

**NORTON CITY
SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2015**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Education
Norton City School District
4128 Cleveland-Massillon Rd
Norton, OH 44203

We have reviewed the *Independent Auditor's Report* of the Norton City School District, Summit County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

March 30, 2016

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**NORTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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JAMES G. ZUPKA, C.P.A., INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Norton City School District
Norton, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

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 the Norton City School District, Summit 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Norton City School District, Ohio, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, and restated its governmental activities net position at June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of the District's Proportionate Share of the Net Pension Liability and the Schedules of District Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Norton City School District, Ohio's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the Norton City School District, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 Norton City School District, Ohio's internal control over financial reporting and compliance.

James G. Zupka,
CPA, President
James G. Zupka, CPA, Inc.
Certified Public Accountants

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2015.12.30 19:22:33 -05'00'

December 18, 2015

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Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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

Financial Highlights

Key financial highlights for 2015 are as follows:

- Net position of governmental activities increased \$9,874,256 from fiscal year 2014.
- General revenues accounted for \$20,318,047 in revenue or 57% of all revenues. Program specific revenues in the form of charges for services, and operating grants, contributions and interest accounted for \$15,091,258 or 43% of total revenues of \$35,409,305.
- The School District had \$25,535,049 in expenses related to governmental activities; only \$15,091,258 of these expenses was offset by program specific revenues that include charges for services, operating grants, contributions and interest. General revenues of \$20,318,047 were able to cover these programs.
- The School District had three major governmental funds, the general fund, the building and classroom facilities capital projects funds. The general fund's balance increased \$301,109 to \$2,291,557 at June 30, 2015. The building fund's balance decreased \$2,236,419 as spending of the bond proceeds on the new construction continues. The classroom facilities capital projects fund's balance increased from additional funding from the State.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Norton City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund, the building and the classroom facilities capital projects funds are by far the most significant funds.

Norton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2015?" These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis, of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's current property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the School District's activities are considered to be all Governmental Activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 12. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental funds are the general fund, the building and classroom facilities capital projects funds.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2015
 Unaudited

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Over time, net position can serve as a useful indicator of a government's financial position. During fiscal year 2015, the School District had an increase in net position of \$9,874,256.

Table 1 provides a summary of the School District's net position for 2015 compared to 2014:

	Table 1 Net Position	
	<u>Governmental Activities</u>	
	<u>2015</u>	Restated <u>2014</u>
Assets		
Current and other assets	\$ 44,598,282	\$ 40,184,924
Capital assets, net of depreciation	10,716,294	5,546,890
Total assets	<u>55,314,576</u>	<u>45,731,814</u>
Deferred outflows of resources		
Pension	<u>2,164,309</u>	<u>1,756,688</u>
Liabilities		
Current and other liabilities	3,584,168	2,327,599
Long-term liabilities:		
Due within one year	174,099	142,045
Due in more than one year:		
Net pension liability	29,314,314	34,825,601
Other amounts due in more than one year	23,987,968	24,053,489
Total liabilities	<u>57,060,549</u>	<u>61,348,734</u>
Deferred inflows of resources		
Property taxes	7,704,024	8,591,899
Pension	<u>5,292,187</u>	<u>-</u>
Total deferred inflowed of resources	<u>12,996,211</u>	<u>8,591,899</u>
Net Position		
Net investment in capital assets	4,533,330	4,363,201
Restricted	12,859,104	4,292,468
Unrestricted	<u>(29,970,309)</u>	<u>(31,107,800)</u>
Total net position	<u>\$ (12,577,875)</u>	<u>\$ (22,452,131)</u>

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Net investment in capital assets, reported on the government-wide statements represents a large component of net position. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles, all of which are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$12,859,104, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net position, \$11,263,339 is restricted for capital projects, \$677,508 is restricted for debt service, \$841,326 is restricted for food services, and \$76,931 is restricted for other purposes. The remaining balance of net position is a deficit of \$(29,970,309) and is unrestricted.

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. Users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension. This implementation also had the effect of restating net position at June 30, 2014, from \$10,616,782 to \$(22,452,131). See Note 2 to the basic financial statements for further discussion on the implementation of GASB 68.

The School District's statement of activities prepared on an accrual basis of accounting includes an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

The School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting in the statement of net position.

Norton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 2 shows changes in net position for fiscal year 2015 compared to fiscal year 2014.

Table 2
Changes in Net Position

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues:		
Charges for services	\$ 5,203,576	\$ 4,425,307
Operating grants, contributions and interest	1,668,484	1,870,550
Capital grants and contributions	8,219,198	1,185,850
General revenues:		
Property taxes	10,564,132	10,318,448
Grants and entitlements	9,570,487	8,848,881
Investment earnings	132,484	14,028
Miscellaneous	50,944	32,970
Total revenues	<u>35,409,305</u>	<u>26,696,034</u>
Program Expenses		
Instruction:		
Regular	10,613,164	10,840,837
Special	2,643,367	2,502,827
Vocational	596,799	610,502
Adult/continuing	2,113	4,774
Student intervention services	410,465	452,868
Support services:		
Pupils	1,857,478	1,691,935
Instructional staff	544,079	519,145
Board of education	36,430	129,438
Administration	1,471,834	1,577,413
Fiscal	541,025	526,764
Business	230,149	252,640
Operation and maintenance of plant	2,113,102	2,030,933
Pupil transportation	1,944,216	1,752,290
Central	81,806	78,405
Operation non-instructional services:		
Operation of food services	958,160	937,227
Community services	-	3,554
Extracurricular activities	570,334	651,592
Interest and fiscal charges	920,528	726,604
Total expenses	<u>25,535,049</u>	<u>25,289,748</u>
Change in net position	<u>\$ 9,874,256</u>	<u>\$ 1,406,286</u>

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2015
 Unaudited

Governmental Activities

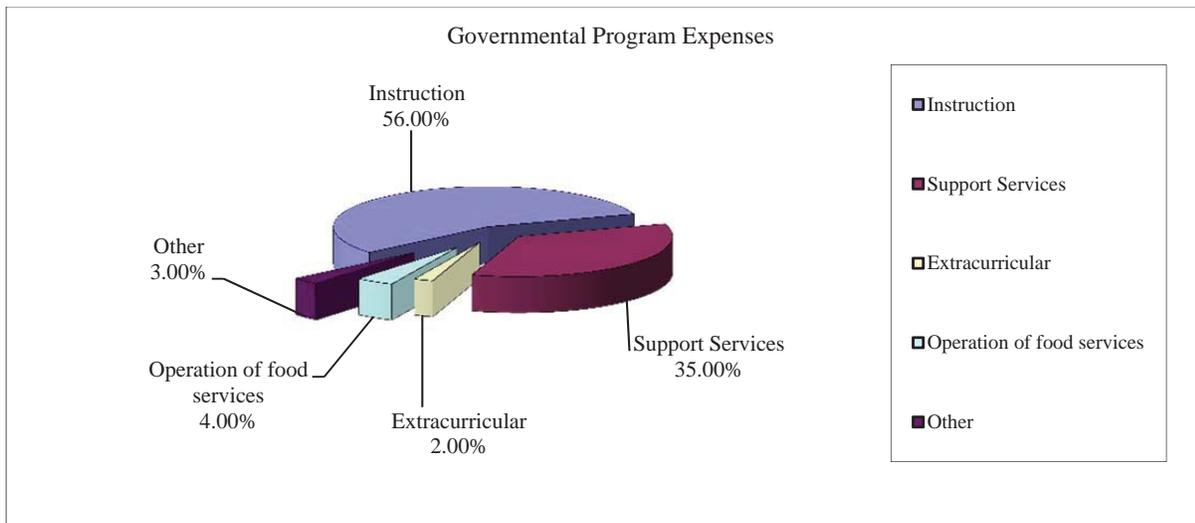
Norton City School District depends on both property taxes and State funding.

Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated over \$10.5 million in 2015. The increase in property tax revenue from 2014 to 2015 is due to fluctuations in the amount available for advance at year-end, which can vary based on when the tax bills are sent. General revenues from grants and entitlements, such as the school foundation program, generated over \$9.5 million. Due to the combination of taxes and intergovernmental funding representing nearly 56.9% of all revenues, the School District monitors both of these sources very closely for fluctuations.

