

NORWOOD CITY SCHOOL DISTRICT



Basic Financial Statements

June 30, 2015



Dave Yost • Auditor of State

Board of Education
Norwood City School District
2132 Williams Avenue
Norwood, Ohio 45212

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

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

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

Dave Yost
Auditor of State

January 29, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Norwood City School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Norwood City School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 16 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension liabilities and pension contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 3, 2015

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

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

Financial Highlights

Key financial highlights for 2015 are as follows:

- Net position of governmental activities increased \$1,590,704 which represents a 7% increase from 2014.
- General revenues accounted for \$25,258,232 in revenue or 83% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,171,905 or 17% of total revenues of \$30,430,137.
- The District had \$28,839,433 in expenses related to governmental activities; \$5,171,905 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$25,258,232 were also used to provide for these programs.

Overview of the Financial Statements

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2015?" The Government-wide Financial Statements answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Norwood City School District
Management's Discussion and Analysis
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(Unaudited)

These two statements report the District's net position and changes in those assets. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major funds begins on the balance sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds Most of the 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 an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

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

The District as a Whole

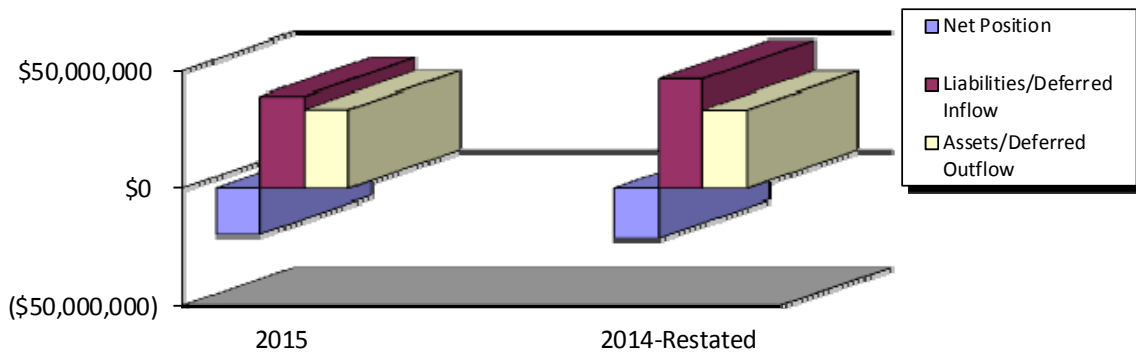
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for fiscal year 2015 compared to fiscal year 2014:

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**Norwood City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

**Table 1
Net Position**

	Governmental Activities	
	2015	2014-Restated
Assets:		
Current and Other Assets	\$26,323,773	\$26,052,428
Capital Assets	7,135,040	7,261,028
Total Assets	33,458,813	33,313,456
Deferred Outflows of Resources:		
Pension	2,448,139	1,998,186
Total Deferred Outflows of Resources	2,448,139	1,998,186
Liabilities:		
Other Liabilities	3,080,542	3,807,759
Long-Term Liabilities	36,333,495	42,681,878
Total Liabilities	39,414,037	46,489,637
Deferred Inflows of Resources:		
Property Taxes	9,751,401	9,689,322
Grants and Other Taxes	656,000	475,000
Pension	5,837,127	0
Total Deferred Inflows of Resources	16,244,528	10,164,322
Net Position:		
Net Investment in Capital Assets	4,323,797	5,765,678
Restricted	489,758	2,420,181
Unrestricted	(24,565,168)	(29,528,176)
Total Net Position	(\$19,751,613)	(\$21,342,317)



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(Unaudited)

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net

Norwood City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
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pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$14,802,110 to \$(21,342,317).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$(19,751,613)

At year-end, capital assets represented 21% of total assets. Capital assets include land, construction in progress, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2015, were \$4,323,797. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$489,758 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Net position of governmental activities increased \$1,590,704 from 2014 to 2015. Total assets remained constant to the prior year. Long-Term liabilities decreased from 2014 to 2015 due to the decrease in Net Pension Liability.

Table 2 shows the changes in net position for fiscal years 2015 and 2014.

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

Table 2
Changes in Net Position

	Governmental Activities	
	2015	2014-Restated
Revenues:		
Program Revenues		
Charges for Services	\$608,386	\$587,139
Operating Grants, Contributions	4,563,519	4,651,278
General Revenues:		
Property Taxes	14,209,409	14,984,486
Grants and Entitlements	9,702,292	9,563,690
Other	1,346,531	981,040
Total Revenues	<u>30,430,137</u>	<u>30,767,633</u>
Expenses:		
Instruction	19,063,278	18,016,379
Support Services:		
Pupil and Instructional Staff	2,694,007	2,778,581
School Administrative, General		
Administration and Fiscal	2,209,663	2,140,673
Operations and Maintenance	2,379,710	2,708,066
Pupil Transportation	521,225	544,670
Central	115,204	171,667
Operation of Non-Instructional Services	1,239,269	1,046,595
Extracurricular Activities	552,951	521,450
Interest and Fiscal Charges	64,126	84,040
Total Expenses	<u>28,839,433</u>	<u>28,012,121</u>
Changes in Net Position	1,590,704	2,755,512
Net Position - Beginning of Year, Restated	<u>(\$21,342,317)</u>	N/A
Net Position - End of Year	<u>(\$19,751,613)</u>	<u>(\$21,342,317)</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of \$1,998,186 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of \$1,548,247. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

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Management's Discussion and Analysis
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(Unaudited)

Total 2015 program expenses under GASB 68	\$28,839,433
Program expenses under GASB 68	(1,548,247)
2015 contractually required contributions	<u>2,144,065</u>
Adjusted 2015 program expenses	29,435,251
Total 2014 program expenses under GASB 27	28,012,121
Increase in program expenses not related to pension	<u><u>\$1,423,130</u></u>

Of the total governmental activities revenues of \$30,430,137, \$5,171,905 is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, \$14,209,409 (56%) comes from property tax levies and \$9,702,292 (38%) is from state funding. This District's operations are reliant upon its property tax levy and the state's foundation program.

