



Dave Yost • Auditor of State



**NORWALK CITY SCHOOL DISTRICT  
HURON COUNTY  
JUNE 30, 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Norwalk City School District  
Huron County  
134 Benedict Avenue  
Norwalk, Ohio 44857

To the Board of Education:

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

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norwalk City School District, Huron County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Norwalk City School District, Huron County, Ohio, as of June 30, 2016, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

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

***Other Matters***

*Supplemental Information*

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

*Other Information*

We applied no procedures to Management's Discussion and Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 27, 2017

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**Norwalk City School District**  
**Huron County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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The discussion and analysis of the Norwalk City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position increased \$969,248 primarily due to an increase in state foundation receipts in fiscal year 2016.
- Outstanding debt decreased from \$9,698,403 to \$8,938,117 through principal payments made during the current year, and a debt refunding.

***Using this Annual Report***

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the School District as a whole, 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 – Cash Basis* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2016, the general fund and the bond retirement fund are the School District's most significant funds.

***Basis of Accounting***

The School District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and investments and changes in cash and investments resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net position will be cash and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**Norwalk City School District**  
**Huron County, Ohio**  
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***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While this document contains 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 asks the question, "How did we do financially during fiscal year 2016?" The statement of net position and the statement of activities answer this question.

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 property tax base, current property tax laws in Ohio which restrict receipts growth, facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and food service operations.

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

*Fund Financial Statements*

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the general fund and the bond retirement fund.

**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 available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

***Reporting the School District's Fiduciary Responsibilities***

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Norwalk City School District**  
**Huron County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
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**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2016 compared to 2015.

**(Table 1)**  
**Net Position – Cash Basis**

	Governmental Activities	
	2016	2015
<b>Assets</b>		
Equity in Pooled Cash and Cash Investments	\$ 8,146,051	\$ 7,176,803
<b>Net Position</b>		
Restricted for:		
Capital Outlay	834,555	801,007
Debt Service	1,547,229	1,479,396
Other Purposes	286,028	306,167
Unrestricted	5,478,239	4,590,233
<i>Total Net Position</i>	<i>\$ 8,146,051</i>	<i>\$ 7,176,803</i>

Net position increased \$969,248 primarily due to an increase in state foundation receipts in fiscal year 2016.

A portion of the School District's net position, \$2,667,812 or 33 percent represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$5,478,239 may be used to meet the School District's ongoing obligations.

**Norwalk City School District**  
**Huron County, Ohio**  
*Management's Discussion and Analysis*  
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Table 2 shows the changes in net position for fiscal year 2016 as compared to fiscal year 2015.

**(Table 2)**  
**Changes in Net Position – Cash Basis**

	Governmental Activities	
	2016	2015
<b>Receipts</b>		
<b>Program Receipts</b>		
Charges for Services and Sales	\$ 1,645,288	\$ 1,743,540
Operating Grants, Contributions and Interest	4,425,473	4,091,316
Capital Grants and Contributions	909	0
<i>Total Program Receipts</i>	<u>6,071,670</u>	<u>5,834,856</u>
<b>General Receipts</b>		
Property Taxes	8,978,364	8,358,309
Income Taxes	2,057,340	1,956,017
Grants and Entitlements not Restricted to Specific Programs	14,680,163	13,495,448
Proceeds of General Obligation Bonds	8,390,000	0
Premium on Debt Issuance	355,265	0
Investment Earnings	34,923	30,963
Miscellaneous	263,964	274,147
<i>Total General Receipts</i>	<u>34,760,019</u>	<u>24,114,884</u>
<i>Total Receipts</i>	<u>40,831,689</u>	<u>29,949,740</u>
<b>Program Disbursements</b>		
Instruction:		
Regular	12,233,891	11,399,439
Special	3,757,528	3,603,131
Vocational	123,785	124,859
Adult/Continuing	529	15,311
Other	2,617,872	2,321,563
Support Services:		
Pupils	1,246,517	1,459,311
Instructional Staff	294,982	315,185
Board of Education	79,106	96,156
Administration	2,179,951	2,105,792
Fiscal	646,489	659,199
Business	48,027	59,633
Operation and Maintenance of Plant	2,674,738	2,622,159
Pupil Transportation	809,126	794,510
Central	754,609	723,985
Operation of Non-Instructional Services:		
Food Service Operations	945,897	946,692
Community Services	551,207	531,417
Adult Education	0	0
Extracurricular Activities	754,645	823,706
Capital Outlay	432,103	746,937
Debt Service:		
Principal Retirement	422,938	665,000
Interest and Fiscal Charges	547,037	359,823
Payment to Refunded Bond Escrow Agent	8,613,993	0
Issuance Costs	127,471	0
<i>Total Program Disbursements</i>	<u>39,862,441</u>	<u>30,373,808</u>
<i>Change in Net Position</i>	969,248	(424,068)
<i>Net Position Beginning of Year - Restated</i>	<u>7,176,803</u>	<u>7,600,871</u>
<i>Net Position End of Year</i>	<u>\$ 8,146,051</u>	<u>\$ 7,176,803</u>

**Norwalk City School District**  
**Huron County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
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The increase in unrestricted grants and entitlements is primarily due to a change in the formula calculating the School District's allocation of foundation funding from the state. The School District issued refunding general obligation bonds and used the proceeds to make a lump-sum payment to a refunded bond escrow agent to be used to pay off the refunded bonds. The increase in property taxes is due to both the increase in property valuation as well as fiscal year 2016 being the first full-year collection of the new emergency levy. The increase in regular instruction is primarily the result of increased costs in salaries and benefits while the increase other instruction disbursements is due to open enrollment.

