



Dave Yost • Auditor of State



**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

North Central Local School District  
Williams County  
400 East Baubice Street  
Pioneer, Ohio 43554-9637

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 North Central Local School District, Williams County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Central Local School District, Williams County, Ohio, as of June 30, 2015, and the respective changes in cash financial position and the budgetary comparison for the General fund for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Other Information*

We applied no procedures to the Management's Discussion and Analysis presented on pages 3-8 of the report, and accordingly, we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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

December 17, 2015

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED**

The discussion and analysis of the financial performance of North Central Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2015 are as follows:

Net position increased \$5,017,099.

General receipts accounted for \$12,770,101, or 94 percent of all receipts. Program specific receipts in the form of charges for services and sales, and operating grants and contributions accounted for \$830,293, or 6 percent of total receipts of \$13,660,394.

The District's major funds included the General Fund and the Facilities Project Construction Fund.

The General fund had \$6,714,930 in receipts and other financing sources and \$6,778,256 in expenditures. The General fund's balance decreased \$63,326 from the prior fiscal year. The Facilities Project Construction Fund had \$5,758,611 in receipts and other financing sources and \$611,900 in expenditures. The Facilities Project Construction Fund's balance increased \$5,146,711 from the prior fiscal year.

**Using the Basic Financial Statements**

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

The statement of net position and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the General fund is the most significant fund. The General Fund and the Facilities Project Construction Fund are the two major funds.

**Reporting the District as a Whole**

**Statement of Net Position and Statement of Activities**

The statement of net position and the statement of activities, both reported on the cash basis, reflects how the District did financially during fiscal year 2015. These statements are reported on the cash basis of accounting, which reflects receipts and disbursements when cash is received or paid.

These statements report the District's net position and changes in those assets. This change in net position is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

In the statement of net position, cash basis, and the statement of activities, the District discloses a single type of activity, its governmental activities, which include all of the District's programs and services, are reported here including instruction, support services, non-instructional services, and extracurricular activities. The services are primarily funded by property tax revenues and from governmental revenues, including federal and state grants and other shared revenues.

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

**Fund Financial Statements**

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major funds are the General Fund and the Facilities Project Construction Fund.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

**The District as a Whole**

Table 1 provides a summary of the District's net position for fiscal year 2015 compared to fiscal year 2014.

<b>Table 1</b>		
<b>Net Position – Cash Basis</b>		
<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>
<b><u>Assets:</u></b>		
Current and Other Assets	\$7,721,250	\$2,704,151
<b><u>Net Position:</u></b>		
Restricted	\$6,032,400	\$951,976
Unrestricted	1,688,850	1,752,175
Total	\$7,721,250	\$2,704,151

The increase in current assets was primarily attributed to the issuance of general obligation bond and certificates of participation which will finance the District's share of construction of a new high school building.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net position for fiscal year 2015.

**Table 2  
Change in Net Position – Cash Basis  
Governmental Activities**

	2015	2014
<b><u>Receipts:</u></b>		
Program Receipts:		
Charges for Services and Sales	\$375,417	\$317,529
Operating Grants and Contributions	454,876	463,387
Total Program Receipts	830,293	780,916
General Receipts:		
Property Taxes	2,767,833	2,764,628
Grants and Entitlements	5,222,738	4,010,932
Gifts and Donations		1,440
Investment Earnings	5,505	2,834
Miscellaneous	265,200	215,983
General Obligation Bonds Issued	2,224,999	
Other Notes Issued	2,230,000	
Premium on Bonds Issued	64,296	
Proceeds from Sale of Capital Assets		100
Refund of Prior Year Expenditures	42,393	38,437
Total General Receipts	12,770,101	7,034,354
Total Receipts	13,600,394	7,815,270
<b><u>Disbursements:</u></b>		
Instruction	4,542,536	4,423,106
Support Services:		
Pupils	322,634	295,232
Instructional Staff	239,428	210,149
Board of Education	68,871	19,225
Administration	542,370	548,577
Fiscal	218,993	219,838
Business	6,420	13,444
Operation and Maintenance of Plant	678,168	624,056
Pupil Transportation	353,518	404,857
Central	108,424	105,594
Non-Instructional Services	184,936	209,732
Extracurricular Activities	235,213	266,354
Capital Outlay	535,081	
Debt Service:		
Principal	330,000	200,000
Interest and Fiscal Charges	91,872	29,500
Issuance Costs	124,831	
Total Disbursements	8,583,295	7,569,664
Increase in Net Position	\$5,017,099	\$245,606

Program receipts account for 6 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales. General receipts increased by \$5,735,747 (82 percent). Variance is due to the issuance of general obligation bond and certificates of participation.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

The major program disbursements for governmental activities are for instruction, which accounts for 53 percent of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for 11 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 8 percent. The remaining 28 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Overall revenues increased \$5,785,124 (74 percent) and expenditures increased \$1,013,631 (13 percent).