The District revenues are mainly from two sources. Property taxes levied for general purposes and grants and entitlements comprised 79% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

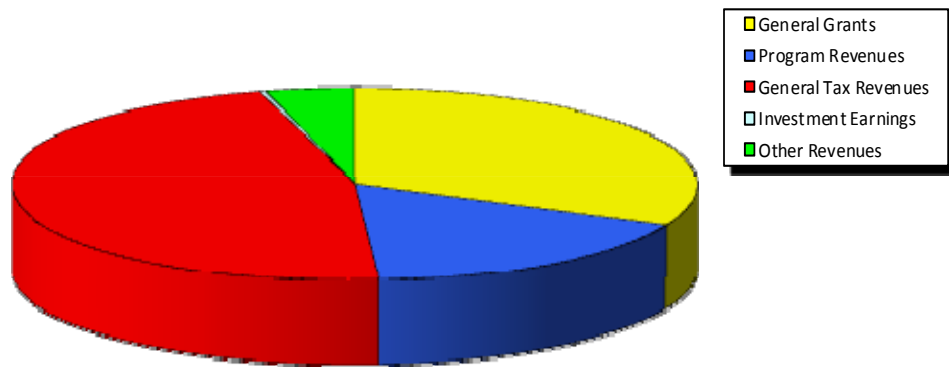
Thus Ohio districts do not collect additional property tax revenue on the increased value of homes that is due to appreciation and must regularly return to the voters to maintain a constant level of service. Property taxes made up 47% of revenue for governmental activities for the District in fiscal year 2015.

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**Norwood City School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

**Governmental Activities
Revenue Sources**

Revenue Sources	2015	Percentage
General Grants	\$9,702,292	31.88%
Program Revenues	5,171,905	16.99%
General Tax Revenues	14,209,409	46.70%
Investment Earnings	89,223	0.30%
Other Revenues	1,257,308	4.13%
	<u>\$30,430,137</u>	<u>100.00%</u>



Instruction comprises 66% of governmental program expenses. Support services expenses were 27% of governmental program expenses. All other program expenses including interest expense were 7%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Property tax revenue decreased in 2015 compared to 2014. Total expenses increased from 2014 to 2015 mainly due to the increase of operations and maintenance.

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 government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

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**Norwood City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	\$19,063,278	\$18,016,379	(\$15,524,113)	(\$14,217,771)
Support Services:				
Pupil and Instructional Staff	2,694,007	2,778,581	(1,869,006)	(1,943,082)
School Administrative, General				
Administration and Fiscal	2,209,663	2,140,673	(1,974,602)	(2,139,031)
Operations and Maintenance	2,379,710	2,708,066	(2,354,926)	(2,659,268)
Pupil Transportation	521,225	544,670	(410,452)	(422,738)
Central	115,204	171,667	(61,616)	(112,885)
Operation of Non-Instructional Services	1,239,269	1,046,595	(1,019,924)	(817,604)
Extracurricular Activities	552,951	521,450	(388,763)	(377,285)
Interest and Fiscal Charges	64,126	84,040	(64,126)	(84,040)
Total Expenses	<u>\$28,839,433</u>	<u>\$28,012,121</u>	<u>(\$23,667,528)</u>	<u>(\$22,773,704)</u>

The District's Funds

The District has two major governmental funds: the General Fund and the Capital Projects Fund. Assets of the general fund comprised \$22,122,250 (83%), and assets of the capital projects fund comprised \$3,521,748 (13%) of the total \$26,542,302 governmental funds assets.

General Fund: Fund balance at June 30, 2015 was \$8,275,482, an increase in fund balance of \$843,776 from 2014. The primary reason for the increase in fund balance was an increase in cash and investments.

Capital Projects Fund: Fund balance at June 30, 2015 was \$3,169,877, an increase in fund balance of \$339,999 from 2014. The primary reason for the increase in fund balance was due to a decrease in expenditures and an increase of other financing sources.

General Fund Budgeting Highlights

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

During the course of fiscal year 2015, the District amended its general fund budget at times, however none were significant. The District's budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the final budgeted revenue was \$26,432,664 and the original budgeted revenue was \$24,593,933. Final budget basis revenues exceeded actual budgeted basis by \$1,838,731 mainly due to the conservative estimates for taxes and intergovernmental revenue.

Norwood City School District
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(Unaudited)

The District's final budgeted revenue when compared to the actual revenue and expenditures did not have any significant variances. The final budgeted expenditures exceeded actual budgeted basis expenditures by \$750,622 mainly due to over estimates in instruction expenditures. The District's ending unobligated actual fund balance for the General fund was \$4,913,045.

Capital Assets and Long-Term Obligations

Capital Assets

At the fiscal year end, the District had \$7,135,040 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2015 balances compared to fiscal year 2014:

Table 4
Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities	
	2015	2014
Land	\$524,809	\$524,809
Construction In Progress	0	76,446
Buildings and Improvements	5,078,512	4,830,322
Equipment	1,531,719	1,829,451
Total Net Capital Assets	<u>\$7,135,040</u>	<u>\$7,261,028</u>

Overall, capital assets decreased due to depreciation expense being more than current fiscal year additions.