A review of Table 2 reflects that the total cost of instructional services was \$14,265,908, or 56% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. As compared to the prior year, these expenses decreased \$145,900, or 1.0%. The reason for this decrease was due to decreased costs related to regular instruction compared to the prior year.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching pupils. These expenses represent \$2,401,557 of the total governmental program expenses, or 9.4%. These expenses increased over the prior year in the amount of \$190,477, or 8.6% due to an increase in related costs as compared to the prior year.

Below is a graphical display of the program expenses in a more aggregate total than the table above.



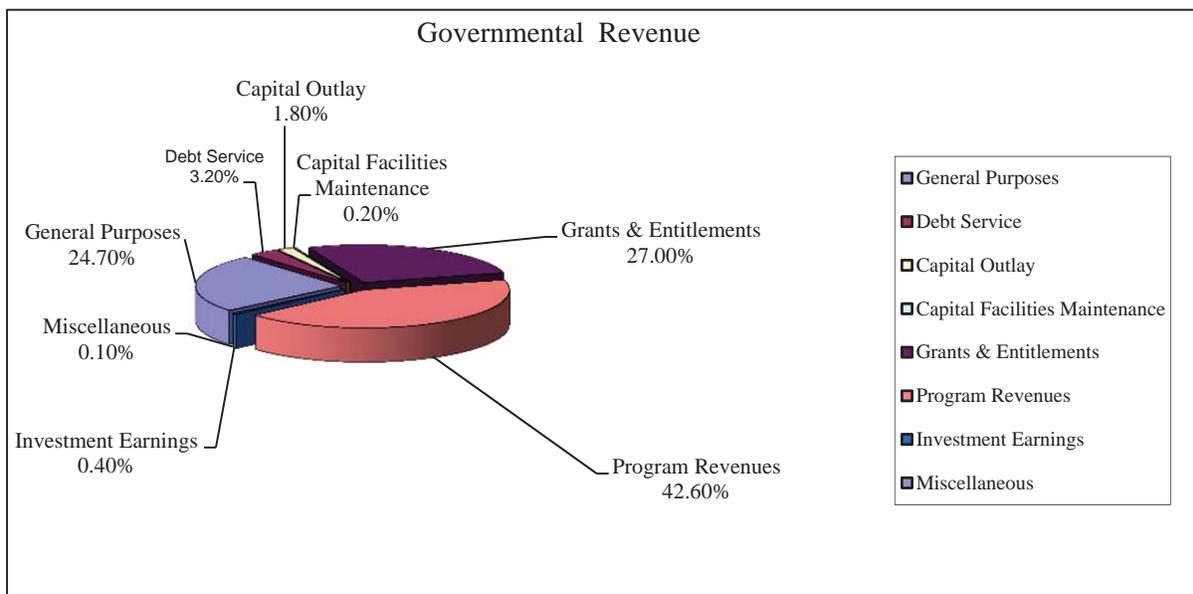
Board of Education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost was \$2,279,438, or 8.9% of governmental program expenses.

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District's operations. The total cost for the operation and maintenance services was \$2,113,102, or 8.3% of the governmental program expenses. Expenses for providing this program increased \$82,169, or 4.0% as compared to the prior year. The primary cause of this increase was due to an increase in operating expenses.

Pupil transportation expenses are expenses related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. Total transportation cost was \$1,944,216, or 7.6% of the total governmental program expenses. Expenses for providing this program increased \$191,926, or 11.0% as compared to the prior year. A portion of this increase is from additional maintenance and rehabilitation costs on ageing buses.



Program revenues include charges for services, grants, contributions and interest that are program specific. During 2015 a significant amount of program revenue was related to regular instruction and reported as capital contributions. This amount was \$8,216,703 and is related to intergovernmental revenue received from the State as part of the Ohio School Facilities building program. Property taxes made up 29.9% of total revenues for governmental activities for the Norton City Schools in fiscal year 2015 while program revenues for governmental activities provided 42.6% of governmental revenues. The property revenue is reported by the purpose of the levy, such as; general purpose, debt service, capital outlay and capital facilities maintenance. The 27.0% provided by the grants and entitlements portion of general revenues includes monies received from the Ohio Department of Education, State Foundation Program and property tax relief such as the homestead exemptions and rollbacks provided by HB 920.

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,756,688 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,261,819. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 25,535,049
Pension expense under GASB 68	(1,261,819)
2015 contractually required contribution	<u>1,888,540</u>
Adjusted 2015 program expenses	26,161,770
Total 2014 program expenses under GASB 27	<u>25,289,748</u>
Increase in program expenses not related to pension	<u>\$ 872,022</u>

As a result of GASB 68, the District is reporting a significant net pension liability and related deferred inflows of resources which reduce net position. In addition, the District is reporting deferred outflows of resources and a reduction of expenses related to pension for this fiscal year, which increase net position. This expense amount is the difference between the contractually required contributions and the pension expense resulting from the change in the net pension liability that is not reported as deferred inflows or outflows. These two amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of this new accounting standard on the District's net position, additional information is presented below.

Net position	\$ (12,577,875)
Deferred outflows - pension	(2,164,309)
Deferred inflows - pension	5,292,187
Net pension liability	<u>29,314,314</u>
Net position without new standard	<u>\$ 19,864,317</u>
Impact of GASB 68 on net position end of year	\$ (32,442,192)
Pension expense under GASB 68	1,261,819
Contractually required contribution	<u>(1,888,540)</u>
Impact of GASB 68 on net position beginning of year	<u>\$ (33,068,913)</u>

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$35,200,739 and total expenditures were \$31,355,230. The net change in fund balance for other governmental funds was an increase of \$210,867. The overall increase in fund balance of \$3,845,509 was due to in part to receipt of additional funding for the building project.

Norton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 3
Change in Fund Balance

<u>Fund</u>	<u>Fund Balance June 30, 2015</u>	<u>Fund Balance June 30, 2014</u>	<u>Increase (Decrease)</u>
General	\$ 2,291,557	\$ 1,990,448	\$ 301,109
Building	4,720,552	6,956,971	(2,236,419)
Classroom facilities	21,930,009	16,360,057	5,569,952
Other governmental	<u>3,377,871</u>	<u>3,167,004</u>	<u>210,867</u>
Total	<u>\$ 32,319,989</u>	<u>\$ 28,474,480</u>	<u>\$ 3,845,509</u>

General Fund

The School District's general fund balance increased by \$301,109 during the fiscal year. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

Table 4
General Fund - Change in Revenue

	<u>2015 Amount</u>	<u>2014 Amount</u>	<u>Percent Change</u>
Taxes	\$ 8,758,006	\$ 8,929,610	-1.92%
Intergovernmental	9,771,200	9,054,984	7.91%
Interest	2,711	6,325	-57.14%
Tuition and fees	3,982,477	3,626,727	9.81%
Extracurricular activities	49,607	60,377	-17.84%
Gifts and donations	12,137	20,849	-41.79%
Charges for services	292,243	205,092	42.49%
Rent	3,876	2,885	34.35%
Miscellaneous	<u>49,298</u>	<u>36,200</u>	<u>36.18%</u>
Total	<u>\$ 22,921,555</u>	<u>\$ 21,943,049</u>	

Overall revenues within the general fund increased \$978,506 for the fiscal year. This is due to an increase in intergovernmental revenue for the current fiscal year.

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2015
 Unaudited

The table that follows assists in illustrating the expenditures of the general fund.

Table 5
 General Fund - Change in Expenditures by Type

<u>Expenditures</u>	2015 <u>Amount</u>	2014 <u>Amount</u>	Percent <u>Change</u>
Instruction	\$ 13,878,380	\$ 13,512,859	2.70%
Support services	8,248,865	7,919,199	4.16%
Extracurricular activities	435,199	472,799	-7.95%
Capital outlay	30,923	3,123	890.17%
Debt service	27,079	27,079	0.00%
Total	<u>\$ 22,620,446</u>	<u>\$ 21,935,059</u>	

Expenditures increased \$685,387 from the prior year. This increase is mainly due to increased costs related to instruction and support services.