**Governmental Activities**

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities, cash basis, reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**Table 3  
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
Instruction	\$4,542,536	\$3,995,260	\$4,423,106	\$3,907,295
Support Services:				
Pupils	322,634	317,341	295,232	292,924
Instructional Staff	239,428	235,828	210,149	210,149
Board of Education	68,871	68,871	19,225	19,225
Administration	542,370	542,370	548,577	523,649
Fiscal	218,993	218,993	219,838	219,838
Business	6,420	6,420	13,444	13,444
Operation and Maintenance of Plant	678,168	678,168	624,056	624,056
Pupil Transportation	353,518	348,976	404,857	404,857
Central	108,424	108,424	105,594	101,994
Non-Instructional	184,936	(8,043)	209,732	32,305
Extracurricular Activities	235,213	158,610	266,354	209,512
Capital Outlay	535,081	535,081		
Debt Service:				
Principal	330,000	330,000	200,000	200,000
Interest and Fiscal Charges	91,872	91,872	29,500	29,500
Issuance Costs	124,831	124,831		
Total Disbursements	<u>\$8,583,295</u>	<u>\$7,753,002</u>	<u>\$7,569,664</u>	<u>\$6,788,748</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 87 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 90 percent. The remaining 10 percent are derived from charges for services and operating grants and contributions.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

**The District's Funds**

The District's governmental funds are accounted for using the cash basis of accounting. The District's major governmental funds are the General Fund and the Facilities Project Construction Fund. Total governmental funds had receipts and other financing sources of \$13,900,394 and expenditures and other financing uses of \$8,883,295. The net change in fund balance in the General fund reflects a decrease of \$63,326. Receipts decreased by less than 1 percent while disbursements increased by 4 percent. This was primarily attributed to an increase in instruction disbursements. The net change in fund balance in the Facilities Project Construction fund was an increase of \$5,146,711. Receipts and disbursements increased by 100 percent from 2014 due proceeds from the issuance of general obligation bonds and certificates of participation and minimal capital outlay disbursements.

**General Fund Budgeting Highlights**

The 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 budgeted fund is the General fund. During the course of fiscal year 2015, the District amended its General fund budget as needed.

There were no significant variances between original and final budget amounts or the final budget and actual amounts.

**Debt Administration**

At June 30, 2015, the District had \$4,621,638 in outstanding debt obligations.

The District had \$265,000 in school improvement bonds. The bonds were issued in February 2004, with final maturity on December 1, 2015. The bonds are being retired through the Bond Retirement fund.

The District had \$2,126,638 in school improvement bonds. The bonds were issued on October 16, 2014 for a thirty-six year period and will mature on December 1, 2050. The bonds are being retired through the Bond Retirement Fund.

The District had \$2,230,000 in certificates of participation. The certificates were issued on December 2, 2014 for a ten year period and will mature on December 1, 2024. The certificates are being retired through the Bond Retirement Fund.

At June 30, 2015, the District's overall legal debt margin was \$3,339,290 with an un-voted debt margin of \$88,455. For further information regarding the District's debt, see the notes to the basic financial statements.

**Current Issues**

The District is continuing to be conservative in its spending in the state of a declining economy and uncertainty in State funding. Pioneer is a small rural community of 1,500 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the first year of the state biennium budget. 54 percent of District revenue sources are from local funds, 41 percent from is state funds, and the remaining 5 percent is from federal funds. The total expenditure per pupil was calculated at \$11,022 according to the Ohio Department of Education website report card information.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

In November 2009, the District passed a ten-year substitute levy to address a need for additional revenue. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. The phase out of personal property tax revenue will have a significant impact on the District as we have seen this past year.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or request for additional information should be directed to Eric Smeltzer, Treasurer, North Central Local School District, 400 East Baubice Street, Pioneer, Ohio 43554-9637.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30,2015**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u><u>7,721,250</u></u>
<b>Net Position:</b>	
Restricted for Debt Service	\$ 134,181
Restricted for Capital Outlay	5,803,270
Restricted for Other Purposes	94,949
Unrestricted	<u>1,688,850</u>
<i>Total Net Position</i>	\$ <u><u>7,721,250</u></u>