See note 5 in the notes to the basic financial statements for further details on the District's capital assets.

Long-Term Obligations

At June 30, 2015, the District had \$2,925,000 in long-term bonds, \$487,500 due within one year. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2015	2014
2013 Bonds	\$2,925,000	\$3,412,500
Copier Lease	0	83,025
Total	<u>\$2,925,000</u>	<u>\$3,495,525</u>

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(Unaudited)

See note 10 in the notes to the basic financial statements for further details on the District's outstanding debt.

For the Future

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not "equitable" nor "adequate". The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court's concerns.

In July, 2009, the Ohio's Governor signed HB 1, the state biennium budget bill. Included in this bill was a complete overhaul of the school funding model for all school districts in Ohio. The new Ohio Evidence-Based Model (OEBM) replaces the long-standing foundation formula that was declared unconstitutional by the Ohio Supreme Court. If ever fully-funded, the new model has the potential to drive funding based on student needs and could result in additional revenue. However, the current economic crisis has reduced revenue at the state level prompting budget reduction measures across the State. As such, the funding for the OEBM started in FY10 by allocating the funding for each year based on 99% of the FY09 funding and 98% of the FY10 funding, respectively. Federal stimulus funds are being used in Ohio to balance the education budget and as such, funding for public education at the current level is not secure beyond FY11. This uncertainty could have a major impact on our instructional and operational programs. The need for additional revenue and or expenditure reductions will need to be monitored closely.

On June 30, 2013, Ohio's Governor signed HB 153, the state biennium budget bill. The Governor has indicated that he will prepare a new school funding model for Ohio school districts for fiscal year 2012-13. At this time, we do not know the details of the changes or the impact that these changes may have on our future state funding. This uncertainty could have an impact on our instructional and operational programs. The need for additional revenue and or expenditure reductions will need to be closely monitored.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District cut operating expenses by \$1.7 million in FY2011 and passed a 3.4 mill 10-year emergency levy.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

**Norwood City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at Norwood City School District, 2132 Williams Avenue, Norwood, Ohio 45212.

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

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$8,470,936
Restricted Cash and Investments	20,000
Receivables (Net):	
Taxes	16,604,759
Accounts	101,357
Interest	123
Intergovernmental	1,116,474
Inventory	10,124
Nondepreciable Capital Assets	524,809
Depreciable Capital Assets, Net	<u>6,610,231</u>
 Total Assets	 <u>33,458,813</u>
Deferred Outflows of Resources:	
Pension	<u>2,448,139</u>
 Total Deferred Outflows of Resources	 <u>2,448,139</u>
Liabilities:	
Accounts Payable	290,583
Accrued Wages and Benefits	2,539,431
Contracts Payable	245,531
Accrued Interest Payable	4,997
Long-Term Liabilities:	
Due Within One Year	685,550
Due In More Than One Year:	
Net Pension Liability	32,159,621
Other Amounts	<u>3,488,324</u>
 Total Liabilities	 <u>39,414,037</u>
Deferred Inflows of Resources:	
Property Taxes	9,751,401
Grants and Other Taxes	656,000
Pension	<u>5,837,127</u>
 Total Deferred Inflows of Resources	 <u>16,244,528</u>
Net Position:	
Net Investment in Capital Assets	4,323,797
Restricted for:	
Local Grants	32,838
District Managed Student Activity	45,145
State Grants	195,077
Federal Grants	20,989
Nonexpendable	20,000
Expendable	26,089
Capital Projects	113,757
Other Purposes	35,863
Unrestricted	<u>(24,565,168)</u>
 Total Net Position	 <u><u>(\$19,751,613)</u></u>

See accompanying notes to the basic financial statements.

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

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$12,851,000	\$207,666	\$1,207,884	(\$11,435,450)
Special	4,997,887	113,065	1,857,789	(3,027,033)
Vocational	0	0	7,470	7,470
Other	1,214,391	29,574	115,717	(1,069,100)
Support Services:				
Pupil	1,966,447	0	398,567	(1,567,880)
Instructional Staff	727,560	0	426,434	(301,126)
General Administration	14,732	0	0	(14,732)
School Administration	1,618,943	0	235,061	(1,383,882)
Fiscal	575,988	0	0	(575,988)
Operations and Maintenance	2,379,710	24,784	0	(2,354,926)
Pupil Transportation	521,225	0	110,773	(410,452)
Central	115,204	0	53,588	(61,616)
Operation of Non-Instructional Services	1,239,269	69,109	150,236	(1,019,924)
Extracurricular Activities	552,951	164,188	0	(388,763)
Interest and Fiscal Charges	64,126	0	0	(64,126)
Totals	\$28,839,433	\$608,386	\$4,563,519	(23,667,528)

General Revenues:

Property Taxes Levied for:

General Purposes	14,209,409
Grants and Entitlements, Not Restricted	9,702,292
Revenue in Lieu of Taxes	656,316
Unrestricted Contributions	110,464
Investment Earnings	89,223
Other Revenues	490,528

Total General Revenues 25,258,232

Change in Net Position 1,590,704

Net Position - Beginning of Year, Restated (21,342,317)

Net Position - End of Year (\$19,751,613)

See accompanying notes to the basic financial statements.