**Governmental Activities**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements.

**(Table 3)**  
**Governmental Activities – Cash Basis**

	Total Costs of Services		Net Costs of Services	
	2016	2015	2016	2015
<b>Program Disbursements</b>				
Instruction:				
Regular	\$ 12,233,891	\$ 11,399,439	\$ 10,945,884	\$ 10,225,954
Special	3,757,528	3,603,131	1,020,856	953,490
Vocational	123,785	124,859	5,101	11,970
Adult/Continuing	529	15,311	529	918
Other	2,617,872	2,321,563	2,617,872	2,321,563
Support Services:				
Pupils	1,246,517	1,459,311	1,246,517	1,458,796
Instructional Staff	294,982	315,185	284,890	311,210
Board of Education	79,106	96,156	79,106	96,156
Administration	2,179,951	2,105,792	2,179,951	2,100,790
Fiscal	646,489	659,199	646,489	659,199
Business	48,027	59,633	48,027	59,633
Operation and Maintenance of Plant	2,674,738	2,622,159	2,673,829	2,622,097
Pupil Transportation	809,126	794,510	691,266	692,902
Central	754,609	723,985	743,251	713,185
Operation of Non-Instructional Services:				
Food Service Operations	945,897	946,692	14,538	61,522
Community Services	551,207	531,417	14,017	52,640
Adult Education	0	0	(519)	0
Extracurricular Activities	754,645	823,706	435,625	425,167
Capital Outlay	432,103	746,937	432,103	746,937
Debt Service:				
Principal Retirement	422,938	665,000	422,938	665,000
Interest and Fiscal Charges	547,037	359,823	547,037	359,823
Payment to Refunded Bond Escrow Agent	8,613,993	0	8,613,993	0
Issuance Costs	127,471	0	127,471	0
<b>Total</b>	<b>\$ 39,862,441</b>	<b>\$ 30,373,808</b>	<b>\$ 33,790,771</b>	<b>\$ 24,538,952</b>

**Norwalk City School District**  
**Huron County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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The dependence upon tax receipts and general receipts entitlements from the state for governmental activities is apparent. Program receipts only account for 15 percent of all governmental disbursements. The community is the largest area of support for the School District students.

***The School District's Funds***

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$8,146,051, which is higher than the prior year balance of \$7,176,803.

The general fund had an increase in fund balance of \$888,762 in fiscal year 2016. This is a result of increased receipts in foundation and property taxes partially offset by an increase in salaries and benefits as previously discussed.

The bond retirement fund's fund balance increased \$67,833 in 2016. This is a result of timing differences between receipts for and the disbursement of debt service payments. The refunding bonds did not have a significant impact on fund balance.

***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.

During the course of fiscal year 2016, the School District amended its general fund budget. For the general fund the original budgeted and final budget basis receipts were \$27,910,231. Actual receipts of \$27,050,748 were \$859,483 lower than the final budget. Of this variance, most was attributable to an overestimation of intergovernmental receipts.

For fiscal year 2016, the general fund original budget basis disbursements were \$28,970,406, which is \$2,013,158 higher than the final budgeted disbursements of \$26,957,248. Appropriations were originally estimated too high based on expected need, but were subsequently reduced to a more appropriate level based on School District's actual needs. Actual disbursements of \$26,373,997 were \$583,251 lower than the final budget due to conservative budgeting coupled with timing of repair and maintenance projects.

**Norwalk City School District**  
**Huron County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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***Debt Administration***

The School District had the following long-term obligations outstanding at June 30, 2016 and 2015.

**(Table 4)**

**Outstanding Debt, at June 30**

	Governmental Activities	
	2016	2015
<i>General Obligation Bonds</i>		
1999 High School Bonds	\$ 0	\$ 140,000
2006 Capital Improvement Refunding		
Serial Bonds	0	8,445,000
Capital Appreciation Bonds	187,051	354,989
Accretion on Capital Appreciation Bonds	476,066	758,414
2015 Capital Improvement Refunding Bonds	8,275,000	0
<i>Total</i>	\$ 8,938,117	\$ 9,698,403

For further information regarding the School District's debt, refer to Note 11 of the basic financial statements.