See Accompanying Notes to the Basic Financial Statements

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Cash</u> <u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursements)</u> <u>Receipts and</u> <u>Changes in Net</u> <u>Position</u>
		<u>Charges for</u> <u>Services and</u> <u>Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 3,323,107	\$ 190,605	\$ 32,741	\$ (3,099,761)
Special	1,062,857	45,863	243,637	(773,357)
Vocational	155,679		34,430	(121,249)
Student Intervention Services	893			(893)
Support Services:				
Pupils	322,634		5,293	(317,341)
Instructional Staff	239,428		3,600	(235,828)
Board of Education	68,871			(68,871)
Administration	542,370			(542,370)
Fiscal	218,993			(218,993)
Business	6,420			(6,420)
Operation and Maintenance of Plant	678,168			(678,168)
Pupil Transportation	353,518		4,542	(348,976)
Central	108,424			(108,424)
Operation of Non-Instructional Services	184,936	62,916	130,063	8,043
Extracurricular Activities	235,213	76,033	570	(158,610)
Capital Outlay	535,081			(535,081)
Debt Service:				
Principal	330,000			(330,000)
Interest and Fiscal Charges	91,872			(91,872)
Issuance Costs	124,831			(124,831)
<b>Totals</b>	<b>\$ <u>8,583,295</u></b>	<b>\$ <u>375,417</u></b>	<b>\$ <u>454,876</u></b>	<b><u>(7,753,002)</u></b>
<b>General Receipts:</b>				
Taxes:				
Property Taxes, Levied for General Purposes				2,341,451
Property Taxes, Levied for Capital Outlay				323,490
Property Taxes, Levied for Debt Service				102,892
Grants and Entitlements not Restricted to Specific Programs				5,222,738
Investment Earnings				5,505
Miscellaneous				212,337
General Obligation Bonds Issued				2,224,999
Other Notes Issued				2,230,000
Premium on Bonds and Notes Issued				64,296
Refund of Prior Year Expenditures				42,393
<i>Total General Receipts</i>				<u>12,770,101</u>
<i>Change in Net Position</i>				5,017,099
Net Position Beginning of Year				2,704,151
<i>Net Position End of Year</i>				<u>\$ <u>7,721,250</u></u>

See Accompanying Notes to the Basic Financial Statements

NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30,2015

	General Fund	Facilities Project Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,742,430</u>	\$ <u>5,146,711</u>	\$ <u>832,109</u>	\$ <u>7,721,250</u>
<b>Fund Balances:</b>				
Restricted		\$ 5,146,711	\$ 483,554	\$ 5,630,265
Committed			351,588	351,588
Assigned	\$ 457,553			457,553
Unassigned (Deficit)	1,284,877		(3,033)	1,281,844
<i>Total Fund Balances</i>	\$ <u>1,742,430</u>	\$ <u>5,146,711</u>	\$ <u>832,109</u>	\$ <u>7,721,250</u>

See Accompanying Notes to the Basic Financial Statements

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS  
FOR FISCAL YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Facilities Project Construction Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 2,341,451		\$ 426,382	\$ 2,767,833
Intergovernmental	3,865,328	\$ 1,289,053	519,208	5,673,589
Investment Earnings	1,732	3,126	1,217	6,075
Tuition and Fees	236,468			236,468
Extracurricular Activities	15,221		60,812	76,033
Gifts and Donations			3,455	3,455
Customer Sales and Services			62,916	62,916
Miscellaneous	212,337			212,337
<i>Total Receipts</i>	<u>6,672,537</u>	<u>1,292,179</u>	<u>1,073,990</u>	<u>9,038,706</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	3,261,362		61,745	3,323,107
Special	812,091		250,766	1,062,857
Vocational	153,005		2,674	155,679
Student Intervention Services	893			893
Support Services:				
Pupils	317,341		5,293	322,634
Instructional Staff	189,584		49,844	239,428
Board of Education	68,871			68,871
Administration	542,370			542,370
Fiscal	211,774		7,219	218,993
Business	6,420			6,420
Operation and Maintenance of Plant	580,582		97,586	678,168
Pupil Transportation	346,676		6,842	353,518
Central	108,424			108,424
Operation of Non-Instructional Services	928		184,008	184,936
Extracurricular Activities	177,935		57,278	235,213
Capital Outlay		487,069	48,012	535,081
Debt Service:				
Principal			330,000	330,000
Interest			91,872	91,872
Issuance Costs		124,831		124,831
<i>Total Disbursements</i>	<u>6,778,256</u>	<u>611,900</u>	<u>1,193,139</u>	<u>8,583,295</u>
<i>Excess of Revenues Over (Under) Disbursements</i>	<u>(105,719)</u>	<u>680,279</u>	<u>(119,149)</u>	<u>455,411</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In			300,000	300,000
General Obligation Bonds Issued		2,224,999		2,224,999
Other Notes Issued		2,182,769	47,231	2,230,000
Premium on Bonds and Notes Issued		58,664	5,632	64,296
Refund of Prior Year Expenditures	42,393			42,393
Transfers Out			(300,000)	(300,000)
<i>Total Other Financing Sources (Uses)</i>	<u>42,393</u>	<u>4,466,432</u>	<u>52,863</u>	<u>4,561,688</u>
<i>Net Change in Fund Balances</i>	(63,326)	5,146,711	(66,286)	5,017,099
Fund Balances at Beginning of Year	1,805,756		898,395	2,704,151
<i>Fund Balances at End of Year</i>	<u>\$ 1,742,430</u>	<u>\$ 5,146,711</u>	<u>\$ 832,109</u>	<u>\$ 7,721,250</u>