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

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$4,631,358	\$3,421,748	\$417,830	\$8,470,936
Restricted Cash and Investments	0	0	20,000	20,000
Receivables (Net):				
Taxes	16,604,759	0	0	16,604,759
Accounts	1,357	100,000	0	101,357
Interest	123	0	0	123
Intergovernmental	656,000	0	460,474	1,116,474
Interfund	218,529	0	0	218,529
Inventory	10,124	0	0	10,124
Total Assets	22,122,250	3,521,748	898,304	26,542,302
Liabilities:				
Accounts Payable	234,318	6,340	49,925	290,583
Accrued Wages and Benefits	2,292,262	0	247,169	2,539,431
Compensated Absences	84,429	0	20,352	104,781
Contracts Payable	0	245,531	0	245,531
Interfund Payable	0	0	218,529	218,529
Total Liabilities	2,611,009	251,871	535,975	3,398,855
Deferred Inflows of Resources:				
Property Taxes	10,579,759	0	0	10,579,759
Grants and Other Taxes	656,000	0	61,984	717,984
Accounts Receivable	0	100,000	0	100,000
Total Deferred Inflows of Resources	11,235,759	100,000	61,984	11,397,743
Fund Balances:				
Nonspendable	0	0	20,000	20,000
Restricted	0	113,757	328,053	441,810
Committed	0	3,056,120	0	3,056,120
Assigned	376,287	0	26,089	402,376
Unassigned	7,899,195	0	(73,797)	7,825,398
Total Fund Balances	8,275,482	3,169,877	300,345	11,745,704
Total Liabilities, Deferred Inflows and Fund Balances	\$22,122,250	\$3,521,748	\$898,304	\$26,542,302

See accompanying notes to the basic financial statements.

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

Total Governmental Fund Balance		\$11,745,704
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		7,135,040
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	828,358	
Intergovernmental	61,984	
Other Receivables	<u>100,000</u>	
		990,342
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(4,997)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(1,144,093)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	2,448,139	
Deferred inflows of resources related to pensions	<u>(5,837,127)</u>	
		(3,388,988)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(32,159,621)	
Other Amounts	<u>(2,925,000)</u>	
		<u>(35,084,621)</u>
Net Position of Governmental Activities		<u>(\$19,751,613)</u>

See accompanying notes to the basic financial statements.

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

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$14,424,156	\$0	\$0	\$14,424,156
Tuition and Fees	238,154	0	0	238,154
Investment Earnings	9,049	100	69	9,218
Intergovernmental	11,941,289	0	2,593,985	14,535,274
Extracurricular Activities	167,807	0	112,260	280,067
Charges for Services	98,683	0	0	98,683
Revenue in Lieu of Taxes	656,316	0	0	656,316
Gifts and Donations	0	200,000	0	200,000
Other Revenues	413,093	128,043	51,706	592,842
Total Revenues	27,948,547	328,143	2,758,020	31,034,710
Expenditures:				
Current:				
Instruction:				
Regular	11,641,077	181,837	443,013	12,265,927
Special	3,994,386	0	1,036,501	5,030,887
Other	1,208,289	0	6,245	1,214,534
Support Services:				
Pupil	1,557,299	0	411,629	1,968,928
Instructional Staff	387,448	0	361,652	749,100
General Administration	14,732	0	0	14,732
School Administration	1,622,422	0	9,024	1,631,446
Fiscal	585,105	0	0	585,105
Operations and Maintenance	2,204,432	149,398	3,368	2,357,198
Pupil Transportation	510,717	0	12,710	523,427
Central	5,657	0	56,151	61,808
Operation of Non-Instructional Services	1,108,598	0	136,030	1,244,628
Extracurricular Activities	424,128	0	145,417	569,545
Capital Outlay	0	856,909	0	856,909
Debt Service:				
Principal Retirement	83,025	0	487,500	570,525
Interest and Fiscal Charges	0	0	64,959	64,959
Total Expenditures	25,347,315	1,188,144	3,174,199	29,709,658
Excess of Revenues Over (Under) Expenditures	2,601,232	(860,001)	(416,179)	1,325,052
Other Financing Sources (Uses):				
Transfers In	0	1,200,000	557,456	1,757,456
Transfers (Out)	(1,757,456)	0	0	(1,757,456)
Total Other Financing Sources (Uses)	(1,757,456)	1,200,000	557,456	0
Net Change in Fund Balance	843,776	339,999	141,277	1,325,052
Fund Balance - Beginning of Year	7,431,706	2,829,878	159,068	10,420,652
Fund Balance - End of Year	\$8,275,482	\$3,169,877	\$300,345	\$11,745,704

See accompanying notes to the basic financial statements.

Norwood City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balance - Total Governmental Funds \$1,325,052

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

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	869,877	
Depreciation Expense	<u>(995,865)</u>	(125,988)

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	2,144,065	
Cost of benefits earned net of employee contributions	<u>(1,548,247)</u>	595,818

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

Delinquent Property Taxes	(214,747)	
Intergovernmental	(189,826)	
Other	<u>(200,000)</u>	(604,573)

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

570,525

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.

833

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

Compensated Absences		<u>(170,963)</u>
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Change in Net Position of Governmental Activities		<u>\$1,590,704</u>
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See accompanying notes to the basic financial statements.

Norwood City School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2015

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$24,039	\$169,432
Total Assets	<u>24,039</u>	<u>169,432</u>
Liabilities:		
Accounts Payable	0	3,163
Other Liabilities	<u>0</u>	<u>166,269</u>
Total Liabilities	<u>0</u>	<u>\$169,432</u>
Net Position:		
Held in Trust	<u>24,039</u>	
Total Net Position	<u><u>\$24,039</u></u>	

See accompanying notes to the basic financial statements.