***Current Issues***

House Bill 64, Ohio's Biennial Budget, was signed into law by Governor Kasich on June 30, 2015. Norwalk City Schools is a "capped" district so only received an additional 7.5 percent of state aid in fiscal year 2016 and in fiscal year 2017. The effect of the loss of the TPP replacement is negligible to Norwalk City Schools.

The School District has two union agreements, one with Norwalk Teachers' Association (NTA) and one with OAPSE Local #269. The current contract is for three years, July 1, 2015 through June 30, 2018 and includes a 2.25%, 2.0%, and 2.25% base increase to salaries along with annual step increases. The medical insurance package was updated.

***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 any questions about this report or need additional financial information, contact the Treasurer of Norwalk City School District, 134 Benedict Avenue, Norwalk, OH 44857 or [treasurer@norwalktruckers.net](mailto:treasurer@norwalktruckers.net).

**Norwalk City School District**  
**Huron County, Ohio**  
*Statement of Net Position - Cash Basis*  
*June 30, 2016*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Investments	<u>\$ 8,146,051</u>
<b>Net Position</b>	
Restricted for:	
Capital Outlay	\$ 834,555
Debt Service	1,547,229
Other Purposes	286,028
Unrestricted	<u>5,478,239</u>
<i>Total Net Position</i>	<u>\$ 8,146,051</u>

See accompanying notes to the basic financial statements.



**Norwalk City School District**  
**Huron County, Ohio**  
*Statement of Activities - Cash Basis*  
*For the Fiscal Year Ended June 30, 2016*

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Receipts and Changes in Net Position
					Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 12,233,891	\$ 1,063,061	\$ 224,946	\$ 0	\$ (10,945,884)
Special	3,757,528	14,486	2,722,186	0	(1,020,856)
Vocational	123,785	0	118,684	0	(5,101)
Adult/Continuing	529	0	0	0	(529)
Other	2,617,872	0	0	0	(2,617,872)
Support Services:					
Pupils	1,246,517	0	0	0	(1,246,517)
Instructional Staff	294,982	0	10,092	0	(284,890)
Board of Education	79,106	0	0	0	(79,106)
Administration	2,179,951	0	0	0	(2,179,951)
Fiscal	646,489	0	0	0	(646,489)
Business	48,027	0	0	0	(48,027)
Operation and Maintenance of Plant	2,674,738	0	0	909	(2,673,829)
Pupil Transportation	809,126	46,013	71,847	0	(691,266)
Central	754,609	0	11,358	0	(743,251)
Operation of Non-Instructional Services:					
Food Service Operations	945,897	234,184	697,175	0	(14,538)
Community Services	551,207	0	537,190	0	(14,017)
Adult Education	0	0	519	0	519
Extracurricular Activities	754,645	287,544	31,476	0	(435,625)
Capital Outlay	432,103	0	0	0	(432,103)
Debt Service:					
Principal Retirement	422,938	0	0	0	(422,938)
Interest and Fiscal Charges	547,037	0	0	0	(547,037)
Payment to Refunded Bond Escrow Agent	8,613,993	0	0	0	(8,613,993)
Issuance Costs	127,471	0	0	0	(127,471)
<i>Totals</i>	<u>\$ 39,862,441</u>	<u>\$ 1,645,288</u>	<u>\$ 4,425,473</u>	<u>\$ 909</u>	<u>(33,790,771)</u>

**General Receipts**

Property Taxes Levied for:	
General Purposes	7,650,466
Debt Service	922,185
Capital Outlay	405,713
Income Taxes Levied for:	
General Purposes	2,057,340
Grants and Entitlements not Restricted to Specific Programs	14,680,163
Proceeds of General Obligation Bonds	8,390,000
Premium on Debt Issuance	355,265
Investment Earnings	34,923
Miscellaneous	263,964
<i>Total General Receipts</i>	<u>34,760,019</u>
<i>Change in Net Position</i>	969,248
<i>Net Position Beginning of Year</i>	<u>7,176,803</u>
<i>Net Position End of Year</i>	<u>\$ 8,146,051</u>

See accompanying notes to the basic financial statements.

**Norwalk City School District**  
**Huron County, Ohio**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2016*

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Investments	\$ 5,488,341	\$ 1,547,229	\$ 1,110,481	\$ 8,146,051
<b>Fund Balances</b>				
Nonspendable	\$ 9,786	\$ 0	\$ 0	\$ 9,786
Restricted	0	1,547,229	1,110,797	2,658,026
Committed	17,254	0	0	17,254
Assigned	201,049	0	0	201,049
Unassigned	5,260,252	0	(316)	5,259,936
<i>Total Fund Balances</i>	<u>\$ 5,488,341</u>	<u>\$ 1,547,229</u>	<u>\$ 1,110,481</u>	<u>\$ 8,146,051</u>

See accompanying notes to the basic financial statements.