See Accompanying Notes to the Basic Financial Statements

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
(BUDGETARY BASIS)  
GENERAL FUND  
FOR FISCAL YEAR ENDED JUNE 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 2,350,000	\$ 2,350,000	\$ 2,341,451	\$ (8,549)
Intergovernmental	3,641,000	3,641,000	3,865,328	224,328
Investment Earnings	3,000	3,000	1,732	(1,268)
Tuition and Fees	162,500	162,500	236,468	73,968
Miscellaneous	251,450	251,450	204,899	(46,551)
<i>Total Receipts</i>	6,407,950	6,407,950	6,649,878	241,928
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	3,214,687	3,428,422	3,280,731	147,691
Special	848,061	884,674	812,091	72,583
Vocational	147,785	147,785	153,307	(5,522)
Student Intervention Services			893	(893)
Support Services:				
Pupils	340,572	340,733	342,491	(1,758)
Instructional Staff	195,871	204,616	195,885	8,731
Board of Education	32,147	32,147	68,914	(36,767)
Administration	544,963	545,301	541,826	3,475
Fiscal	211,277	214,686	214,639	47
Operation and Maintenance of Plant	569,859	578,473	656,948	(78,475)
Pupil Transportation	344,925	349,960	359,435	(9,475)
Central	105,266	107,779	108,424	(645)
Operation of Non-Instructional Services		544	928	(384)
Extracurricular Activities	174,899	174,899	174,996	(97)
<i>Total Disbursements</i>	6,730,312	7,010,019	6,911,508	98,511
<i>Excess of Disbursements Over Receipts</i>	(322,362)	(602,069)	(261,630)	340,439
<b>Other Financing Sources:</b>				
Refund of Prior Year Expenditures	39,000	39,000	42,393	3,393
<i>Net Change in Fund Balance</i>	(283,362)	(563,069)	(219,237)	343,832
Fund Balance at Beginning of Year	1,658,192	1,658,192	1,658,192	
Prior Year Encumbrances Appropriated	125,449	125,449	125,449	
<i>Fund Balance at End of Year</i>	\$ 1,500,279	\$ 1,220,572	\$ 1,564,404	\$ 343,832

See Accompanying Notes to the Basic Financial Statements

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30,2015**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$ <u>4,415</u>	\$ <u>60,076</u>
<b>Liabilities:</b>		
Held On Behalf of Students		\$ <u>60,076</u>
<b>Net Position:</b>		
Held in Trust for Scholarships	\$ <u>4,415</u>	

See Accompanying Notes to the Basic Financial Statements

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**STATEMENT CHANGES IN FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
FOR FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Gifts and Contributions	\$ <u>3,925</u>
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	<u>2,842</u>
<i>Change in Net Position</i>	1,083
Net Position Beginning of Year	<u>3,332</u>
<i>Net Position End of Year</i>	\$ <u><u>4,415</u></u>

See Accompanying Notes to the Basic Financial Statements

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

North Central Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. North Central Local School District is a local school district as defined by §3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's two instructional/support facilities staffed by 32 non-certified and 55 certified full-time teaching personnel who provide services to 564 students and other community members.

**A. Primary Government**

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. This includes general operations, food service, and student related activities of the District.

**B. Component Units**

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District, and are significant in amount to the District. The District does not have any component units.

**C. Jointly Governed Organizations and Purchasing Pools**

The District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, Northwest Ohio Educational Research Council, Inc., the Northern Buckeye Health Plan Employee Insurance Benefits Program, the Northern Buckeye Health Plan Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 12 and 13 to the basic financial statements.

The District's management believes these financial statements present all activities for which the District is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**A. Basis of Presentation**

The District's basic financial statements consist of government-wide financial 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.

**1. Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

**2. Fund Financial Statements**

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report more detailed information about the District. The focus of governmental financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column. Fiduciary funds are reported by type.

A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, receipts or disbursements of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, receipts or disbursements of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

**B. Fund Accounting**

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**1. Governmental Funds:**

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other non-exchange transactions as governmental funds. The General fund and the Facilities Project Construction Fund are the District's major governmental funds:

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

Facilities Project Construction Fund - The Facilities Project Construction fund is used to account for revenues and expenditures related to the construction and renovation of school buildings.

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted to a particular purpose.

**2. Fiduciary Funds**

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 District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for various student-managed activities.

**C. Basis of Accounting**

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash-basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles.

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**D. Budgetary Process**

The budgetary process is prescribed by provision of the Ohio Revised Code and entails the preparation of budgetary documents within established timetable. All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of 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 amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the object level for the General fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations below these levels are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years.

The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**E. Cash, Cash Equivalents and Investments**

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$1,732, which includes \$494 from the other District funds.

**F. Inventory and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**H. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**I. Pensions**

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

**J. Long-Term Obligations**

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are paid when cash is received and principal and interest payments when paid.

**K. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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. Repayment from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**L. Net Position**

Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net positions are available. There are no amounts restricted by enabling legislation.

