fiscal year 2013, the general fund transferred \$59,494 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, 2013*

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**Note 23 – Significant Commitments**

***Contractual Commitments***

At June 30, 2013, the School District had a significant contractual commitment for the OSFC Construction Project. At fiscal year end, \$44,287,393 of the contract amount of \$44,394,550 has been paid. There is \$107,157 remaining on the contract.

***Encumbrances***

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

General Fund	\$351,916
Ohio School Facilities Fund	128,561
Other Governmental Funds	<u>245,017</u>
	<u><u>\$725,494</u></u>

**Note 24 – Subsequent Event**

On August 1, 2013, the School District entered into a lease purchase agreement with FirstMerit Bank, N.A. for four school buses. The principal amount of the lease is \$327,415 at a fixed interest rate of 2.99 percent, to be repaid in ten semi-annual payments beginning in February 2014 and ending in August of 2018.

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LOUISVILLE CITY SCHOOL DISTRICT  
STARK COUNTY

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
<i>Passed Through Ohio Department of Education:</i>					
<i>Child Nutrition Cluster:</i>					
<i>Cash Assistance:</i>					
National School Breakfast Program	10.553	\$85,024		\$85,024	
National School Lunch Program	10.555	479,851		479,851	
<i>Non-Cash Assistance (Food Distribution)</i>					
National School Lunch Program	10.555		\$52,124		\$52,124
Total Child Nutrition Cluster		<u>564,875</u>	<u>52,124</u>	<u>564,875</u>	<u>52,124</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>564,875</u></b>	<b><u>52,124</u></b>	<b><u>564,875</u></b>	<b><u>52,124</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<i>Passed Through Ohio Department of Education:</i>					
Special Education Grants to States	84.027	616,594		670,163	
Special Education Preschool Grants	84.173	15,519		15,605	
<b>Total Special Education Cluster</b>		<b><u>632,113</u></b>		<b><u>685,768</u></b>	
Title I, Grants to Local Educational Agencies	84.010	411,857		431,074	
Improving Teacher Quality Grants	84.367	77,190		88,381	
Education Technology State Grants	84.318	2,085		1,380	
Race to the Top	84.395	3,500		3,500	
<b>Total U.S. Department of Education</b>		<b><u>1,126,745</u></b>		<b><u>1,210,103</u></b>	
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>					
<i>Passed Through Ohio DODD</i>					
Medical Assistance Program (CAFS)	93.778	62,012		0	
<b>Total U.S. Department of Health and Human Services</b>		<b><u>62,012</u></b>		<b><u>0</u></b>	
<b>Totals</b>		<b><u>\$1,753,632</u></b>	<b><u>\$52,124</u></b>	<b><u>\$1,774,978</u></b>	<b><u>\$52,124</u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**LOUISVILLE CITY SCHOOL DISTRICT  
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – MEDICAL ASSISTANCE PROGRAM (CAFS)**

The District received \$40,479 for the Medical Assistance Program which relates to settlements for CAFS service provided during prior years.





# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louisville City School District, Stark County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 22, 2014, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and No. 65. "Items Previously Reported as Assets and Liabilities."

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 22, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH 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, OH 44641

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Louisville City School District (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Louisville City School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, the Louisville City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

***Report on Internal Control Over Compliance***

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

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

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 22, 2014

LOUISVILLE CITY SCHOOLS DISTRICT  
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster CFDA #84.027 and #84.173; Title 1 Grant CFDA #84.010.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

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

None

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Louisville City School District, (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on May 10, 2010 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State

January 22, 2014

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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  
MARCH 13, 2014