



Dave Yost • Auditor of State



**NOBLE LOCAL SCHOOL DISTRICT  
NOBLE COUNTY  
JUNE 30, 2016**

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NOBLE COUNTY  
JUNE 30, 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Noble Local School District  
Noble County  
20977 Zep Road East  
Sarahsville, Ohio 43779

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Noble Local School District, Noble County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

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

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

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

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Noble Local School District, Noble County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows, thereof and the budgetary comparison for the General Fund thereof, for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary and Other Information***

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

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

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this 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, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

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

February 27, 2017

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**Noble Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
Unaudited

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

**Financial Highlights**

Key financial highlights for the fiscal year 2016 are as follows:

- Total net position of the School District increased \$5,088,730. Restricted net position decreased \$420,757. Unrestricted net position increased \$5,459,517.
- General revenues accounted for \$14,269,382 in revenue or 85% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants, contributions, and interest accounted for \$2,602,663 or 15% of total revenues of \$16,872,045.
- The School District had \$11,783,315 in expenses related to governmental activities; only \$2,602,663 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$14,269,382 were adequate to provide for these programs.

**Using this Annual Financial Report**

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

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

***Reporting the School District as a Whole***

*Statement of Net Position and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The Statement of Net Position and the Statement of Activities answer this question. These 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.

**Noble Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
Unaudited

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

In the Statement of Net Position and the Statement of Activities, all of the School District's programs and services are reported as Governmental Activities including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

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

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General Fund.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal 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 School District's general governmental 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.

***Proprietary Funds*** Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The School District's only fund of this type is the Self-Insurance Internal Service Fund. However, the activity of this fund is combined with the Governmental Activities on the entity wide financial statements.

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. They are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

**Noble Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
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**Reporting the School District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its scholarship program. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, and other government units. These activities are reported in an agency fund. The School District's fiduciary activities are reported in a separate Statement of Net Position and Statement of Changes in Net Position. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2016 compared to 2015.

Table 1 - Net Position

	2016	2015	Change
<b>Assets</b>			
Current and Other Assets	\$17,267,019	\$10,985,167	\$6,281,852
Capital Assets, Net	4,926,089	4,940,390	(14,301)
<i>Total Assets</i>	<u>22,193,108</u>	<u>15,925,557</u>	<u>6,267,551</u>
<b>Deferred Outflows of Resources</b>			
Pension	1,349,439	872,658	476,781
<b>Liabilities</b>			
Current and Other Liabilities	1,462,065	1,884,854	(422,789)
Long-term Liabilities:			
Due within One Year	94,095	126,554	(32,459)
Due in More Than One Year:			
Net Pension Liability	13,573,804	12,108,746	1,465,058
Other Amounts	1,140,512	1,092,339	48,173
<i>Total Liabilities</i>	<u>16,270,476</u>	<u>15,212,493</u>	<u>1,057,983</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	4,377,039	2,608,557	1,768,482
Pension	1,017,517	2,188,380	(1,170,863)
<i>Total Deferred Inflows of Resources</i>	<u>5,394,556</u>	<u>4,796,937</u>	<u>597,619</u>
<b>Net Position</b>			
Net Investment in Capital Assets	4,304,260	4,254,290	49,970
Restricted	258,790	679,547	(420,757)
Unrestricted	(2,685,535)	(8,145,052)	5,459,517
<i>Total Net Position</i>	<u>\$1,877,515</u>	<u>(\$3,211,215)</u>	<u>\$5,088,730</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**Noble Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
Unaudited

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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.

GASB 68 requires the net pension liability to equal the School 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 School 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 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 School 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.

**Noble Local School District, Ohio**  
*Management's Discussion and Analysis*  
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Total assets of governmental activities increased \$6,267,551. Current assets increased \$6,281,852. Current assets increased primarily due to an increase in property taxes receivable of \$2,706,970 and a \$3,894,176 increase in equity in pooled cash and cash equivalents. These increases were offset by a decrease in cash and cash equivalents with fiscal agent of \$227,125 and a decrease in intergovernmental receivable of \$88,928. The increase in cash and cash equivalents was primarily due to increases in property and public utility tax collections. Total liabilities increased \$1,057,983. Current and other liabilities decreased \$422,789. Every account in liabilities reflected a decrease except vacation benefits payable. The largest decrease was in matured compensated absences payable of \$154,007. Long-term liabilities increased \$1,480,772, with an increase in net pension liability of \$1,465,058.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2016, and comparisons to fiscal year 2015.