Building Fund

The School District's building fund balance decreased by \$2,236,419, this was due to the progression of the construction of a new high school and an athletic complex.

Classroom Facilities Fund

The School District's classroom facilities fund balance increased by \$5,569,952, this was due to additional funding received from the State for their contribution towards the costs for a new high school.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

For the general fund, the original budgeted revenue and other financing source estimate was \$21,785,290. This amount was changed during the year, resulting in a final revenue budget of \$22,433,479. Actual revenue and other financing sources reported was \$22,438,556 which is \$653,266 greater than the original budgeted amounts.

The original expenditures and other financing uses estimate of \$23,970,777 was revised slightly over the course of the fiscal year. The final budgeted expenditures and other financing uses were \$24,618,966, which was an increase of \$648,189 or 2.7 percent over the original budget. Actual expenditures, including encumbrances and other financing uses were under budget by \$1,926,274. This was the result of conservative spending by the School District.

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2015
 Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the School District had \$10,716,294 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 6 shows fiscal year 2015 balances compared to fiscal year 2014:

Table 6
 Capital Assets, at Fiscal Year End
 (Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 1,265,263	\$ 1,265,263
Construction in progress	5,687,498	675,084
Land improvements	312,150	361,577
Buildings and improvements	2,536,561	2,441,498
Furniture and equipment	309,317	367,448
Vehicles	<u>605,505</u>	<u>436,020</u>
Total capital assets	<u>\$ 10,716,294</u>	<u>\$ 5,546,890</u>

The total increase in the value of capital assets, as compared to the prior year, is due to the current year's additions of construction in progress on the two projects. Other significant additions for the current fiscal year included the purchase of three new school buses. See Note 8 to the basic financial statements for detail on the School District's capital assets.

Debt

At June 30, 2015, the School District had \$23,286,673 in bonds (including unamortized bond premium and bond accretion) and capital leases outstanding with \$45,121 due within one year. Table 7 summarizes the debt outstanding:

Table 7
 Outstanding Debt, at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 23,230,812	\$ 23,237,302
Capital leases	<u>55,861</u>	<u>79,902</u>
Total outstanding debt	<u>\$ 23,286,673</u>	<u>\$ 23,317,204</u>

The School District has budgeted to meet all of its debt requirements, all of which are to be repaid from the debt service fund. The capital leases are to be repaid from the general fund, which the School District has budgeted to meet these requirements.

See Note 13 to the basic financial statements for detail on the School District's long-term obligations.

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Current Issues Affecting Financial Condition

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges. These challenges stem from issues that are at the local and State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong.

Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions or need additional financial information, contact Stephanie Hagenbush, Treasurer/Chief Fiscal Officer of the Norton City School District, 4128 South Cleveland Massillon Road, Norton, Ohio 44203 by phone (330) 825-2114 or e-mail shagenbush@norton.summit.k12.oh.us.

Norton City School District
Statement of Net Position
June 30, 2015

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 14,624,517
Cash and cash equivalents:	
In segregated accounts	6,188,018
Investments in segregated accounts	12,801,252
Receivables:	
Taxes	10,120,041
Accounts	606,368
Intergovernmental	202,231
Accrued interest	10,679
Inventory held for resale	16,117
Materials and supplies inventory	29,059
Capital assets:	
Land and construction in progress	6,952,761
Depreciable capital assets	13,371,595
Accumulated depreciation	(9,608,062)
Total capital assets	<u>10,716,294</u>
Total assets	<u>55,314,576</u>
 <u>Deferred outflows of resources</u>	
Pension	<u>2,164,309</u>
 <u>Liabilities:</u>	
Accounts payable	117,718
Contracts payable	1,335,714
Accrued wages	1,490,544
Retainage payable	94,580
Intergovernmental payable	387,143
Unearned revenue	3,950
Accrued interest payable	154,519
Long-term liabilities:	
Due within one year	174,099
Due in more than one year:	
Net pension liability	29,314,314
Other amounts due in more than one year	<u>23,987,968</u>
Total liabilities	<u>57,060,549</u>
 <u>Deferred inflows of resources</u>	
Property taxes	7,704,024
Pension	<u>5,292,187</u>
Total deferred inflows of resources	<u>12,996,211</u>
 <u>Net position:</u>	
Net investment in capital assets	4,533,330
Restricted for:	
Capital projects	11,263,339
Debt service	677,508
Food services	841,326
Other purposes	76,931
Unrestricted	<u>(29,970,309)</u>
Total net position	<u>\$ (12,577,875)</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 10,613,164	\$ 3,384,252	\$ 309,725	\$ 8,216,703	\$ 1,297,516
Special	2,643,367	1,175,422	566,626	-	(901,319)
Vocational	596,799	-	-	-	(596,799)
Adult/continuing	2,113	-	-	-	(2,113)
Student intervention services	410,465	-	-	-	(410,465)
Support services:					
Pupils	1,857,478	-	242,111	-	(1,615,367)
Instructional staff	544,079	-	28,843	-	(515,236)
Board of education	36,430	-	-	-	(36,430)
Administration	1,471,834	-	2,070	-	(1,469,764)
Fiscal	541,025	60	-	-	(540,965)
Business	230,149	-	-	2,495	(227,654)
Operation and maintenance of plant	2,113,102	3,876	-	-	(2,109,226)
Pupil transportation	1,944,216	-	-	-	(1,944,216)
Central	81,806	-	-	-	(81,806)
Operation of non-instructional services:					
Operation of food services	958,160	480,872	518,989	-	41,701
Extracurricular activities	570,334	159,094	120	-	(411,120)
Interest and fiscal charges	920,528	-	-	-	(920,528)
Total governmental activities	<u>\$ 25,535,049</u>	<u>\$ 5,203,576</u>	<u>\$ 1,668,484</u>	<u>\$ 8,219,198</u>	<u>(10,443,791)</u>

General Revenues:

Property taxes levied for:	
General purposes	8,737,238
Debt service	1,125,076
Capital outlay	646,815
Capital facilities maintenance	55,003
Grants and entitlements not restricted to specific programs	9,570,487
Investment earnings	132,484
Miscellaneous	50,944
Total general revenues	<u>20,318,047</u>
Change in net position	9,874,256
Net position at beginning of year, restated	<u>(22,452,131)</u>
Net position at end of year	<u>\$ (12,577,875)</u>

See accompanying notes to the basic financial statements.

Norton City School District
Balance Sheet
Governmental Funds
June 30, 2015

	General	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 2,284,144	\$ 5,043,011	\$ 4,051,848	\$ 3,122,189	\$ 14,501,192
Cash and cash equivalents:					
In segregated accounts	-	-	6,174,065	-	6,174,065
Investments in segregated accounts	-	-	12,801,252	-	12,801,252
Receivables:					
Taxes	8,368,385	-	-	1,751,656	10,120,041
Accounts	605,798	-	-	570	606,368
Intergovernmental	202,231	-	-	-	202,231
Interfund	5,000	-	-	-	5,000
Accrued interest	-	-	10,679	-	10,679
Inventory held for resale	-	-	-	16,117	16,117
Materials and supplies inventory	29,059	-	-	-	29,059
Advances to other funds	50,411	-	-	-	50,411
Equity in pooled cash and cash equivalents (restricted)	15,969	-	-	-	15,969
Total assets	\$ 11,560,997	\$ 5,043,011	\$ 23,037,844	\$ 4,890,532	\$ 44,532,384
<u>Liabilities, deferred inflows of resources and fund balances:</u>					
<u>Liabilities:</u>					
Accounts payable	\$ 116,114	\$ -	\$ -	\$ 1,604	\$ 117,718
Accrued wages	1,457,794	-	-	32,750	1,490,544
Contracts payable	-	322,459	1,013,255	-	1,335,714
Intergovernmental payable	367,753	-	-	19,390	387,143
Unearned revenue	-	-	-	3,950	3,950
Retainage payable	-	-	94,580	-	94,580
Advances from other funds	-	-	-	50,411	50,411
Total liabilities	1,941,661	322,459	1,107,835	108,105	3,480,060
<u>Deferred inflows of resources</u>					
Property taxes	6,380,397	-	-	1,323,627	7,704,024
Unavailable revenue - delinquent property taxes	294,311	-	-	80,929	375,240
Unavailable revenue - other	653,071	-	-	-	653,071
Total deferred inflows of resources	7,327,779	-	-	1,404,556	8,732,335
<u>Fund balances:</u>					
Nonspendable	95,439	-	-	-	95,439
Restricted	-	4,720,552	21,930,009	3,397,763	30,048,324
Committed	11,000	-	-	-	11,000
Assigned	2,185,118	-	-	-	2,185,118
Unassigned	-	-	-	(19,892)	(19,892)
Total fund balances	2,291,557	4,720,552	21,930,009	3,377,871	32,319,989
Total liabilities, deferred inflows of resources and fund balances	\$ 11,560,997	\$ 5,043,011	\$ 23,037,844	\$ 4,890,532	\$ 44,532,384

See accompanying notes to the basic financial statements.