**Norwalk City School District**  
**Huron County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balances - Cash Basis - Governmental Funds*  
*For the Fiscal Year Ended June 30, 2016*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 7,650,463	\$ 922,185	\$ 405,713	\$ 8,978,361
Income Taxes	2,057,340	0	0	2,057,340
Intergovernmental	15,935,970	134,395	2,934,784	19,005,149
Investment Income	34,923	0	1,330	36,253
Tuition and Fees	1,070,149	0	0	1,070,149
Extracurricular Activities	83,135	0	204,410	287,545
Gifts and Donations	30	0	100,039	100,069
Charges for Services	11,977	0	234,184	246,161
Rent	41,433	0	0	41,433
Miscellaneous	263,435	0	529	263,964
<i>Total Receipts</i>	<u>27,148,855</u>	<u>1,056,580</u>	<u>3,880,989</u>	<u>32,086,424</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	12,024,015	0	209,876	12,233,891
Special	2,321,562	0	1,435,966	3,757,528
Vocational	123,785	0	0	123,785
Adult/Continuing	0	0	529	529
Other	2,617,872	0	0	2,617,872
Support Services:				
Pupils	1,229,719	0	16,798	1,246,517
Instructional Staff	285,264	0	9,718	294,982
Board of Education	79,106	0	0	79,106
Administration	2,179,951	0	0	2,179,951
Fiscal	614,144	22,573	9,772	646,489
Business	48,027	0	0	48,027
Operation and Maintenance of Plant	2,662,340	0	12,398	2,674,738
Pupil Transportation	794,669	0	14,457	809,126
Central	743,251	0	11,358	754,609
Extracurricular Activities	508,205	0	246,440	754,645
Operation of Non-Instructional Services:				
Food Service Operations	0	0	945,897	945,897
Community Services	23,719	0	527,488	551,207
Capital Outlay	4,464	0	427,639	432,103
Debt Service:				
Principal Retirement	0	422,938	0	422,938
Interest and Fiscal Charges	0	547,037	0	547,037
Issuance Costs	0	127,471	0	127,471
<i>Total Disbursements</i>	<u>26,260,093</u>	<u>1,120,019</u>	<u>3,868,336</u>	<u>31,248,448</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>888,762</u>	<u>(63,439)</u>	<u>12,653</u>	<u>837,976</u>
<b>Other Financing Sources (Uses)</b>				
Refunding Bonds Issued	0	8,390,000	0	8,390,000
Premium on Rerunding Bonds Issued	0	355,265	0	355,265
Payment to Refunded Bond Escrow Agent	0	(8,613,993)	0	(8,613,993)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>131,272</u>	<u>0</u>	<u>131,272</u>
<i>Net Change in Fund Balances</i>	888,762	67,833	12,653	969,248
<i>Fund Balances Beginning of Year</i>	<u>4,599,579</u>	<u>1,479,396</u>	<u>1,097,828</u>	<u>7,176,803</u>
<i>Fund Balances End of Year</i>	<u>\$ 5,488,341</u>	<u>\$ 1,547,229</u>	<u>\$ 1,110,481</u>	<u>\$ 8,146,051</u>

See accompanying notes to the basic financial statements.

**Norwalk City School District**  
**Huron County, Ohio**  
*Statement of Receipts, Disbursements and Changes in*  
*Cash Basis Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2016*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts and Other Financing Sources	\$ 27,910,231	\$ 27,910,231	\$ 27,050,748	\$ (859,483)
Disbursements and Other Financing Uses	<u>28,970,406</u>	<u>26,957,248</u>	<u>26,373,997</u>	<u>583,251</u>
Net Change in Fund Balance	(1,060,175)	952,983	676,751	(276,232)
<i>Fund Balance Beginning of Year</i>	4,233,519	4,233,519	4,233,519	0
Prior Year Encumbrances Appropriated	<u>234,359</u>	<u>234,359</u>	<u>234,359</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 3,407,703</u>	<u>\$ 5,420,861</u>	<u>\$ 5,144,629</u>	<u>\$ (276,232)</u>

See accompanying notes to the basic financial statements.

**Norwalk City School District**  
**Huron County, Ohio**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2016*

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	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Investments	\$ 290,442	\$ 79,834
<b>Net Position</b>		
Held in Trust for Scholarships	\$ 290,442	\$ 0
Held for Student Activities	0	79,834
<i>Total Net Position</i>	\$ 290,442	\$ 79,834

See accompanying notes to the basic financial statements.

**Norwalk City School District**  
**Huron County, Ohio**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 9,933
Interest	1,037
Miscellaneous	53,986
<i>Total Additions</i>	64,956
 <b>Deductions</b>	
Payments in Accordance with Trust Agreements	70,155
<i>Change in Net Position</i>	(5,199)
<i>Net Position Beginning of Year</i>	295,641
<i>Net Position End of Year</i>	\$ 290,442

See accompanying notes to the basic financial statements.

**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT**

The Norwalk 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 is a city school district as defined by Section 3311.04 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District.

***Reporting Entity***

The reporting entity is required to be 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 obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units. Management believes the financial statements included in the report represent all of the funds of the School District over which the School District has the ability to exercise direct operating control.