**M. Fund Balance**

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

**Nonspendable** – The nonspendable classification 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" 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 classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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 classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

**Unassigned** – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is 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 can be used.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**3. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance –Budgetary Basis presented for the General fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis) and certain funds included in the General fund as part of the GASB 54 requirements are not included in the budgetary statement.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budget basis statement for the General fund:

<b>Fund Cash Balance</b>	<b>General Fund</b>
Cash Basis	\$1,742,430
Outstanding Encumbrances	(153,708)
Perspective Difference:	
Activity of Funds Reclassified for Cash Reporting Purposes	(24,318)
Budgetary Basis	<b>\$1,564,404</b>

**4. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the District Treasury. Active monies must be maintained either as cash in the 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 monies 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 District can be deposited or invested in the following securities:

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

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**4. DEPOSITS AND INVESTMENTS - (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of any securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible institutions,
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 purchase 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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the District had \$620 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$7,385,472 of the District's bank balance of \$7,885,472 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The 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 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.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**5. LONG TERM OBLIGATIONS**

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

	<b>Balance at July 1, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at June 30, 2015</b>	<b>Amount Due In one Year</b>
School Improvement Refunding Bonds, Series 2004					
Current Interest Serial Bonds	\$490,000		\$225,000	\$265,000	\$265,000
School Improvement Bonds, Series 2014					
Current Interest Serial Bonds		\$175,000	105,000	70,000	35,000
Current Interest Term Bonds		2,020,000		2,020,000	
Capital Appreciation Bonds		29,999		29,999	
Accretion		6.639		6,639	
Certificates of Participation, Series 2014		2,230,000		2,230,000	205,000
<b>Total Long-Term Obligations</b>	<b>\$490,000</b>	<b>\$4,461,638</b>	<b>\$330,000</b>	<b>\$4,621,638</b>	<b>\$505,000</b>

**School Improvement Refunding Bonds, Series 2004**

Proceeds from the outstanding bonds were used for the purpose of construction, additions to and renovating and improving existing school buildings and facilities. These bonds were issued on February 1, 2004 and consist of current interest serial bonds. The will mature in December 2015. The bonds are being retired through the Bond Retirement Debt Service Fund.

**School Improvement Bonds, Series 2014**

Proceeds from the outstanding bonds were used for the purpose of construction, additions to and renovating and improving existing school buildings and facilities. These bonds were issued on October 16, 2014. The bonds consisted of \$175,000 in current interest serial bonds, \$2,020,000 in current interest term bonds, and \$29,999 in capital appreciation bonds. The serial bonds will mature on December 1, 2016, the term bonds which mature on December 1, 2050, and the capital appreciation bonds will mature on December 1, 2019. The bonds are being retired through the Bond Retirement Debt Service Fund.

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on the following dates:

The Current Interest Bonds (Serial Bonds) shall bear interest at the respective rates per annum shall be as follows:

<b>Maturity Date (December 1)</b>	<b>Principal Amount Maturing</b>	<b>Interest Rate</b>
2015	\$35,000	2.000%
2016	35,000	1.000%

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**5. LONG TERM OBLIGATIONS (Continued)**

The Current Interest Bonds (Term Bonds) shall bear interest at the respective rates per annum shall be as follows:

<u>Maturity Date (December 1)</u>	<u>Principal Amount Maturing</u>	<u>Interest Rate</u>
2023	\$155,000	2.300%
2028	215,000	3.500%
2033	265,000	4.000%
2038	320,000	3.625%
2043	385,000	4.000%
2050	680,000	4.000%

**Capital Appreciation Bonds**

The Capital Appreciation Bonds will be dated their date of issuance. The Capital Appreciation Bonds do not bear current interest, but will accrete in value from their date of issuance. The accreted value so accrued and compounded shall be the Compound Accreted Amount. Payment of the Compound Accreted Amount shall be made upon presentation and surrender thereof at the principal office of the Paying Agent and Registrar. The Compound Accreted Amount of the Capital Appreciation Bonds as of each Compound Date is set forth in the Accretion Table provided below.

<u>Maturity Date (December 1)</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2017	\$12,881	\$35,000
2018	9,354	35,000
2019	7,764	40,000

The Capital Appreciation Bonds are not subject to redemption prior to scheduled maturity.

**Mandatory Sinking Fund Redemption**

The Current Interest Bonds due December 1, 2023 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2010, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date (December 1)</u>	<u>Principal Amount to be Redeemed</u>
2020	\$35,000
2021	40,000
2022	40,000

Unless otherwise called for redemption, the remaining \$40,000 principal amount of the Bonds due December 1, 2023 is to be paid at stated maturity.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**5. LONG TERM OBLIGATIONS (Continued)**

The Current Interest Bonds due December 1, 2028 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2024, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date (December 1)</u>	<u>Principal Amount to be Redeemed</u>
2024	\$40,000
2025	40,000
2026	45,000
2027	45,000

Unless otherwise called for redemption, the remaining \$45,000 principal amount of the Bonds due December 1, 2028 is to be paid at stated maturity.

The Current Interest Bonds due December 1, 2033 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2029, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date (December 1)</u>	<u>Principal Amount to be Redeemed</u>
2029	\$50,000
2030	50,000
2031	55,000
2032	55,000

Unless otherwise called for redemption, the remaining \$55,000 principal amount of the Bonds due December 1, 2033 is to be paid at stated maturity.