Norton City School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total governmental funds balances		\$ 32,319,989
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		10,716,294
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:		
Property taxes	\$ 375,240	
Tuition and fees	531,428	
Intergovernmental	121,643	
Total	<u>1,028,311</u>	1,028,311
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:		
Deferred outflows - pension	2,164,309	
Deferred inflows - pension	(5,292,187)	
Net pension liability	(29,314,314)	
Total	<u>(32,442,192)</u>	(32,442,192)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		116,309
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(154,519)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (22,769,287)	
Premium and accretion on bonds	(461,525)	
Compensated absences	(875,394)	
Capital leases	(55,861)	
Total	<u>(24,162,067)</u>	(24,162,067)
Net position of governmental activities		<u>\$ (12,577,875)</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 8,758,006	\$ -	\$ -	\$ 1,809,947	\$ 10,567,953
Intergovernmental	9,771,200	-	8,216,703	1,465,644	19,453,547
Interest	2,711	4,297	124,947	1,067	133,022
Tuition and fees	3,982,477	-	-	-	3,982,477
Extracurricular activities	49,607	-	-	158,458	208,065
Gifts and donations	12,137	-	-	1,453	13,590
Charges for services	292,243	-	-	472,164	764,407
Rent	3,876	-	-	-	3,876
Miscellaneous	49,298	-	-	24,504	73,802
Total revenues	<u>22,921,555</u>	<u>4,297</u>	<u>8,341,650</u>	<u>3,933,237</u>	<u>35,200,739</u>
Expenditures:					
Current:					
Instruction:					
Regular	10,591,800	-	-	264,948	10,856,748
Special	2,284,208	-	-	426,443	2,710,651
Vocational	589,691	-	-	-	589,691
Adult/continuing	2,216	-	-	-	2,216
Student intervention services	410,465	-	-	-	410,465
Support services:					
Pupils	1,636,121	-	-	242,566	1,878,687
Instructional staff	488,324	-	-	36,552	524,876
Board of education	34,760	-	-	-	34,760
Administration	1,510,011	-	-	4,903	1,514,914
Fiscal	517,289	-	-	27,480	544,769
Business	236,178	-	-	-	236,178
Operation and maintenance of plant	1,908,677	-	-	139,989	2,048,666
Pupil transportation	1,836,098	-	-	530	1,836,628
Central	81,407	-	-	-	81,407
Operation of non-instructional services:					
Operation of food services	-	-	-	956,463	956,463
Extracurricular activities	435,199	-	-	144,860	580,059
Capital outlay	30,923	2,240,716	2,771,698	555,223	5,598,560
Debt service:					
Principal retirement	24,041	-	-	-	24,041
Interest and fiscal charges	3,038	-	-	922,413	925,451
Total expenditures	<u>22,620,446</u>	<u>2,240,716</u>	<u>2,771,698</u>	<u>3,722,370</u>	<u>31,355,230</u>
Net change in fund balances	<u>301,109</u>	<u>(2,236,419)</u>	<u>5,569,952</u>	<u>210,867</u>	<u>3,845,509</u>
Fund balances at beginning of year	<u>1,990,448</u>	<u>6,956,971</u>	<u>16,360,057</u>	<u>3,167,004</u>	<u>28,474,480</u>
Fund balances at end of year	<u>\$ 2,291,557</u>	<u>\$ 4,720,552</u>	<u>\$ 21,930,009</u>	<u>\$ 3,377,871</u>	<u>\$ 32,319,989</u>

See accompanying notes to the basic financial statements.

Norton City School District

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015**

Net change in fund balances - total governmental funds \$ 3,845,509

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital asset additions	\$ 5,598,560	
Depreciation expense	(388,104)	
Excess of capital asset additions over depreciation expense		5,210,456

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (41,052)

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

Property taxes	\$ (3,821)	
Intergovernmental	(8,456)	
Tuition and fees	220,785	
Net change in deferred inflows of resources during the year		208,508

Contractually required pension contributions are reported as expenditures in the governmental funds however, the statement of activities reports these amounts as deferred outflows. 1,888,540

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,261,819)

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position. 24,041

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

These activities consist of:

Decrease in compensated absences	2,936	
Increase in accrued interest	(1,567)	
Amortization of:		
Premium	19,810	
Bond accretion	(13,320)	
Total reduced expenditures		7,859

The internal service fund used by management to charge the costs of medical, prescription drug, dental and vision claims to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. (7,786)

Change in net position of governmental activities \$ 9,874,256

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 8,192,870	\$ 8,151,762	\$ 8,153,812	\$ 2,050
Intergovernmental	9,597,770	9,795,260	9,797,410	2,150
Interest	1,947	3,211	3,211	-
Tuition and fees	3,566,795	4,067,805	4,068,305	500
Gifts and donations	8,165	1,108	1,108	-
Charges for services	244,908	227,397	227,697	300
Rent	3,685	3,251	3,251	-
Miscellaneous	22,472	43,512	43,589	77
Total revenues	21,638,612	22,293,306	22,298,383	5,077
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	11,286,743	11,307,506	10,504,805	802,701
Special	2,258,093	2,484,339	2,300,894	183,445
Vocational	626,783	628,589	584,816	43,773
Adult/continuing	4,597	3,089	2,876	213
Student intervention services	487,894	440,810	410,465	30,345
Support services:				
Pupils	1,533,596	1,748,082	1,626,410	121,672
Instructional staff	542,437	515,227	479,297	35,930
Board of education	137,308	35,880	32,071	3,809
Administration	1,718,275	1,680,606	1,519,853	160,753
Fiscal	564,586	588,449	526,020	62,429
Business	283,491	366,947	336,344	30,603
Operation and maintenance of plant	2,048,220	2,101,416	1,894,567	206,849
Pupil transportation	1,878,966	2,099,070	1,916,048	183,022
Central	87,628	91,967	82,250	9,717
Extracurricular activities	495,412	493,517	443,115	50,402
Capital outlay	16,748	7,088	6,600	488
Total expenditures	23,970,777	24,592,582	22,666,431	1,926,151
Excess of revenues under expenditures	(2,332,165)	(2,299,276)	(368,048)	1,931,228
<u>Other financing sources (uses):</u>				
Refund of prior year expenditures	57,503	114,783	114,783	-
Insurance recoveries	-	7,397	7,397	-
Refund of prior year receipts	-	(123)	-	123
Advances in	89,175	17,993	17,993	-
Advances out	-	(5,000)	(5,000)	-
Transfers out	-	(21,261)	(21,261)	-
Total other financing sources (uses)	146,678	113,789	113,912	123
Net change in fund balance	(2,185,487)	(2,185,487)	(254,136)	1,931,351
Fund balances at beginning of year	2,094,048	2,094,048	2,094,048	-
Prior year encumbrances appropriated	91,439	91,439	91,439	-
Fund balances at end of year	\$ -	\$ -	\$ 1,931,351	\$ 1,931,351

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2015

	<u>Self Insurance</u>
<u>Assets:</u>	
Current:	
Equity in pooled cash and cash equivalents	\$ 107,356
Cash and cash equivalents in segregated accounts	13,953
Total assets	<u>\$ 121,309</u>
<u>Liabilities:</u>	
Current:	
Interfund payable	<u>\$ 5,000</u>
<u>Net position:</u>	
Unrestricted	<u>\$ 116,309</u>
Total liabilities and net position	<u>\$ 121,309</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2015