Table 2 - Changes in Net Position

	2016	2015	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$1,104,465	\$1,192,693	(\$88,228)
Operating Grants, Contributions and Interest	1,498,198	1,435,640	62,558
Total Program Revenues	<u>2,602,663</u>	<u>2,628,333</u>	<u>(25,670)</u>
General Revenues:			
Property Taxes	8,693,684	4,187,306	4,506,378
Grants and Entitlements	5,509,775	7,328,611	(1,818,836)
Investment Earnings	33,480	30,700	2,780
Gifts and Donations	2,857	1,000	1,857
Rent	0	48,573	(48,573)
Miscellaneous	29,586	41,166	(11,580)
Total General Revenues	<u>14,269,382</u>	<u>11,637,356</u>	<u>2,632,026</u>
Total Revenues	<u>16,872,045</u>	<u>14,265,689</u>	<u>2,606,356</u>
<b>Program Expenses</b>			
Instruction:			
Regular	4,926,820	5,164,090	(237,270)
Special	1,124,241	1,241,721	(117,480)
Vocational	234,967	322,336	(87,369)
Support Services:			
Pupils	501,833	531,238	(29,405)
Instructional Staff	309,010	438,538	(129,528)
Board of Education	73,348	19,699	53,649
Administration	1,052,055	1,130,336	(78,281)
Fiscal	545,006	474,124	70,882
Business	18,768	19,813	(1,045)
Operation and Maintenance of Plant	992,595	908,494	84,101
Pupil Transportation	1,179,531	1,096,679	82,852
Intergovernmental	0	1,572,556	(1,572,556)
Central	60,978	174,300	(113,322)
Operation of Non-Instructional Services:			
Food Service Operations	530,955	523,837	7,118
Extracurricular Activities	210,275	203,100	7,175
Interest and Fiscal Charges	22,933	21,821	1,112
Total Expenses	<u>11,783,315</u>	<u>13,842,682</u>	<u>(2,059,367)</u>
Change in Net Position	5,088,730	423,007	4,665,723
Net Position (Deficit) Beginning of Year	<u>(3,211,215)</u>	<u>(3,634,222)</u>	<u>423,007</u>
Net Position End of Year	<u>\$1,877,515</u>	<u>(\$3,211,215)</u>	<u>\$5,088,730</u>

**Noble Local School District, Ohio**  
*Management's Discussion and Analysis*  
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Unaudited

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Total revenues increased \$2,606,356. The largest increase is reflected in property taxes revenues. This is attributable to significant increases in property valuations. The mineral portion of Class II property valuation increased 444% for tax year 2014 (collection year 2015) and another 480% for tax year 2015 (collection year 2016). This is attributable to the significant oil and gas production activity in Noble County. Valuation is based on production and production is relatively unpredictable. The industrial portion of Class II property increased 7,106% for tax year 2015 (collection year 2016) after having experienced significant decreases since 2011. The increase is attributable to the development of Mark West Energy's processing facility in Summerfield, Ohio.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreases as the property valuation increases, thus generating about the same revenue. Lastly, property taxes made up approximately 61% of general revenues for governmental activities for the School District in fiscal year 2016.

Total expenses decreased \$2,059,367. \$1,572,556 of this decrease was due to the Straight A activity that occurred in 2015. This program ended in 2015.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

**Noble Local School District, Ohio**  
*Management's Discussion and Analysis*  
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 Unaudited

Table 3  
 Cost of Services  
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2016	2016	2015	2015
<b>Program Expenses</b>				
Instruction:				
Regular	\$4,926,820	\$3,962,035	\$5,164,090	\$4,111,671
Special	1,124,241	501,840	1,241,721	644,706
Vocational	234,967	209,424	322,336	283,118
Support Services:				
Pupils	501,833	359,245	531,238	485,377
Instructional Staff	309,010	204,724	438,538	254,564
Board of Education	73,348	73,348	19,699	19,699
Administration	1,052,055	856,730	1,130,336	981,456
Fiscal	545,006	543,627	474,124	473,180
Business	18,768	18,768	19,813	19,813
Operation and Maintenance of Plant	992,595	991,084	908,494	908,094
Pupil Transportation	1,179,531	1,155,668	1,096,679	1,064,696
Intergovernmental	0	0	1,572,556	1,572,556
Central	60,978	57,542	174,300	173,223
Operation of Non-Instructional Services:				
Food Service Operations	530,955	97,510	523,837	94,208
Extracurricular Activities	210,275	126,174	203,100	106,167
Interest and Fiscal Charges	22,933	22,933	21,821	21,821
<b>Total</b>	<b>\$11,783,315</b>	<b>\$9,180,652</b>	<b>\$13,842,682</b>	<b>\$11,214,349</b>

The dependence upon tax revenues and State subsidies for governmental activities is apparent. 78% of program expenses are supported through taxes, unrestricted grants and entitlements, and other general revenues.