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

	Private Purpose Trust
Additions:	
Investment Earnings	\$21
Total Additions	21
Deductions:	
Other	0
Total Deductions	0
Change in Net Position	21
Net Position - Beginning of Year	24,018
Net Position - End of Year	\$24,039

See accompanying notes to the basic financial statements.

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

The School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally elected Board of Education (five members) and is responsible for the education of the residents of the School District.

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

Activities for Cornerstone New Christian School are also included in the reporting entity to the extent that state legislation provides funding to this parochial school. The money is received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. This activity is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with three organizations, two of which are defined as jointly governed organizations and one as an insurance purchasing pool. These organizations include Hamilton/Clermont Cooperative Association, Great Oaks Institute of Technology and Career Development and the Greater Cincinnati Insurance Consortium. These organizations are presented in Notes 11.

Basis of Presentation

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 statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fund Accounting

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

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

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

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Capital Projects – Fund used to account for all transactions relating to acquiring, constructing or improving permanent improvements other than those authorized by special bond funds.

Fiduciary Funds report on net position and changes in net position. The School District's fiduciary funds consist of a private-purpose trust fund and agency funds. The School District's private-purpose trust fund accounts for scholarship programs for students. These assets are not available for the School District's use. Agency funds, which are used to account for student activities, employee insurance and employee flexible spending are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made.

The modified accrual basis of accounting is used by the governmental funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, tuition, student fees, and grants.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable except for unmatured principal and interest on general long-term debt which is recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, private-purpose trust and agency funds utilize accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues - Exchange and Non-exchange transactions. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

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

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and grants and other taxes (which includes tax incremental financing 'TIF') and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance year 2016 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements.

Equity in Pooled Cash and Investments

Cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the balance sheet.

During fiscal year 2015, the School District's investments were limited to STAR Ohio. Investments are reported at fair value, which is based on quoted market prices.

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

Under existing Ohio statutes, all investment earnings accrue to the General Fund except those specifically related to agency funds, certain trust funds, and those other funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balance.

Inventory

Inventories of governmental funds are stated at cost, determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when consumed rather than when purchased.

Capital Assets

Capital assets, which include land, buildings, building improvements, and equipment, are reported in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and Improvements	10-30 years
Equipment	3-5 years

Interfund Balances

On fund financials, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable/payable." These amounts are eliminated in the governmental activities column of the statement of net position.

Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that have matured, for example, as a result of employee resignations and retirements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities those, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds, and capital leases that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Pensions

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

Net Position

Net position represents the difference between assets and deferred inflows of resources, and liabilities and deferred outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Of the School District's \$489,758 in restricted net position, none were restricted for enabling legislation.

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

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the School District's formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

The School District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be uses.

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other government or imposed by enabling legislation. Restricted assets included the amount for non expendable amount related to the permanent fund.

Estimates

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

Note 2 - 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 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 that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts.

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

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five 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 rating 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. The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures":

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. As of June 30, 2015, \$7,850,928 of the School District's bank balance of \$8,769,343 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name. ORC Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

The School District had no investments at year end.

Note 3 – Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real and public utility property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on real property at 35 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31st; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The School District receives property taxes from Hamilton 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, 2015, are available to finance fiscal year 2016 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2015. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations in the General Fund.

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$356,388,830
Public Utility Personal	<u>18,155,800</u>
Total	<u><u>\$374,544,630</u></u>

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 4 – Interfund Transactions

Interfund transactions at June 30, 2015, consisted of the following fund for interfund receivables, interfund payables, transfers in and transfers out:

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	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$218,529	\$0	\$0	\$1,757,456
Capital Projects	0	0	1,200,000	0
Other Governmental Funds	0	218,259	557,456	0
Total All Funds	<u>\$218,529</u>	<u>\$218,259</u>	<u>\$1,757,456</u>	<u>\$1,757,456</u>

The interfund loans (receivable and payables) were made to provide operating capital. These amounts are eliminated in the governmental activities column of the statement of net position.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 5 – Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$524,809	\$0	\$0	\$524,809
Constructions in Progress	76,446	0	76,446	0
Capital Assets, being depreciated:				
Buildings and Improvements	17,009,554	606,423	0	17,615,977
Equipment	7,099,369	339,900	0	7,439,269
Totals at Historical Cost	<u>24,710,178</u>	<u>946,323</u>	<u>76,446</u>	<u>25,580,055</u>
Less Accumulated Depreciation:				
Buildings and Improvements	12,179,232	358,233	0	12,537,465
Equipment	5,269,918	637,632	0	5,907,550
Total Accumulated Depreciation	<u>17,449,150</u>	<u>995,865</u>	<u>0</u>	<u>18,445,015</u>
Governmental Activities Capital Assets, Net	<u>\$7,261,028</u>	<u>(\$49,542)</u>	<u>\$76,446</u>	<u>\$7,135,040</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$731,870
Special	105,517
Support Services:	
Pupil	14,854
School Administration	14,329
Operations and Maintenance	64,050
Central	53,666
Operation of Non-Instructional Services	11,579
Total Depreciation Expense	<u>\$995,865</u>

Note 6 – Risk Management

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted with Ohio Casualty for general liability insurance with a \$5,000,000 aggregate limit covering all employees and volunteers of the School District.

Ohio Casualty also provides property and fleet insurance and property holds a \$1,000 deductible and the maintenance vehicles have a \$500 deductible for comprehensive and collision and a \$1,000,000 limit per occurrence. The Ohio Farmer's Insurance Company maintains a \$20,000 performance bond for the Board President and Superintendent and maintains a \$100,000 public official bond for the Treasurer. Ohio School Plan maintains a \$10,000 employee dishonesty blanket bond for all employees.