The Current Interest Bonds due December 1, 2038 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2034, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date (December 1)</u>	<u>Principal Amount to be Redeemed</u>
2034	\$60,000
2035	60,000
2036	65,000
2037	65,000

Unless otherwise called for redemption, the remaining \$70,000 principal amount of the Bonds due December 1, 2038 is to be paid at stated maturity.

The Current Interest Bonds due December 1, 2043 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2039, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

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**5. LONG TERM OBLIGATIONS (Continued)**

<u>Date (December 1)</u>	<u>Principal Amount to be Redeemed</u>
2039	\$70,000
2040	75,000
2041	75,000
2042	80,000

Unless otherwise called for redemption, the remaining \$85,000 principal amount of the Bonds due December 1, 2043 is to be paid at stated maturity.

The Current Interest Bonds due December 1, 2050 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2044, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date (December 1)</u>	<u>Principal Amount to be Redeemed</u>
2044	\$85,000
2045	90,000
2046	95,000
2047	95,000
2048	100,000
2049	105,000

Unless otherwise called for redemption, the remaining \$110,000 principal amount of the Bonds due December 1, 2050 is to be paid at stated maturity.

**Optional Redemption**

The Current Interest Bonds maturing on December 1, 2023 (to only include the December 1, 2023 mandatory sinking fund date of the December 1, 2023 term bond) are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the Board of Education and by lot within a maturity, at the option of the Board of Education on or after December 1, 2022 at par plus accrued interest. The Capital Appreciation Bonds are not subject to redemption prior to scheduled maturity.

**Certificates of Participation, Series 2014**

Proceeds from the outstanding certificates were used for the purpose of construction, additions to and renovating and improving existing school buildings and facilities. These certificates were issued on December 2, 2014. The certificates consisted of \$2,230,000 in current interest certificates. The serial certificates will mature on December 1, 2024. The certificates are being retired through the Permanent Improvement Fund

The serial certificates bear interest payable at the rates per year and will mature in the principal amounts and on the following dates:

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**5. LONG TERM OBLIGATIONS (Continued)**

<u>Maturity Date (December 1)</u>	<u>Principal Amount Maturing</u>	<u>Interest Rate</u>
2015	\$205,000	1.000%
2016	205,000	1.500%
2017	210,000	2.000%
2018	215,000	2.000%
2019	220,000	2.000%
2020	225,000	2.125%
2021	230,000	2.500%
2022	235,000	2.750%
2023	240,000	3.000%
2024	245,000	3.000%

Total expenditures for interest for the above debt for the period ended June 30, 2015 was \$91,872.

The scheduled payments of principal and interest on debt outstanding at June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$505,000	\$131,759	\$636,759
2017	240,000	122,046	362,046
2018	225,731	137,502	363,233
2019	226,425	137,559	363,984
2020	229,482	140,151	369,633
2021 - 2025	1,370,000	453,674	1,823,674
2026 - 2030	225,000	335,513	560,513
2031 - 2035	275,000	287,413	562,413
2036 - 2040	330,000	230,994	560,994
2041 - 2045	400,000	160,200	560,200
2046 - 2050	485,000	71,900	556,900
2051	110,000	2,200	112,200
Total	<u>\$4,621,638</u>	<u>\$2,210,911</u>	<u>\$6,832,549</u>

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility located in the District. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes for 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

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**6. PROPERTY TAXES (Continued)**

Public utility property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2012 and are collected in 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Williams County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	<b>2014 Second- Half Collections</b>		<b>2015 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$70,346,120	80%	\$70,562,020	80%
Industrial/Commercial	15,691,970	18%	15,787,650	18%
Public Utility	72,820	0%	76,540	0%
Tangible Personal	1,961,830	2%	2,028,550	2%
Total Assessed Value	<u>\$88,072,740</u>	<u>100%</u>	<u>\$88,454,760</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$64.40		\$61.60	

**7. RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with the Ohio School Plan for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured.

The District joined together with other school districts in Ohio to participate in the Ohio School Plan (the Plan), a public entity insurance purchasing pool (Note 13). Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on types and limits of coverage and deductibles that it selected by the participant.

Settled claims have not exceeded the amount of commercial coverage in any of the past three years, and there has been no significant reduction in the amount of insurance coverage from last year.

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative (OHI) Consortium, a self insurance pool, for insurance benefits to employees. The District pays monthly premiums to NBHP for the benefits offered to its employees, which includes health, dental, and life insurance. NBHP is responsible for the management and operations of the program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from NBHP, a participant is responsible for any claims not processed and paid and any related administrative costs.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**7. RISK MANAGEMENT - (Continued)**

**C. Workers' Compensation Group Rating Plan**

The District participates in the Northern Buckeye Health Plan (NBHP), Northern Division of Optimal Health Initiative (OHI) Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. The Executive Director of the NBHP coordinates the management and administration of the program.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

**8. DEFINED BENEFIT PENSION PLAN**

**Net Pension Liability**

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**8. DEFINED BENEFIT PENSION PLAN (Continued)**

**Plan Description - School Employees Retirement System (SERS)**

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The District’s contractually required contribution to SERS was \$131,279 for fiscal year 2015.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**8. DEFINED BENEFIT PENSION PLAN (Continued)**

**Plan Description - State Teachers Retirement System (STRS)**

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

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

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

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

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

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

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**8. DEFINED BENEFIT PENSION PLAN (Continued)**

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

The District's contractually required contribution to STRS was \$457,176 for fiscal year 2015.