The School District participates in two jointly governed organizations and an insurance purchasing pool. These organizations are the Bay Area Council of Governments (BACG), the Northern Ohio Educational Computer Association (NOECA), and the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program. These organizations are presented in Notes 7 and 12 to the basic financial statements. The Norwalk Public Library, a related organization, is presented in Note 13.

*Parochial Schools* - Within the School District boundaries, the Norwalk Catholic Schools are operated through the Toledo Catholic Diocese. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools and are accounted for in the auxiliary services fund.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**A. Basis of Accounting**

Although Ohio Administrative Code Section 117-2-03 (B) requires the School District's financial report to follow generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The School District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**B. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the School District's general receipts.

**2. Fund Financial Statements**

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



**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**C. Fund Accounting**

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

**1. Governmental Funds**

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's major governmental funds:

**General Fund** – The general fund accounts 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.

**Bond Retirement Fund** – The bond retirement debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

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 internally or externally.

**2. Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four categories: 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 private purpose trust funds include various scholarships and endowments. Agency funds are custodial in nature (assets equal net position) and do not involve measurement of results of operations. The School District's agency fund accounts for various student managed activities.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

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

***E. Cash and Investments***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Investments” on the financial statements.

During fiscal year 2016, investments were limited to STAR Ohio, certificates of deposit, a cash fund and federal securities. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

The School District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2016 were \$34,923, which includes \$12,572 interest assigned from other School District funds.

**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

***F. Property, Plant and Equipment***

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

***G. Compensated Absences***

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

***H. Long-term Obligations***

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

***I. Intergovernmental Receipts***

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets are recorded as receipts when the grant is received.

***J. Inventory and Prepaid Items***

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

***K. Employer Contributions to Cost-Sharing Pension Plans***

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

***L. Pensions***

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

**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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***M. Equity Classifications***

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net position and is displayed in separate components:

1. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the School District. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. At June 30, 2016, there was no net position restricted by enabling legislation.
2. Unrestricted net position – All other net position that do not meet the definition of “restricted.”

The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

FUND FINANCIAL STATEMENTS

Governmental fund equity is classified as fund balance. 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 governmental funds. The classifications are as follows:

- a. Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
- b. Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. 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.

**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

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

***N. Interfund Activity***

Transfers within governmental activities are eliminated on the government-wide financial statements.

During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources to be expended are recorded as transfers. The School District made no transfers during fiscal year 2016.
2. Reimbursements from one fund to another are treated as disbursements/expenses in the reimbursing fund and a reduction in disbursements/expense in the reimbursed fund.

***O. Receipts and Disbursements***

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, operating grants, capital grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities, and food service operations.

***P. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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***Q. Implementation of New Accounting Policies***

For the fiscal year ended June 30, 2016, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the School District.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School District.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School District.

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2016, the miscellaneous federal grants fund had a deficit balance in the amount of \$316. This deficit fund balance was created at June 30, 2016, as a result of the timing of grant disbursements.

**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**B. Compliance**

Ohio Administrative Code, Section 117-2-03 (B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2016, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows, liabilities, deferred inflows, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

The statement of receipts, disbursements and changes in fund balance - budget and actual (budget basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- a. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- b. Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the cash basis for the general fund are as follows:

Net Change in Fund Balance	
	<u>General Fund</u>
Cash Basis	\$ 888,762
Funds Budgeted Elsewhere**	(12,581)
Adjustment for Encumbrances	(199,430)
Budget Basis	\$ 676,751

\*\* As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes public school support fund, faculty funds, wellness plan fund, uniform school supplies fund and unclaimed monies.

**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**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 that the Board of Education has identified as not required for use within the current two 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 not more than one year from the date of deposit or by savings or deposit accounts.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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.

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;



**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed 40 percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Cash on Hand:** At year end, the School District had \$50 in undeposited cash on hand which is included on the financial statements as part of equity in pooled cash and investments.

**Deposits:** Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. At fiscal year-end, the carrying amount of the School District's deposits was \$4,752,899. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2016, none of the School District's bank balance of \$5,179,086 was exposed to custodial risk. \$4,912,350 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$4,010,864 held in a STAR Plus account. The remaining bank balance was collateralized with pledged securities held in the name of the School District.

**Investments**

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

S&P Global Ratings		Cost	Investment Maturities	
			(in months) 0 - 12	% Investments
AAAm	STAROhio	3,015,253	3,015,253	80.1%
AA+	Federal National Mortgage Association	748,125	748,125	19.9%
Totals		<u>\$ 3,763,378</u>	<u>\$ 3,763,378</u>	<u>100.0%</u>

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

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**Credit Risk:** The credit ratings of the School District's investments are listed above. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2016, is 49 days.