Norwood City School District
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For The Fiscal Year Ended June 30, 2015

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

Note 7 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Norwood City School District
Notes to the Basic Financial Statements
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Age and service requirements for retirement are as follows:

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

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

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

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

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

The District’s contractually required contribution to SERS was \$495,241 for fiscal year 2015. Of this amount \$35,594 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

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

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

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

The District's contractually required contribution to STRS was \$1,648,824 for fiscal year 2015. Of this

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

amount \$275,880 is reported as accrued wages and benefits.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$4,956,839	\$27,202,782	\$32,159,621
Proportion of the Net Pension Liability	0.09794300%	0.11183769%	
Pension Expense	291,503	1,256,744	1,548,247

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$42,188	\$261,886	\$304,074
District contributions subsequent to the measurement date	<u>495,241</u>	<u>1,648,824</u>	<u>2,144,065</u>
Total Deferred Outflows of Resources	<u>\$537,429</u>	<u>\$1,910,710</u>	<u>\$2,448,139</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$804,509</u>	<u>\$5,032,618</u>	<u>\$5,837,127</u>

\$2,144,065 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Norwood City School District
Notes to the Basic Financial Statements
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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	(\$190,580)	(\$1,192,683)	(\$1,383,263)
2017	(190,580)	(1,192,683)	(1,383,263)
2018	(190,580)	(1,192,683)	(1,383,263)
2019	(190,581)	(1,192,683)	(1,383,264)
Total	<u>(\$762,321)</u>	<u>(\$4,770,732)</u>	<u>(\$5,533,053)</u>

Actuarial Assumptions - SERS

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

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

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

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

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

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

Norwood City School District
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The most recent experience study was completed June 30, 2010.

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

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$7,071,937	\$4,956,839	\$3,177,860

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Actuarial Assumptions - STRS

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

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

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

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

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

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

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

Norwood City School District
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of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$41,220,623	\$27,202,782	\$18,283,805

Note 8 - Post Employment Benefits

School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$50,497.

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The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$79,503, \$75,445, and \$71,831, respectively. For fiscal year 2015, 77 percent has been contributed, with the balance being reported as accrued wages and benefits. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$117,315, and \$113,205 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Note 9 – Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements, Board resolutions and State laws. Eligible classified employees and administrators earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who are not on a twelve-month contract do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 sick days of leave for each year under contract. During regular employment, sick leave may be accumulated, up to a maximum of 260 days for teachers, 310 days for administrators and 260 days for classified. Upon retirement, severance pay is based upon one-fourth of the accrual of sick days up to a maximum of 50 days for teachers, 60 days for administrators and 45 days for classified.

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Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 10 – Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due In One Year
Bonds Payable:					
2013 Bonds	\$3,412,500	\$0	\$487,500	\$2,925,000	\$487,500
Net Pension Liability:					
STRS	32,316,510	0	5,113,728	27,202,782	0
SERS	5,826,103	0	869,264	4,956,839	0
Total Net Pension Liability	38,142,613	0	5,982,992	32,159,621	0
Capital Lease Payable:					
Copier Lease	83,025	0	83,025	0	0
	83,025	0	83,025	0	0
Compensated Absences	1,043,740	354,793	149,659	1,248,874	198,050
Total Governmental Activities	<u>\$42,681,878</u>	<u>\$354,793</u>	<u>\$6,703,176</u>	<u>\$36,333,495</u>	<u>\$685,550</u>

In fiscal year 2013, the School District issued \$3,900,000 in bonds. The bonds have an interest rate of 2.05% and will mature on December 1, 2020.

In prior years, the School District has entered into a capital lease for copiers. The lease for the copiers meet the criteria of a capital lease, which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. The capital assets (equipment) acquired under the capital lease for the copiers totaled \$553,500. The copier lease matures in March 2015.

All general obligation debt is supported by the full faith and credit of the School District. Lease-purchase agreement and copier lease payments will be made from the General Fund. Bond payments (and the payoff for the lease-purchase agreement) will be made from the Debt Service Fund. Compensated absences will be paid from the fund from which the employees' salaries are paid.

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Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

General Obligation Bonds

Fiscal Year Ending June 30	Bond Principal	Bond Interest	Total
2016	\$487,500	\$54,965	\$542,465
2017	487,500	44,972	532,472
2018	487,500	34,979	522,479
2019	487,500	24,985	512,485
2020	487,500	14,990	502,490
2021	487,500	4,997	492,497
Total	\$2,925,000	\$179,888	\$3,104,888

Note 11 – Jointly Governed Organizations / Insurance Purchasing Pool

The Great Oaks Institute of Technology and Career Development

The Great Oaks Institute of Technology and Career Development (Great Oaks), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the School District. The School District has no ongoing financial interest in or responsibility for Great Oaks. To obtain financial information, write to Great Oaks at 3254 East Kemper Road, Cincinnati, Ohio 45241.

Hamilton/Clermont Cooperative Association

The Hamilton/Clermont Cooperative Association (HCCA) was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the member schools of the two county consortium supports HCCA based upon per pupil charge dependent upon the software package utilized. HCCA is governed by a board of directors consisting of the superintendents of member school districts. The degree of control exercised by any participating School District is limited to its representation on the Board. To obtain financial information, write to HCCA, at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

Greater Cincinnati Insurance Consortium

The School District is a member of the Greater Cincinnati Insurance Consortium (GCIC) which is a group insurance consortium. The consortium has 14 member schools and provides a wide range of group insurance benefits to each member schools employees and dependents and designated beneficiaries. The purpose of the consortium is to establish and maintain a fund to provide and/or purchase health insurance, dental insurance, life insurance and other insurance benefits to employees, their dependents

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

and designated beneficiaries. The consortium is governed by a Board of Directors made up from one representative of each school district/service center.