	<u>Self Insurance</u>
<u>Operating revenues:</u>	
Charges for services	<u>\$ 48,171</u>
<u>Operating expenses:</u>	
Purchased services	<u>56,015</u>
Operating loss	<u>(7,844)</u>
<u>Non-operating revenues:</u>	
Interest	<u>58</u>
Change in net position	(7,786)
Net position at beginning of year	<u>124,095</u>
Net position at end of year	<u><u>\$ 116,309</u></u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2015

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received for charges for services	\$ 48,171
Cash payments to suppliers for goods and services	(56,015)
Net cash used for operating activities	<u>(7,844)</u>
<u>Cash flows from noncapital financing activities:</u>	
Advances in	5,000
Advances out	(5,000)
Net cash provided by noncapital financing activities	<u>-</u>
<u>Cash flows from investing activities:</u>	
Interest on investments	58
Net cash provided by investing financing	<u>58</u>
Net decrease in cash and cash equivalents	(7,786)
Cash and cash equivalents at beginning of year	<u>129,095</u>
Cash and cash equivalents at end of year	<u>\$ 121,309</u>
<u>Reconciliation of operating loss to net cash used for operating activities:</u>	
Operating loss	<u>\$ (7,844)</u>
Net cash used for operating activities	<u>\$ (7,844)</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	
	Scholarships	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 1,861	\$ 61,101
Cash and cash equivalents:		
In segregated accounts	89,336	-
Interest receivable	7	-
Total assets	<u>\$ 91,204</u>	<u>\$ 61,101</u>
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ 960
Due to students	-	60,141
Total liabilities	<u>-</u>	<u>\$ 61,101</u>
<u>Net position:</u>		
Held in trust for scholarships	<u>\$ 91,204</u>	

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust <u>Scholarships</u>
<u>Additions:</u>	
Interest	\$ 142
Gifts and donations	10,781
Total additions	<u>10,923</u>
 <u>Deductions:</u>	
Payments in accordance with trust agreements	<u>16,830</u>
Change in net position	(5,907)
Net position at beginning of year	<u>97,111</u>
Net position at end of year	<u>\$ 91,204</u>

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE SCHOOL DISTRICT

The Norton City School District (the "School 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.

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's six instructional/support facilities staffed by 115 non-certificated employees and 162 certificated teaching and support personnel, including 19 administrators that provide services to 2,510 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no material component units.

The School District is associated with the Metropolitan Regional Service Council (MRSC) also known as Northeast Ohio Network for Educational Technology (NEOnet), Ohio Schools Council and the Four Cities Educational Compact, which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 15.

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting polices.

Norton City School District

A. Basis of Presentation - Fund Accounting

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling-up" revenues and expenses. However, the services provided and used are not eliminated in the process of consolidation.

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

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Fund Types:

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's has three major governmental funds:

Notes to the Basic Financial Statements

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

Building Fund: The building capital projects fund is used to account for all receipts and expenditures related to the construction of the new high school and athletic complex.

Classroom Facilities Fund: The classroom facilities capital projects fund is used to account for all transactions related to Ohio Classroom Facilities construction projects.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of resources.

Proprietary Fund Type

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund: The internal service fund accounts for the financing of services provided by one department or agency to other departments or agency of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for employee health care benefits. Insurance premiums and related costs are paid from revenue received from other funds as well as employee withholdings. The payments will continue to be made from these sources and the residual cash balance as the School District make a transition from being self-insured to participating in a public entity risk pool.

Fiduciary Fund Types

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund, which accounts for several scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds report resources that belong to the student bodies of the various schools and for money temporarily held for Ohio High School Athletic Association (OHSAA) tournaments.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets, liabilities, deferred outflows of resources and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

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

The private purpose trust fund is reported using the economic resources measurement focus.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of net position. The statement of revenues, expenses and changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

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

Revenue - Exchange and Nonexchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants and County levied sales tax. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11)

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating grants and contributions" program revenue account.

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

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

D. Budgets and Budgetary Accounting

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2015. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

E. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents". During the fiscal year, investments were limited to overnight repurchase agreements, certificates of deposit, , instruments of government sponsored mortgage-backed securities and interest in STAR Ohio, the State Treasurer's Investment Pool. These investments are stated at market value (fair value). Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board has passed a resolution to allow interest to also be recorded in other funds as listed in Note 5.

Some of the School District's monies for the classroom facilities capital project fund and the internal service funds health coverage are held separate from the School District's central bank account and are reflected as "Cash and cash equivalents in segregated accounts". The School District also holds monies separate from the School District's central bank account for monies held for future scholarships, which are reported in the scholarships private purpose trust fund.

F. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

G. Interfund balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables" whereas long-term interfund loans are classified as "advances to/from other funds". These amounts are eliminated in the governmental activities column of the statement of net position.

H. Inventory

On the governmental-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expended when used.

Inventories on the fund financial statements are stated at cost on a first-in, first-out basis. Inventories of the general fund consist of expendable supplies held for consumption. Inventories of the food service special revenue fund consist of donated food, purchased food and supplies held for resale. Inventories reported on the fund financial statements are expended when purchased.

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in the general fund include the amount required to be reserved for unclaimed monies. See Note 18 for additional information regarding statutory reserves.

J. Bond Premiums

In governmental fund types, bond premiums are recognized in the current period. On the statement of net position, bond premiums are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable.

K. Capital Assets

General capital assets are those assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. The School District's policy is not to capitalize interest costs incurred as part of construction.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	10 - 30 years
Buildings and improvements	30 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	10 - 15 years

L. Net Pension Liability and Pension Expense

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

The current accounting standard requires School Districts to report their proportionate share of the net pension liability using the earning approach to pension accounting instead of the funding approach as previously used. The funding approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. Under the new standards, the net pension liability equals the School District's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. The unfunded portion of this benefit of exchange is a liability of the School District. However, the School District is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the plan.

There is no repayment schedule for the net pension liability. The School District has no control over the changes in the pension benefits, contributions rate, and return on investments affecting the balance of the net pension liability. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

For the governmental fund financial statements, the matured portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

N. Net Position

Net position represents the difference between all other elements in the statement of financial position. Net position investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net position restricted for other purposes primarily include amounts generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for operating or capital costs for any new and innovative programs designed to enhance or promote education within the School District.

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

O. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims, judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Long-term loans are recognized as a liability on the governmental fund financial statements when due.

P. Fund Balances

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

Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted fund balance category includes amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation. 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.

Norton City School District

Committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance classifications are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. The purpose constraint that represents the intended use is established by the Board of Education or by their designated official. 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 policies of the School District or by State statute. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are classified as non-operating.

R. Interfund Transactions

Interfund transactions are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of net position.

S. Estimates

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

Notes to the Basic Financial Statements

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the School District implemented the 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." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$10,616,782
Adjustments:	
Net pension liability	(34,825,601)
Deferred outflow - payments subsequent to measurement date	1,756,688
Restated net position June 30, 2014	(\$22,452,131)

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 3 – FUND BALANCES

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

Fund Balances	General	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable</u>					
Materials and supplies inventory	\$ 29,059	\$ -	\$ -	\$ -	\$ 29,059
Advances to other funds	50,411	-	-	-	50,411
Unclaimed monies	15,969	-	-	-	15,969
Total nonspendable	95,439	-	-	-	95,439

(Continued)

Norton City School District

(Continued)

Fund Balances	General	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Restricted for</u>					
Food service	-	-	-	866,800	866,800
Athletics and music	-	-	-	4,765	4,765
Classroom facilities maintenance	-	-	-	59,993	59,993
Instructional programs	-	-	-	12,173	12,173
Capital improvements	-	4,720,552	21,930,009	1,659,943	28,310,504
Debt service payments	-	-	-	794,089	794,089
Total restricted	-	<u>4,720,552</u>	<u>21,930,009</u>	<u>3,397,763</u>	<u>30,048,324</u>
<u>Committed</u>					
Underground storage tanks	11,000	-	-	-	11,000
<u>Assigned for</u>					
Public school support	60,595	-	-	-	60,595
Encumbrance	198,352	-	-	-	198,352
Next years budget	1,926,171	-	-	-	1,926,171
Total assigned	<u>2,185,118</u>	-	-	-	<u>2,185,118</u>
Unassigned (deficit)	-	-	-	(19,892)	(19,892)
Total fund balances	<u>\$ 2,291,557</u>	<u>\$ 4,720,552</u>	<u>\$ 21,930,009</u>	<u>\$ 3,377,871</u>	<u>\$ 32,319,989</u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