**Net Pension Liability**

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

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$1,474,101	\$6,416,317	\$7,890,418
Proportion of the Net Pension Liability	0.029127%	0.0263791%	

**Actuarial Assumptions - SERS**

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**8. DEFINED BENEFIT PENSION PLAN (Continued)**

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

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

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

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

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**8. DEFINED BENEFIT PENSION PLAN (Continued)**

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$2,103,104	\$1,474,101	\$945,055

**Actuarial Assumptions - STRS**

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

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

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**8. DEFINED BENEFIT PENSION PLAN (Continued)**

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$9,185,658	\$6,416,317	\$4,074,387

**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 Retirement System. As of June 30, 2015, four members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages for employees and employers.

**9. POST-EMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

Postemployment Benefits – In addition to a cost-sharing multiple employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**9. POST-EMPLOYMENT BENEFITS - (Continued)**

Medicare Part B Plan - The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2015 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS health care plans.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2015, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014 and 2013 was \$7,809, \$7,918, and \$7,752, respectively; 92 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2015, the health care allocation is 0.82 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$8,653, \$15,584, and \$13,422, respectively; 92 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit resources.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description – The District contributes to 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. 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 may 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. 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 2015, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$31,179, and \$30,467, respectively; 0 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

**10. COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave components are derived from negotiated agreements, administrator contracts, and State laws. Employees earn ten to twenty days of vacation per year, depending upon length of service. Employees who are not on an eleven or twelve month contract do not earn vacation time. Accumulated unused vacation time is paid to administrators at the end of each contract year. Employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 240 days.

**11. STATUTORY RESERVES**

The 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 year-end 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 purposes in future years.

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

	<b>Capital Acquisition</b>
Current Year Set-aside Requirement	\$101,038
Current Year Offsets	(101,038)
Total	_____
Cash Balance Carried Forward to 2016	_____
Total Restricted Assets	_____

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**12. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA were \$55,977. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC were \$250. To obtain financial information, write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

**C. Four County Career Center**

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Four County Career Center possesses its own budgeting and taxing authority. Total disbursements made by the District to Four County Career Center were \$4,228. To obtain financial information, write to the Four County Career Center, Connie Nicely, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**D. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials and provide opportunities for training. The NOERC serves twenty-five county area of Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Total disbursements made by the District to NOERC were \$375. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**13. GROUP PURCHASING POOLS**

**A. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Health Plan, Northwest Division of Optimal Health Initiative (OHI), a public entity shared risk pool consisting of educational entities throughout the state. The Pool is governed by OHI and its participating members. The District contributed a total of \$763,731 to Northern Buckeye Health Plan, Northwest Division of OHI for all four plans. Financial information for the period can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Hwy., Suite 304E, Cincinnati, Ohio 45242.

**B. Workers' Compensation Group Rating Plan**

The District participates in a group-rating plan for workers' compensation as established under §4123.29 of the Ohio Revised Code. The Northern Buckeye Health Plan, Northwest Division of Ohio Health Initiatives (OHI) Workers' Compensation Group Rating Plan (WCGRP) was established as a group purchasing pool. The group was formed to create a workers' compensation group rating plan which would allow employers to group together to achieve a potentially lower premium rate than they may otherwise be able to acquire as individual employers. The OHI has created a workers' compensation group rating and risk management program which will potentially reduce the workers' compensation premiums for the District.

Optimal Health Initiatives has retained Sheakley UniService as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District paid an enrollment fee of \$696 to WCGRP to cover the costs of administering the program.

**C. Ohio School Plan**

The District belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 273 members.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile, and violence coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2014 and 2013:

	2014	2013
Assets	\$7,974,679	\$6,841,599
Liabilities	2,780,801	4,052,930
Members' Equity	5,193,878	2,788,669

You can read the complete audited financial statements for The Ohio School Plan at the Plan's website, [www.ohioschoolplan.org](http://www.ohioschoolplan.org).

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**14. CONTINGENCIES**

**A. Federal and State Grants**

The 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

**B. School Foundation**

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

**C. Litigation**

There are currently no matters in litigation with the District as defendant.