Note 12 – Contingencies

Foundation Funding

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

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

Litigation

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Note 13 – Required Set-Asides

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

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

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2014	\$0
Current Year Set Aside Requirements	355,660
Qualified Disbursements	(138,714)
Current Year Offsets	<u>(216,946)</u>
Set Aside Reserve Balance as of June 30, 2015	<u>0</u>
Restricted Cash as of June 30, 2015	<u>0</u>
Carried Forward to FY2016	<u><u>\$3,683,054</u></u>

Since the School District had offsets and qualifying disbursements during the year that reduced the set aside amount for capital acquisitions to below zero, these extra amounts may not be used to reduce the set aside requirements of future years. The excess qualifying disbursements of the capital improvement set-aside may not be used to reduce the capital improvement set aside requirements of future years.

Note 14 – Deficit Fund Balances

The following governmental funds had deficit fund balances at June 30, 2015:

	<u>Amounts</u>
Other Governmental Funds:	
Title VI-B	\$28,352
Title VII-A	25,036
Title III	478
Title I	19,118
High School That Works	813

These deficit balances were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 15 – Fund Balances

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

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Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Fund Balances	General	Capital Projects	Other Governmental Funds	Total
Nonspendable:				
Permanent	\$0	\$0	\$20,000	\$20,000
Total Nonspendable	0	0	20,000	20,000
Restricted for:				
Local Grant	0	0	32,838	32,838
District Managed Student Activity	0	0	45,145	45,145
Career Development	0	0	3,110	3,110
Educational Management Information Systems	0	0	68,697	68,697
Miscellaneous State Grants	0	0	4,398	4,398
Miscellaneous Federal Grants	0	0	6,558	6,558
Capital Improvements	0	113,757	0	113,757
Debt Service	0	0	4,997	4,997
Special Revenue	0	0	35,863	35,863
Auxillary Service	0	0	29,827	29,827
K-12 Network Subsidy	0	0	6,000	6,000
Straight A Grant	0	0	90,133	90,133
Race to the Top	0	0	378	378
Preschool	0	0	109	109
Total Restricted	0	113,757	328,053	441,810
Committed to:				
Capital Projects	0	3,056,120	0	3,056,120
Total Committed	0	3,056,120	0	3,056,120
Assigned to:				
Encumbrances	376,287	0	0	376,287
Permanent	0	0	26,089	26,089
Total Assigned	376,287	0	26,089	402,376
Unassigned (Deficit)	7,899,195	0	(73,797)	7,825,398
Total Fund Balance	<u>\$8,275,482</u>	<u>\$3,169,877</u>	<u>\$300,345</u>	<u>\$11,745,704</u>

Note 16 – Change in Accounting Principles

The District adopted the provisions of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement Number 68. GASB Statement Number 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for financial statements for periods beginning after June 15,

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

2014 and have been implemented by the District. GASB Statement Number 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources of its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

Note 17 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$14,802,110
Adjustments:	
Net Pension Liability	(38,142,613)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>1,998,186</u>
Restated Net Position June 30, 2014	<u>(\$21,342,317)</u>

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

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REQUIRED SUPPLEMENTARY INFORMATION

Norwood City School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Two Fiscal Years (1)

	2014	2013
District's Proportion of the Net Pension Liability	0.11183763%	0.11183763%
District's Proportionate Share of the Net Pension Liability	\$27,202,782	\$32,316,510
District's Covered-Employee Payroll	\$11,800,405	\$11,873,346
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	230.52%	272.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) - Information prior to 2013 is not available

Norwood City School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Two Fiscal Years (1)

	2014	2013
District's Proportion of the Net Pension Liability	0.097943%	0.097943%
District's Proportionate Share of the Net Pension Liability	\$4,956,839	\$5,826,103
District's Covered-Employee Payroll	\$2,874,791	\$3,400,925
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	172.42%	171.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) - Information prior to 2013 is not available

Norwood City School District
 Required Supplementary Information
 Schedule of District Contributions
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$1,648,824	\$1,599,740	\$1,584,876	\$1,582,596	\$1,695,336	\$1,749,708	\$1,753,140	\$1,767,876	\$1,726,896	\$1,662,672
Contributions in Relation to the Contractually Required Contribution	(1,648,824)	(1,599,740)	(1,584,876)	(1,582,596)	(1,695,336)	(1,749,708)	(1,753,140)	(1,767,876)	(1,726,896)	(1,662,672)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$11,774,443	\$11,800,405	\$11,873,346	\$11,719,001	\$12,150,874	\$12,882,774	\$12,673,926	N/A	N/A	N/A
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.56%	13.35%	13.50%	13.95%	13.58%	13.83%	N/A	N/A	N/A
N/A - Information unavailable										

Norwood City School District
 Required Supplementary Information
 Schedule of District Contributions
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$495,240	\$398,446	\$470,688	\$449,856	\$472,512	\$383,688	\$395,940	\$431,796	\$433,524	\$389,100
Contributions in Relation to the Contractually Required Contribution	(495,240)	(398,446)	(470,688)	(449,856)	(472,512)	(383,688)	(395,940)	(431,796)	(433,524)	(389,100)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$3,757,511	\$2,874,791	\$3,400,925	\$3,344,654	\$3,759,045	\$2,833,737	\$4,023,780	N/A	N/A	N/A
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	N/A	N/A	N/A
N/A - Information unavailable										