Notes to the Basic Financial Statements

4. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).
5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

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

Net Change in Fund Balance	
	<u>General</u>
GAAP basis	\$ 230,866
Net adjustment for revenue accruals	(325,557)
Net adjustment for expenditure accruals	63,976
Advances in	17,993
Advances out	(5,000)
Encumbrances (Budget basis) outstanding at year-end	(227,021)
Perspective differences from funds budgeted as special revenue funds:	
Revenues	(119,914)
Transfers from general fund	(21,261)
Expenditures	<u>131,782</u>
Budget basis	<u>\$ (254,136)</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim 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 within five years from the date of deposit, or by savings or deposit accounts, including passbook accounts.

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

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;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and 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;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and,
8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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.

A. Deposits:

For the fiscal year ended June 30, 2015, the School District reported \$15,969 in "Equity in pooled cash and cash equivalents (restricted)" on the balance sheet. This amount represents a reserve for unclaimed monies.

The carrying value of the School District's deposits totaled \$8,109,482, and the bank balances of the deposits totaled \$8,976,433; all of which was not exposed to custodial credit risk as it was insured or collateralized by securities held by the School District's agent in the School District's name.

Notes to the Basic Financial Statements

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

B. Investments:

As of June 30, 2015, the School District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>	<u>Maturity</u>	<u>Standard and Poor's Rating</u>
Repurchase agreements	\$ 8,925,000	35%	Daily	AA+ ⁽¹⁾
STAR Ohio	3,930,351	15%	53.4 ⁽²⁾	AAAm
Investments reported in classroom facilities fund:				
Negotiable CDs	750,240	3%	less than 1 yr.	n/a
Negotiable CDs	7,517,940	29%	less than 2 yr.	n/a
Federal Farm Credit Bank	1,298,037	5%	12/09/16	AA+
Federal Farm Credit Bank	699,608	3%	11/15/17	AA+
Federal Home Loan Bank	1,504,800	6%	05/24/17	AA+
Federal Home Loan Mortgage Corporation	<u>1,030,627</u>	4%	06/29/17	AA+
	<u>\$ 25,656,603</u>			

⁽¹⁾ Standard and Poor's rating of underlying investment

⁽²⁾ Days (Average)

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2015.

All interest is legally required to be placed in the general fund, the food service special revenue fund and the scholarships private purpose trust fund. Interest revenue credited to the general fund during fiscal year 2015 amount to \$2,711, which does not include any interest assigned from other School District funds.

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Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's \$8,925,000 investment in repurchase agreements is to be secured by the specific government sponsored enterprise security (GSE) upon which the repurchase agreement is based. The security, held by the counterparty and not in the School District's name, is a Federal National Mortgage Corporation (FNMA) bond. In addition, the School District has invested in other GSEs including Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB) and Federal Home Loan Mortgage Corporation (FHLMC). These securities, held by the counterparty and not in the School District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement.

The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAR Ohio an AAAM rating and the FFCB, FHLB and FHLMC bonds an AA+ rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The custodial risk associated with the repurchase agreements is discussed above.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 5% of the School District's investments are in a repurchase agreement (FNMA), FFCB and FHLB. These investments are 35%, 8% and 6%, respectively, of the School District's total investments. The School District's policy places no limit on the amount that may be invested in any one issuer.

NOTE 6 - PROPERTY TAX

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used for public utilities) located in the School District. Real property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Notes to the Basic Financial Statements

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, 2014 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value

The School District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at year-end was \$1,693,677 in the general fund, \$209,704 in the bond retirement debt service fund and \$137,396 in the permanent improvement capital projects fund.

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

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

<u>Property Category</u>	2014 <u>Assessed Value</u>	2013 <u>Assessed Value</u>
<u>Real Property</u>		
Residential and agricultural	\$ 231,223,160	\$ 238,738,930
Commercial , industrial and mineral	37,301,030	37,479,560
Public utilities	35,400	35,190
<u>Tangible Personal Property</u>		
Public utilities	10,048,310	9,372,580
Total	<u>\$ 278,607,900</u>	<u>\$ 285,626,260</u>

Norton City School District

NOTE 7 - RECEIVABLES

Receivables at year-end consisted of taxes, interfund, accrued interest, accounts, intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The general fund reported intergovernmental receivables in the amounts of \$144,996.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
Capital assets, not being depreciated:				
Land	\$ 1,265,263	\$ -	\$ -	\$ 1,265,263
Construction in progress	<u>675,084</u>	<u>5,012,414</u>	<u>-</u>	<u>5,687,498</u>
Total capital assets, not being depreciated	<u>1,940,347</u>	<u>5,012,414</u>	<u>-</u>	<u>6,952,761</u>
Capital assets, being depreciated:				
Land improvements	1,387,549	-	-	1,387,549
Buildings and improvements	8,090,634	235,900	-	8,326,534
Furniture and equipment	1,629,042	44,546	(307,933)	1,365,655
Vehicles	<u>2,309,784</u>	<u>305,700</u>	<u>(323,627)</u>	<u>2,291,857</u>
Total capital assets, being depreciated	<u>13,417,009</u>	<u>586,146</u>	<u>(631,560)</u>	<u>13,371,595</u>
Less: Accumulated depreciation				
Land improvements	(1,025,972)	(49,427)	-	(1,075,399)
Buildings and improvements	(5,649,136)	(140,837)	-	(5,789,973)
Furniture and equipment	(1,261,594)	(95,028)	300,284	(1,056,338)
Vehicles	<u>(1,873,764)</u>	<u>(102,812)</u>	<u>290,224</u>	<u>(1,686,352)</u>
Total accumulated depreciation	<u>(9,810,466)</u>	<u>(388,104)</u>	<u>590,508</u>	<u>(9,608,062)</u>
Total capital assets being depreciated, net	<u>3,606,543</u>	<u>198,042</u>	<u>(41,052)</u>	<u>3,763,533</u>
Governmental activities capital assets, net	<u>\$ 5,546,890</u>	<u>\$ 5,210,456</u>	<u>\$ (41,052)</u>	<u>\$ 10,716,294</u>

Notes to the Basic Financial Statements

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 112,257
Special	5,652
Vocational	23,271
Support services:	
Pupils	3,217
Instructional staff	30,785
Board of education	2,194
Administration	2,299
Fiscal	2,912
Business	4,112
Operation and maintenance of plant	86,986
Pupil transportation	94,104
Operation of food services	13,831
Extracurricular activities	<u>6,484</u>
Total depreciation expense	<u>\$ 388,104</u>

NOTE 9 – INTERFUND BALANCES

Interfund balances result from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. In a prior year, the general fund advanced money to two nonmajor special revenue funds and advanced money to the internal service fund during the current fiscal year. The advances to the special revenue funds were used to fund state and federal grants where the money has not yet been received. All of these interfund balances are expected to be repaid when anticipated revenue is received.

	Interfund Receivable	Interfund Payable	Advances to other funds	Advances from other funds
General fund	\$ 5,000	\$ -	\$ 50,411	\$ -
Nonmajor governmental funds	-	-	-	50,411
Internal service fund	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 50,411</u>	<u>\$ 50,411</u>

NOTE 10 – RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

B. Health Insurance

The School District has ceased being self-insured. On July 1, 2010, the School District became a participant in the Summit Regional Health Care Consortium (SRHCC) to provide medical/surgical, dental, vision, life insurance and accidental death and dismemberment insurance for its employees and their covered dependents. The SRHCC is a shared risk pool comprised of five Summit County school districts. The employer participants pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees and their covered dependents. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$200,000 per participant and an aggregate stop-loss provision of \$2,000,000.