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

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the 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 has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

## **NOTE 6 – PROPERTY TAXES AND INCOME TAXES**

### ***A. Property Taxes***

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 and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2016 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Huron County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 300,243,490	96.22%	\$ 305,352,090	96.20%
Public Utility Personal Property	11,810,410	3.78%	12,068,110	3.80%
Total Assessed Valuation	<u>\$ 312,053,900</u>	<u>100.00%</u>	<u>\$ 317,420,200</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 48.90</u>		<u>\$ 48.90</u>	

***B. Income Taxes***

The School District has a 0.5 percent income tax levy that is collected on earned income. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the general fund.

**NOTE 7 – RISK MANAGEMENT**

***A. Workers' Compensation***

The School District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Program. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the program. The intent of the Program is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Program. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the Program.

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***B. 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. The School District maintains comprehensive insurance coverage with Dawson Insurance for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has not been a significant reduction in insurance coverage from the prior year.

***C. Employee Medical***

In October 1981, the School District joined together with several other School Districts in two counties to form the Huron-Erie School Employees Insurance Association (HESEIA), a public entity risk pool. Monthly payments are made to the Association for health, dental and vision insurance coverage. The pool agreement provides that HESEIA will be self-sustaining through member premiums, and HESEIA will purchase stop-loss insurance policies from commercial insurance carriers to cover any yearly claims in excess of 120 percent of the prior year's aggregate claims. Financial information can be obtained by writing to the North Point Educational Service Center, 1210 East Bogart Road, Sandusky, Ohio 44870.

**NOTE 8 – OTHER EMPLOYEE BENEFITS**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 10 to 25 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent, Treasurer, Assistant Superintendent, Director of Support Services, Food Service Director and High School Principal.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Accumulation of sick leave is unlimited for all groups. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 85 days. Certified and classified employees earn ½ day irrevocable severance if they do not use their 2 days of personal leave in any given year. In addition, classified employees may earn an additional 1-2 days of irrevocable severance days if only 0-6 days of sick leave are used within a year. The accumulated irrevocable severance is paid to employees upon termination of employment.

**NOTE 9 – PENSION PLANS**

***Net Pension Liability***

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.

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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.

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.

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The School District's contractually required contribution to SERS was \$477,885 for fiscal year 2016.

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

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

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

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

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

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

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

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, 2016, plan members were required to contribute 13 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 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,600,008 for fiscal year 2016.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.11381030%	0.10218900%	
Proportion of the Net Pension Liability Current Measurement Date	0.10988812%	0.10122850%	
Change in Proportionate Share	-0.00392218%	-0.00096050%	
Proportionate Share of the Net Pension Liability	\$ 30,369,862	\$ 5,776,196	\$ 36,146,058

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***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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



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

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment 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.

**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	\$ 8,009,509	\$ 5,776,196	\$ 3,895,563

***Changes Between Measurement Date and Report Date***

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District's net pension liability is expected to be significant.

***Actuarial Assumptions - STRS***

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

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Inflation	2.75 percent
Projected salary increase	2.75 percent at 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2.00 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, 2015, 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:

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

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

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

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 42,186,029	\$ 30,369,862	\$ 20,377,530

**NOTE 10: POSTEMPLOYMENT BENEFITS**

***A. School Employees Retirement System***

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were \$52,231, \$83,494 and \$55,590, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

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**B. 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](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. 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 2016, 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, 2016, 2015, and 2014 were \$0, \$0, and \$125,252, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**NOTE 11 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during the year consist of the following:

	Balance 6/30/2015	Additions	Reductions	Balance 6/30/2016	Amounts Due in One Year
<b>Governmental Activities:</b>					
General Obligation Bonds:					
1999 High School Serial Bonds					
\$6,369,891 at 3.0% - 4.7%	\$ 140,000	\$ 0	\$ 140,000	\$ 0	\$ 0
2006 Refunding Bonds					
Serial Bonds \$9,145,000					
at 3.5% - 4.1%	8,445,000	0	8,445,000	0	0
Capital Appreciation Bonds	354,989	0	167,938	187,051	187,051
Accretion of Interest	758,414	109,714	392,062	476,066	476,066
2015 Refunding Bonds					
Serial Bonds \$8,390,000					
at 1.25% - 3.0%	0	8,390,000	115,000	8,275,000	125,000
<i>Total Governmental Activities</i>	<u>\$ 9,698,403</u>	<u>\$ 8,499,714</u>	<u>\$ 9,260,000</u>	<u>\$ 8,938,117</u>	<u>\$ 788,117</u>

*1999 Additions/Facilities*

On March 1, 1999, the School District issued general obligation bonds for the construction of a new high school. The bond issue consisted of serial and capital appreciation bonds. Only the serial bonds remain outstanding during the fiscal year. These bonds are not subject to early redemption. The serial bonds matured in December 2015.

**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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*2006 School Improvement Refunding Bonds*

On February 1, 2006, the School District issued \$9,499,989 refunding general obligation bonds. The proceeds of the bonds were used to refund \$9,499,989 of the School District's outstanding Capital Improvement Bonds. The bonds were issued for a 20 year period with final maturity at December 1, 2026. At the date of the refunding, \$9,818,075 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased. The defeased bonds were optionally redeemed on December 1, 2009.