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$13,024,688	\$13,998,461	\$14,009,156	\$10,695
Revenue in lieu of taxes	610,195	655,815	656,316	501
Tuition and Fees	221,418	237,972	238,154	182
Investment Earnings	9,096	9,776	9,783	7
Intergovernmental	10,302,038	11,072,256	11,080,715	8,459
Extracurricular Activities	50,758	54,553	54,595	42
Other Revenues	375,740	403,831	404,140	309
Total Revenues	24,593,933	26,432,664	26,452,859	20,195
Expenditures:				
Current:				
Instruction:				
Regular	11,120,123	12,117,274	11,757,803	359,471
Special	3,703,536	4,035,635	3,915,914	119,721
Other	1,146,539	1,249,350	1,212,287	37,063
Support Services:				
Pupil	1,490,418	1,624,066	1,575,886	48,180
Instructional Staff	413,299	450,359	436,999	13,360
General Administration	13,933	15,182	14,732	450
School Administration	1,500,110	1,634,626	1,586,133	48,493
Fiscal	558,928	609,048	590,980	18,068
Operations and Maintenance	2,390,168	2,604,496	2,527,231	77,265
Pupil Transportation	500,188	545,040	528,871	16,169
Central	5,266	5,738	5,568	170
Extracurricular Activities	377,772	411,647	399,435	12,212
Total Expenditures	23,220,280	25,302,461	24,551,839	750,622
Excess of Revenues Over (Under) Expenditures	1,373,653	1,130,203	1,901,020	770,817
Other Financing Sources (Uses):				
Advances In	228,743	245,845	246,033	188
Advances (Out)	(192,492)	(209,753)	(203,530)	6,223
Transfers (Out)	(1,662,141)	(1,811,187)	(1,757,456)	53,731
Total Other Financing Sources (Uses)	(1,625,890)	(1,775,095)	(1,714,953)	60,142
Net Change in Fund Balance	(252,237)	(644,892)	186,067	830,959
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	4,726,978	4,726,978	4,726,978	0
Fund Balance - End of Year	\$4,474,741	\$4,082,086	\$4,913,045	\$830,959

See accompanying notes to the required supplementary information.

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

Note 1 - Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. During the course of fiscal 2015, the District amended its budget at several times, however none were significant.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts 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 final amended certificate of estimated resources issued during the fiscal year 2015.

The appropriation resolution is subject to amendment by the Board 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 year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board during the year. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

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

5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$843,776
Revenue Accruals	(1,495,688)
Expenditure Accruals	1,303,182
Advances In	246,033
Advances Out	(203,530)
Encumbrances	(481,251)
Funds Budgeted Elsewhere	<u>(26,455)</u>
Budget Basis	<u><u>\$186,067</u></u>

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NORWOOD CITY SCHOOL DISTRICT



Single Audit Reports

June 30, 2015

NORWOOD CITY SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$184,173	\$0	\$184,173	\$0
National School Lunch Program	3L60	10.555	552,365	67,998	552,365	67,998
Summer Food Service Program for Children	3L60	10.559	38,786	0	38,786	0
Total Nutrition Cluster			<u>775,324</u>	<u>67,998</u>	<u>775,324</u>	<u>67,998</u>
Total U.S. Department of Agriculture			<u>775,324</u>	<u>67,998</u>	<u>775,324</u>	<u>67,998</u>
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	572,512	0	469,073	0
Special Education-Preschool Grants	3C50	84.173	16,706	0	20,522	0
Total Special Education Cluster			<u>589,218</u>	<u>0</u>	<u>489,595</u>	<u>0</u>
Twenty First Century Community Learning Center	3Y20	84.287	394,708	0	387,533	0
Improving Teacher Quality	3Y60	84.367	97,639	0	102,347	0
Title I Grants to Local Educational Agencies	3M00	84.010	1,240,271	0	1,274,011	0
English Language Acquisition Grants	3Y70	84.365	17,768	0	19,210	0
Race to the Top - ARRA	3F00	84.395	136,907	0	116,988	0
Passed Through Great Oaks Career Campuses						
Career & Technical Education Basic Grants to States	GO11	84.048	6,000	0	3,659	0
Total Department of Education			<u>2,482,511</u>	<u>0</u>	<u>2,393,343</u>	<u>0</u>
Total Federal Assistance			<u>\$3,257,835</u>	<u>\$67,998</u>	<u>\$3,168,667</u>	<u>\$67,998</u>

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

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

To the Board of Education
Norwood City School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Norwood City School District (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 3, 2015, wherein we noted the District adopted GASB No. 68 and 71 as disclosed in Note 16.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 3, 2015

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

To the Board of Education
Norwood City School District

Report on Compliance for Each Major Federal Program

We have audited the Norwood City School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the

auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 3, 2015, which contained unmodified opinions on those financial statements, wherein we noted the District adopted GASB No. 68 and 71 as disclosed in Note 16. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 3, 2015

NORWOOD CITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other significant control deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510?</i>	No
(d)(1)(vii)	<i>Major Programs (list):</i>	Nutrition Cluster: School Breakfast Program - CFDA #10.553 School Lunch Program - CFDA #10.555 Summer Food Service Program - CFDA# 10.559
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS

None

Section III – Federal Award Findings and Questioned Costs

None

NORWOOD CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133
June 30, 2015

The Norwood City School District had no prior audit findings or questioned costs.



Dave Yost • Auditor of State

NORWOOD CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 11, 2016**