Premium contributions are determined annually in a manner that ensures the pool is funded up to the aggregate stop loss attachment point of \$2,000,000. In the event of termination, all participating school districts' claims would be paid without regard to their individual account balances. The SRHCC Board of Directors has authority to return monies to an exiting school district subsequent to the settlement of all claims and expenditures.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

Notes to the Basic Financial Statements

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

School Employee Retirement System

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before <u>August 1, 2017 *</u>	Eligible to Retire on or after <u>August 1, 2017</u>
Full benefits	Age 65 with 5 years of service credit or 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.

Norton City School District

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 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 School District's contractually required contribution to SERS was \$453,038 for fiscal year 2015. Of this amount \$18,173 is reported as an intergovernmental payable.

State Teachers Retirement System

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years 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.

Notes to the Basic Financial Statements

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.

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 School 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 School District's contractually required contribution to STRS was \$1,435,502 for fiscal year 2015. Of this amount \$194,296 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$5,773,828	\$23,540,486	\$29,314,314
Proportion of the net pension liability	0.114086%	0.0967810%	
Pension expense	\$331,533	\$930,286	\$1,261,819

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Norton City School District

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 49,141	\$ 226,628	\$ 275,769
School District contributions subsequent to the measurement date	<u>453,038</u>	<u>1,435,502</u>	<u>1,888,540</u>
Total deferred outflows of resources	<u>\$ 502,179</u>	<u>\$ 1,662,130</u>	<u>\$ 2,164,309</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 937,108</u>	<u>\$ 4,355,079</u>	<u>\$ 5,292,187</u>

\$1,888,540 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	\$ (221,992)	\$ (1,032,113)	\$ (1,254,105)
2017	(221,992)	(1,032,113)	(1,254,105)
2018	(221,992)	(1,032,113)	(1,254,105)
2019	<u>(221,991)</u>	<u>(1,032,112)</u>	<u>(1,254,103)</u>
Total	<u>\$ (887,967)</u>	<u>\$ (4,128,451)</u>	<u>\$ (5,016,418)</u>

Actuarial Assumptions - SERS

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

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

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

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

Notes to the Basic Financial Statements

Wage inflation	3.25 percent
Future salary increases, including inflation	4 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:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long term expected real rate of return</u>
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	<u>15.00</u>	7.50
 Total	 <u>100.00 %</u>	

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

	1% Decrease (6.75%)	Current discount rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 8,237,536	\$5,773,828	\$3,071,635

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	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Notes to the Basic Financial Statements

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

	1% Decrease <u>(6.75%)</u>	Current discount rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
School District's proportionate share of the net pension liability	\$ 33,700,772	\$23,540,486	\$14,948,303

NOTE 12 - POST-EMPLOYMENT BENEFITS

School Employee Retirement System

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

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

Norton City School District

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. 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 School District's surcharge obligation was \$57,529.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$88,068, \$61,182, and \$59,012, respectively. For fiscal year 2015, 30.7 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$98,762, and \$97,536 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Notes to the Basic Financial Statements

NOTE 13 - LONG-TERM OBLIGATIONS

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

	Restated Balance <u>July 1</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30</u>	Due within <u>one year</u>
<u>Governmental activities</u>					
<u>General obligation bonds</u>					
2014A School improvement, 2 - 4.25%					
Serial and term bonds	\$ 12,940,000	\$ -	\$ -	\$ 12,940,000	\$ 10,000
Capital appreciation bonds	59,287	-	-	59,287	-
Accretion on bonds	233	13,320	-	13,553	-
Premium	315,729	-	(12,755)	302,974	-
2014B School improvement, 2 - 4%					
Serial bonds	9,770,000	-	-	9,770,000	10,000
Premium	152,053	-	(7,055)	144,998	-
Total bonds	<u>23,237,302</u>	<u>13,320</u>	<u>(19,810)</u>	<u>23,230,812</u>	<u>20,000</u>
<u>Other obligations</u>					
Compensated absences	878,330	109,490	(112,426)	875,394	128,978
Capital leases payable	79,902	-	(24,041)	55,861	25,121
Total other liabilities	<u>958,232</u>	<u>109,490</u>	<u>(136,467)</u>	<u>931,255</u>	<u>154,099</u>
<u>Net pension liability</u>					
STRS	28,041,273	-	(4,500,787)	23,540,486	-
SERS	6,784,328	-	(1,010,500)	5,773,828	-
Total net pension liability	<u>34,825,601</u>	<u>-</u>	<u>(5,511,287)</u>	<u>29,314,314</u>	<u>-</u>
Governmental activities					
Total long-term liabilities	<u>\$ 59,021,135</u>	<u>\$ 122,810</u>	<u>\$(5,667,564)</u>	<u>\$53,476,381</u>	<u>\$ 174,099</u>

General Obligation Bonds: During the fiscal year 2014, the School District issued \$12,999,287 and \$9,770,000 in School Improvement bonds. The School Improvement bonds are direct obligations of the School District for which its full faith and credit are pledged for repayment. The bonds were issued for providing resources for constructing, furnishing, and equipping a new high school and athletic complex with the first payment due on November 1, 2015. The bonds and interest are to be repaid by the debt service fund from the proceeds of property taxes collected from a levy that was approved by the taxpayers. On June 30, 2015, the School District had \$17,090,156 of unspent proceeds from these two bond issuances.

Compensated absences will be paid from the fund from which the employee is paid. In prior years, this fund has primarily been the general fund. Capital lease obligations will be paid from the general fund.

The School District pays pension obligations related to employee compensation from the fund benefitting from their service.

Norton City School District

Principal and interest requirements to amortize all bonds outstanding at June 30, 2015 are as follows:

Fiscal Year	School Improvement Bonds			
	Principal	Compounded Interest		Total
2016	\$ 20,000	\$ -	\$ 926,912	\$ 946,912
2017	20,000	-	926,512	946,512
2018	20,000	-	926,112	946,112
2019	310,000	-	922,812	1,232,812
2020	276,401	33,599	917,112	1,227,112
2021-2025	1,682,886	117,114	4,471,043	6,271,043
2026-2030	2,305,000	-	4,144,175	6,449,175
2031-2035	3,035,000	-	3,625,334	6,660,334
2036-2040	3,930,000	-	2,929,956	6,859,956
2041-2045	4,955,000	-	2,030,800	6,985,800
2046-2050	<u>6,215,000</u>	<u>-</u>	<u>778,737</u>	<u>6,993,737</u>
Total	<u>\$ 22,769,287</u>	<u>\$ 150,713</u>	<u>\$ 22,599,505</u>	<u>\$ 45,519,505</u>

NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In a prior fiscal year, the School District entered into a new capitalized lease for the acquisition of copiers. The terms of the agreements provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by generally accepted accounting standards, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by this lease have been capitalized as equipment in the amount of \$145,582, which is equal to the present value of the future minimum lease payments on the government-wide financial statements plus the trade in amount of the old copiers. Principal payments in the current fiscal year totaled \$24,041.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.

Fiscal Year	Lease Payments
2016	\$ 27,079
2017	27,079
2018	<u>4,513</u>
Total minimum lease payments	58,671
Less: amount representing interest	<u>(2,810)</u>
Total	<u>\$ 55,861</u>

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

The Metropolitan Regional Service Council (MRSC) is the computer service organization or Information Technology Center (ITC) used by the School District. MRSC is also known as Northeast Ohio Network for Educational Technology (NEOnet), which is the name used exclusively prior to their reorganization from a consortium to a council of governments. The superintendent from each member entity is appointed to the legislative body of MRSC known as the assembly. The assembly elects a board of directors consisting of nine members. These members comprise the managerial body of the council and meet at least five times yearly. The operations of MRSC are under the control of the board of directors and the executive director. The purpose of the MRSC is to develop and employ a computer system efficiently and effectively for the needs of the member school districts. All members are required to pay fees, charges and assessments as charged. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to MRSC are made from various funds. During fiscal year 2015, the School District contributed \$123,929 to MRSC. Financial information can be obtained by contacting the fiscal agent at 700 Graham Road, Cuyahoga Falls, Ohio 44221.