The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$1,085,728. The issuance resulted in an economic gain of \$734,114.

The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption.

The capital appreciation bonds mature December 1, 2015 and 2016. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$1,265,000.

*2015 Unlimited Tax Refunding Bonds*

On September 3, 2015, the School District issued \$8,390,000 of general obligation serial bonds. The bonds refunded \$8,445,000 of outstanding 2006 Refunding Bonds. The bonds were issued for a ten-year period with final maturity at December 1, 2025.

At the date of refunding, \$8,613,993 (including premium and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2006 Refunding Bonds.

The refunding bonds were issued with a premium of \$355,265 which is reported as a receipt. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$223,993. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$1,131,183. The issuance resulted in an economic gain of \$924,226. As a result, the refunded bonds are considered to be defeased. The principal balance outstanding on the defeased bonds was \$8,445,000 at June 30, 2016.

General obligation bonds will be paid from the bond retirement fund.

**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

Fiscal Year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2017	\$ 125,000	\$ 202,457	\$ 187,051	\$ 517,949	\$ 312,051	\$ 720,406
2018	835,000	196,457	0	0	835,000	196,457
2019	840,000	184,938	0	0	840,000	184,938
2020	855,000	171,157	0	0	855,000	171,157
2021	870,000	150,625	0	0	870,000	150,625
2022 - 2026	4,750,000	347,259	0	0	4,750,000	347,259
<b>Total</b>	<b>\$ 8,275,000</b>	<b>\$ 1,252,893</b>	<b>\$ 187,051</b>	<b>\$ 517,949</b>	<b>\$ 8,462,051</b>	<b>\$ 1,770,842</b>

**NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Bay Area Council of Governments (BACG)**

The BACG is a jointly governed organization. Members of the BACG consist of various districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The item currently being purchased through the council of governments is natural gas. The only cost to the School District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each district. The Board of Directors of the BACG consists of one elected representative from each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent.)

Members of the Board serve two year terms that are staggered. Financial information can be obtained by contacting Betty Schwiefert, who serves as fiscal agent, at 1210 East Bogart Road, Sandusky, Ohio 44870. The School District did not pay any fees to BACG during fiscal year 2016.

**B. Northern Ohio Educational Computer Association (NOECA)**

NOECA is a jointly governed organization among various districts, formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidation's in a ratio proportionate to their last twelve months' financial contributions. NOECA is governed by a Board of Directors consisting of superintendents of the member districts. The degree of control exercised by any participating district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the School District does not have an equity interest in NOECA because the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. The School District paid \$9,247 to NOECA during fiscal year 2016. Financial information can be obtained by contacting NOECA at 1210 East Bogart Road, Sandusky, Ohio 44870.

**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 13 – RELATED ORGANIZATION**

***Norwalk Public Library***

The School District is not involved in budgeting or management of the Norwalk Public Library facilities, nor does it subsidize or finance the operation of the library. The selection of directors and budget approval is conducted merely to comply with state code requirements.

**NOTE 14 – CONTINGENCIES AND SIGNIFICANT COMMITMENTS**

***A. Grants***

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

***B. Litigation***

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

***C. Encumbrance Commitments***

Outstanding encumbrances for governmental funds include \$200,299 for the general fund and \$37,658 in nonmajor governmental funds.

***D. School District Funding***

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

**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 15 - SET-ASIDES**

Substitute House Bill 412, as amended, required the School District to “set aside” certain percentages of defined revenues for capital improvement and maintenance expenditures. As of April 10, 2001, any money on hand in a School District’s budget reserve set-aside account may at the discretion of the Board be returned to the School District’s general fund or may be left in the account and used by the Board to offset any budget deficit the School District may experience in future years. The amendment places special conditions on any refunds or rebates from the Bureau of Workers’ Compensation. These monies are to be used to offset a budget deficit for school facility construction, renovation or repair, for the textbooks or instructional materials; for purchase of school buses; or for teachers’ professional development. During the fiscal year ended June 30, 2016, the reserve activity (cash basis) was as follows:

	Budget Stabilization	Capital Improvement	Totals
Set Aside Balance as of June 30, 2015	\$ 642,743	\$ 0	\$ 642,743
Current Year Set-Aside Requirement	0	499,427	499,427
Current Year Qualifying Disbursements	0	(445,046)	(445,046)
Prior Year Offset from Bond Proceeds	0	(54,381)	(54,381)
Total	\$ 642,743	\$ 0	\$ 642,743
Balance Carried Forward to FY 2017	\$ 642,743	\$ 0	\$ 642,743

The School District had qualifying disbursements during the fiscal year and prior year offsets from bond proceeds that reduced the set-aside amount to zero for the capital acquisition set-aside. The School District has prior year bond proceeds in connection with a school facilities project that may be carried forward to offset future set-aside requirements. The remaining balance of these bond proceeds as of June 30, 2016 is \$15,248,035.