**15. FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**15. FUND BALANCE - (Continued)**

<u>Fund Balance</u>	<u>General</u>	<u>Facilities Project Construction</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Restricted for:				
Regular Instruction			\$16,012	\$16,012
Special Instruction			3,835	3,835
Athletics			17,237	17,237
Food Service Operations			7,318	7,318
Debt Retirement			139,813	139,813
Building Construction		\$5,146,711	299,339	5,446,050
Total Restricted		5,146,711	483,554	5,630,265
Committed for:				
Permanent Improvement			351,588	351,588
Assigned for:				
Educational Activities	\$24,321			24,321
Unpaid Obligations (encumbrances)	153,708			153,708
Budget Stabilization	279,524			279,524
Total Assigned	457,553			457,553
Unassigned (Deficit)	1,284,877		(3,033)	1,281,844
Total Fund Balance	<u>\$1,742,430</u>	<u>\$5,146,711</u>	<u>\$832,109</u>	<u>\$7,721,250</u>

**16. RELATED PARTY TRANSACTIONS**

The District used two local businesses in 2015 which had ties to two board of education members. The District made purchases of food and drinks from the Pizza Barn, which is owned by the parents of Board Member, Shane Martin, in the amount of \$3,001. The District also used Mr. Clean's Lawn Care LLC, which is owned by the husband of Board Member, Leigh Boothman, for lawn care services in the total amount of \$9,875. The transactions were approved at arm's length, with full knowledge by District officials, of Mr. Martin's and Ms. Boothman's interests. They also took no part in the deliberation or decision by District officials with respect to the transactions.

**17. CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements.



# 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*

North Central Local School District  
Williams County  
400 East Baubice Street  
Pioneer, Ohio 43554-9637

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 North Central Local School District, Williams County, Ohio (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 17, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and significant deficiencies.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. We consider finding 2015-002 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies, less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-003 described in the accompanying schedule of findings to be a significant deficiency.

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

***Entity's Response to Findings***

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

***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.



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

December 17, 2015

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2015-001**

**Noncompliance Citation**

**Ohio Rev. Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Admin. Code § 117-2-03(B)** adds to the requirements of Ohio Revised Code § 117.38 and requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

As a cost savings measure management prepared the District's 2015 financial statements on a cash basis of accounting in a format similar to financial statements by Governmental Accounting Board Statement No. 34. This presentation differs from accounting principles accepted in the United States of America (GAAP). Variances on the financial statements between the District's accounting practice and GAAP, while presumably material, cannot reasonably be determined at this time. The District may be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure the financial report is prepared and filed in accordance with generally accepted accounting principles.

**Officials' Response:**

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

**FINDING NUMBER 2015-002**

**Material Weakness - Financial Reporting**

Auditor of State Bulletin 2006-004 establishes the Uniform School Accounting System (USAS) receipt codes, functions, and objects to be utilized in recording a debt issue.

The District issued school improvement bonds in October 2014 and certificates of participation in December 2014 for the local share of the District's Ohio Facilities Construction Commission building project, along with the District's locally funded initiative (LFI).

Due to monitoring deficiencies the following errors were noted in the financial statements that required audit adjustments:

1. Debt Service – Issuance Costs of \$30,428 were improperly reported as Capital Outlay in the Facilities Project Construction Fund (010).
2. Debt Service – Issuance Costs of \$33,037 were improperly netted against General Obligation Bonds Issued in the Facilities Project Construction Fund (010).

3. General Obligation Bonds Issued of \$2,702 were improperly reported as Premium on Bonds and Notes Issued in the Facilities Project Construction Fund (010).
4. Certificates of Participation issued for \$2,182,769 were improperly reported as General Obligation Bonds Issued instead of Other Notes Issued in the Facilities Project Construction Fund (010).
5. General Obligation Bonds Issued of \$52,863 were improperly reported as Miscellaneous Revenue instead of Other Notes Issued in the Facilities Project LFI Fund (004).
6. Premium on Bonds and Notes Issued in excess of issuance costs (\$5,632) were reported as Other Notes Issued in the Facilities Project LFI Fund (004) instead of Premium on Bonds and Notes Issued in the Bond Retirement Fund (002).

The accompanying financial statements and accounting records have been adjusted to correct these errors.

Sound financial reporting is the responsibility of the Treasurer and Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the District's financial statements and notes to the statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and the audit committee, to identify and correct errors and omissions. In addition, the Treasurer should also review the Uniform School Accounting System User Manual to ensure that all accounts are being properly posted to the financial statements.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2015-003**

**Significant Deficiency – Restricted Amounts**

**Governmental Accounting Standards Board (GASB) Statement No. 34 - Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, paragraph 34 (amended by GASB Statement No. 63)** provides that net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutionally provisions or enabling legislation.

Restricted net position reported on the statement of net position was overstated by \$351,588 including amounts which do not have constraints placed on use either imposed externally or by law. These monies should have been classified as unrestricted net position on the government-wide statement of net position.

A final review of the financial statements may have detected these errors.

In order to ensure the District's net position is reported in accordance with GASB 34, we recommend the District review GASB statement 34 and review the financial statements for errors prior to filing.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**NORTH CENTRAL LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2014-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03 (B) – for not preparing its annual financial report in accordance with generally accepted accounting principles.	No	Not corrected. Reissued as finding 2015-001 in this report.
2014-002	Material weakness due to adjustments made to original, final, and actual amounts on the General Fund budgetary statement.	Yes	

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# Dave Yost • Auditor of State

**NORTH CENTRAL LOCAL SCHOOL DISTRICT**

**WILLIAMS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 5, 2016**