The Four Cities Educational Compact is a jointly governed organization that provides for the vocational and special education needs of the students of four participating school districts. The four-member board consists of the superintendent from each of the participating school districts. Students may attend any vocational or special education class offered by any of the four districts. If a student elects to attend a class offered by a school district other than the school district in which the student resides, the school district of residence pays an instructional fee to the school district that offered the class.

Wadsworth City School District serves as the fiscal agent for this organization, collecting fees and distributing payments. The committee exercises total control over the operation of the compact, including budgeting, appropriating, contracting and designating management. All revenues are generated from charges for services. Financial information can be obtained by contacting the Treasurer at the Wadsworth City School District, 360 College St., Wadsworth, Ohio 44281.

The Ohio Schools Council Association (Council) is a jointly governed organization among school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2015, the School District paid \$700 to the Council in the form of program membership fees and \$92,290 for natural gas purchases. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

Norton City School District

NOTE 16 – FUND DEFICITS

As of June 30, 2015, three nonmajor special revenue funds had deficit fund balances. This deficit was caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had a deficit at year-end:

	<u>Fund</u>	<u>Deficit</u>
IDEA Grant		\$ 853
Title I		18,664
Title II-A		375

NOTE 17 - CONTINGENT LIABILITIES

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

In the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

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 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 yet finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

NOTE 18 - SET-ASIDES

The School District is required by the state law to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. The School District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or levy proceeds related to the acquisition, replacement, enhancement, maintenance or repair of permanent improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

Notes to the Basic Financial Statements

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

The following information describes the change in the year-end set-aside amounts for capital maintenance.

	Capital Maintenance Reserve
Set-aside reserve balance as of June 30, 2014	\$ -
Current year set-aside requirement	419,572
Current year offsets	<u>(757,765)</u>
Total	<u>\$ (338,193)</u>
Set-aside balance carried forward to future fiscal years	<u>\$ -</u>

NOTE 19 – CONSTRUCTION COMMITMENTS

As of June 30, 2015, the School District has construction commitments for the new high school and athletic complex. These commitments are in the building and classroom facilities funds for \$1,855,455 and \$1,883,959 respectively.

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Required Supplementary Information

Norton City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
School Employees Retirement System (SERS) of Ohio		
School District's proportion of the net pension liability	0.114086%	0.114086%
School District's proportionate share of the net pension liability	\$ 5,773,828	\$ 6,784,328
School District's covered employee payroll	\$ 3,276,089	\$ 3,213,316
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	176.24%	211.13%
Plan fiduciary net position as a percentage of total pension liability	71.70%	65.52%
	<u>2014</u>	<u>2013</u>
State Teachers Retirement System (STRS) of Ohio		
School District's proportion of the net pension liability	0.9678099%	0.9678099%
School District's proportionate share of the net pension liability	\$ 23,540,486	\$ 28,041,273
School District's covered employee payroll	\$ 10,020,169	\$ 9,777,115
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	234.93%	286.81%
Plan fiduciary net position as a percentage of total pension liability	74.70%	69.30%

(1) Information prior to 2013 is not available and the amounts presented are as of the School District's measurement date which is the prior fiscal year end.

Norton City School District
Required Supplementary Information
Schedule of School District Contributions
Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
School Employees Retirement System (SERS) of Ohio			
Contractually required contribution	\$ 453,038	\$ 454,066	\$ 444,723
Contributions in relation to contractually required contribution	<u>(453,038)</u>	<u>(454,066)</u>	<u>(444,723)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered employee payroll	\$ 3,437,314	\$ 3,276,089	\$ 3,213,316
Contributions as a percentage of covered employee payroll	13.18%	13.86%	13.84%
	<u>2015</u>	<u>2014</u>	<u>2013</u>
State Teachers Retirement System (STRS) of Ohio			
Contractually required contribution	\$ 1,435,502	\$ 1,302,622	\$ 1,271,025
Contributions in relation to contractually required contribution	<u>(1,435,502)</u>	<u>(1,302,622)</u>	<u>(1,271,025)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered employee payroll	\$ 10,253,586	\$ 10,020,169	\$ 9,777,115
Contributions as a percentage of covered employee payroll	14.00%	13.00%	13.00%

(1) Information prior to 2013 is not available.

Norton City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2015

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

**NORTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Agriculture</u>					
Passed through State Department of Education					
<i>Child Nutrition Cluster</i>					
National School Breakfast Program	10.553	\$ 85,241	\$ 0	\$ 85,241	\$ 0
National School Lunch Program	10.555	416,820	68,608	416,820	68,608
<i>Total Child Nutrition Cluster</i>		<u>502,061</u>	<u>68,608</u>	<u>502,061</u>	<u>68,608</u>
Total U.S. Department of Agriculture		<u>502,061</u>	<u>68,608</u>	<u>502,061</u>	<u>68,608</u>
<u>U.S. Department of Education</u>					
Passed through State Department of Education					
<i>Title I School Subsidy Cluster</i>					
Title I - Financial Assistance to Meet Special Education					
Needs of Disadvantaged Children-Part A, ESEA	84.010	<u>272,523</u>	<u>0</u>	<u>263,462</u>	<u>0</u>
<i>Special Education Cluster</i>					
Special Education - Grants to States - IDEA Part B	84.027	422,314	0	422,314	0
Special Education - Grants to States - IDEA Part B-Preschool	84.173	<u>3,527</u>	<u>0</u>	<u>3,527</u>	<u>0</u>
<i>Total Special Education Cluster</i>		<u>425,841</u>	<u>0</u>	<u>425,841</u>	<u>0</u>
Title II-A - Improving Teacher Quality - State Grants	84.367	<u>85,707</u>	<u>0</u>	<u>69,569</u>	<u>0</u>
Total U.S. Department of Education		<u>784,071</u>	<u>0</u>	<u>758,872</u>	<u>0</u>
Total Expenditures of Federal Awards		<u>\$1,286,132</u>	<u>\$ 68,608</u>	<u>\$1,260,933</u>	<u>\$ 68,608</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**NORTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2: CHILD NUTRITION CLUSTER

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

NOTE 3: FOOD DONATION PROGRAM

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

NOTE 4: TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amount from 2014 to 2015 program.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2014 to 2015</u>
Improving Teacher Quality State Grant	84.367	\$ 4,244

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Norton City School District
Norton, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Norton City School District, Summit 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 Norton City School District, Ohio's basic financial statements and have issued our report thereon dated December 18, 2015, wherein we noted that the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, and restated its governmental net position at June 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Norton City School District, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Norton City School District, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the Norton City School District, Ohio's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Norton City School District, Ohio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Norton City School District, Ohio's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka,
CPA, President
James G. Zupka, CPA, Inc.
Certified Public Accountants

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2015.12.30 19:23:27 -05'00'

December 18, 2015

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Board of Education
Norton City School District
Norton, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on Compliance for Each Major Federal Program

We have audited the Norton City School District, Summit County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Norton City School District, Ohio's major federal program for the year ended June 30, 2015. The Norton City School District, Ohio's major federal program is identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Norton City School District, Ohio's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Norton City School District, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Norton City School District, Ohio's compliance.

Opinion on Each Major Federal Program

In our opinion, the Norton City School District, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Norton City School District, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Norton City School District, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Norton City School District, Ohio's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James G. Zupka, CPA,
President
James G. Zupka, CPA, Inc.
Certified Public Accountants

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G.
Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2015.12.30 19:23:45 -05'00'

December 18, 2015

**NORTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

2015(i)	Type of Financial Statement Opinion	Unmodified
2015(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2015(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2015(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2015(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2015(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2015(v)	Type of Major Program's Compliance Opinion	Unmodified
2015(vi)	Are there any reportable findings under .510(a)?	No
2015(vii)	Major Programs (list): Special Education Cluster: Special Education Grants to States - CFDA #84.027 Special Education Preschool Grants - CFDA #84.173	
2015(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2015(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**NORTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The prior audit report, as of June 30, 2014, included no citations or instances of noncompliance. Management letter recommendations were corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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Dave Yost • Auditor of State

NORTON CITY SCHOOL DISTRICT

SUMMIT 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
APRIL 12, 2016**