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**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 16 – FUND BALANCE**

Fund balance can be classified as non-spendable, 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 governmental funds.

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

	General	Bond Retirement	Other Governmental Funds	Total
Nonspendable for:				
Unclaimed Funds	\$ 9,786	\$ 0	\$ 0	\$ 9,786
Restricted for:				
Debt Service	0	1,547,229	0	1,547,229
Capital Outlay	0	0	834,555	834,555
Food Service	0	0	14,129	14,129
Extracurricular Activities	0	0	126,278	126,278
Local Grants	0	0	94,278	94,278
State Programs	0	0	40,239	40,239
Federal Programs	0	0	1,318	1,318
Total Restricted	<u>0</u>	<u>1,547,229</u>	<u>1,110,797</u>	<u>2,658,026</u>
Committed for:				
Wellness Fund	<u>17,254</u>	<u>0</u>	<u>0</u>	<u>17,254</u>
Assigned for:				
Encumbrances:				
Instruction	200,299	0	0	200,299
Subsequent Year Appropriations	750	0	0	750
Total Assigned	<u>201,049</u>	<u>0</u>	<u>0</u>	<u>201,049</u>
Unassigned	<u>5,260,252</u>	<u>0</u>	<u>(316)</u>	<u>5,259,936</u>
<i>Total Fund Balance</i>	<u><u>\$ 5,488,341</u></u>	<u><u>\$ 1,547,229</u></u>	<u><u>\$ 1,110,481</u></u>	<u><u>\$ 8,146,051</u></u>

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**NORWALK CITY SCHOOL DISTRICT  
HURON COUNTY**

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

<b>FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<b><i>Passed Through Ohio Department of Education:</i></b>		
<u>Child Nutrition Cluster:</u>		
School Breakfast Program	10.553	\$ 108,684
National School Lunch Program		
Non-Cash Assistance (Food Distribution)	10.555	97,015
Cash Assistance	10.555	<u>574,432</u>
Total National School Lunch Program		<u>671,447</u>
Total Child Nutrition Cluster		<u>780,131</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>780,131</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<b><i>Passed Through Ohio Department of Education:</i></b>		
<u>Special Education Cluster (IDEA):</u>		
Special Education - Grants to States	84.027	704,514
Special Education - Preschool Grants	84.173	<u>28,900</u>
Total Special Education Cluster (IDEA)		<u>733,414</u>
Title I Grants to Local Educational Agencies	84.010	692,990
Teacher Quality Partnership Grants	84.336	111,293
Improving Teacher Quality State Grants	84.367	<u>21,065</u>
<b>Total U.S. Department of Education</b>		<b><u>1,558,762</u></b>
<b>Total Expenditures of Federal Awards</b>		<b><u>\$ 2,338,893</u></b>

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

**NORWALK CITY SCHOOL DISTRICT  
HURON COUNTY**

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

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Norwalk City School District (the District) under programs of the federal government for the fiscal year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C – CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

Norwalk City School District  
Huron County  
134 Benedict Avenue  
Norwalk, Ohio 44857

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norwalk City School District, Huron County, Ohio (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 27, 2017, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

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

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2016-001.

***Entity's Response to Finding***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 27, 2017



# Dave Yost • Auditor of State

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

Norwalk City School District  
Huron County  
134 Benedict Avenue  
Norwalk, Ohio 44857

To the Board of Education:

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

We have audited Norwalk City School District, Huron County, Ohio's (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Norwalk City School District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

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

The District's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Norwalk City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2016.

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

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 27, 2017



**NORWALK CITY SCHOOL DISTRICT  
HURON COUNTY**

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

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

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

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

**FINDING NUMBER 2016-001**

**Noncompliance**

**Ohio Rev. Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year.

**Ohio Admin. Code § 117-2-03(B)**, which further clarifies the requirements of **Ohio Rev. Code § 117.38**, requires school districts to file annual financial reports which are prepared using generally accepted accounting principles in the United States of America.

As a cost savings measure, the District prepared financial statements on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure the financial report is prepared in accordance with generally accepted accounting principles in the United States of America.

**Officials' Response:**

The District plans to continue reporting on the cash basis of accounting due to the cost requirement of preparing these financial statements according to Generally Accepted Accounting Principles (GAAP).

**3. FINDINGS FOR FEDERAL AWARDS**

None

**NORWALK CITY SCHOOL DISTRICT  
HURON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than accounting principles generally accepted in the United States of America.	Not corrected and reissued as Finding 2016-001 in this report.	Please refer to Officials' Response to Finding 2016-001.

NORWALK CITY SCHOOL DISTRICT  
HURON COUNTY

CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
JUNE 30, 2016

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	No corrective action planned. Please refer to Officials' Response to Finding 2016-001.	N/A	Joyce Dupont, Treasurer



# Dave Yost • Auditor of State

**NORWALK CITY SCHOOL DISTRICT**

**HURON 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 11, 2017**