**The School District Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16,841,211 and expenditures of \$11,736,251. The School District continued to focus its efforts to monitor expenditures, with modest increases in supply and purchased services budgets, as well as maintaining current personnel staffing levels. The General Fund increased its fund balance \$5,116,131 due to significant increases in property and public utility property tax collections.

**General Fund Budgeting Highlights**

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

**Noble Local School District, Ohio**  
*Management's Discussion and Analysis*  
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During the course of fiscal year 2016, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$14,574,839. Original estimated revenues were increased \$3,969,262. The final revenues were \$48,706 above final budget basis revenue of \$14,526,133. This is mainly due to the result of underestimating intergovernmental revenues. Final expenditures of \$10,070,723 were \$251,655 below the final appropriations of \$10,322,378. Original appropriations were increased \$184,443.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2016, the School District had \$4,926,089 invested in capital assets. See Note 10 for more detailed information. Table 4 shows fiscal year 2016 balances compared to 2015.

Table 4  
 Capital Assets  
 (Net of Depreciation)

	Governmental Activities	
	2016	2015
Land	\$20,925	\$20,925
Construction in Progress	0	8,528
Buildings and Improvements	3,994,681	3,955,806
Furniture and Equipment	329,604	271,474
Vehicles	580,879	683,657
Totals	\$4,926,089	\$4,940,390



**Noble Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
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**Debt**

During fiscal year 2016, the School District had the following changes in long-term obligations:

	Principal Outstanding 6/30/15	Additions	Deductions	Principal Outstanding 6/30/16
2012 Energy Conservation Improvement Bonds:				
Term Bonds - 1.00% - 2.70%	\$615,000	\$0	\$45,000	\$570,000
Premium on Bonds	18,897	0	1,655	17,242
Original Issue of Capital Appreciation Bonds - 27.29061%	15,000	0	0	15,000
Accretion on Capital Appreciation Bonds	15,660	8,937	0	24,597
<b>Total Bonds</b>	<b>664,557</b>	<b>8,937</b>	<b>46,655</b>	<b>626,839</b>
Net Pension Liability:				
STRS	9,827,627	1,301,270	0	11,128,897
SERS	2,281,119	163,788	0	2,444,907
<b>Total Net Pension Liability</b>	<b>12,108,746</b>	<b>1,465,058</b>	<b>0</b>	<b>13,573,804</b>
Capital Leases Payable	47,572	0	10,743	36,829
Sick Leave Benefits Payable	506,764	97,900	33,725	570,939
<b>Totals</b>	<b>\$13,327,639</b>	<b>\$1,571,895</b>	<b>\$91,123</b>	<b>\$14,808,411</b>

See Notes 16 and 17 to the basic financial statements for more information on debt.

**Current Issues**

In each of the past nine years (except 2010), the School District's revenues have exceeded expenditures, primarily due to the significant personnel and budget cuts enacted in 2005. In 2016, revenues exceeded expenditures significantly due to the increases in property and public utility property tax collections. The School District's current five-year forecast projects revenues will continue to exceed expenditures because of the increased property tax valuations. This forecast takes into account both decreased State foundation funding and increased expenditures in payroll and benefits. State foundation funding is based on a formula that takes into account the student enrollment and the property wealth of the School District. With the School District's overall student enrollment continuing to decline and property wealth continuing to rise, the School District's State share index has decreased from 37.9 to 33.2, resulting in decreased State foundation funding. Maintaining current staffing levels and increased costs for health insurance will result in increased payroll and benefit expenditures.

A levy was placed on the November, 2010, ballot for renovations to the elementary school, new construction of a high school, and operations within the School District. The levy failed and no levies have been passed on the ballot since that time.

**Noble Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
Unaudited

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In July, 2012, the Board of Education's request for participation in the State Credit Enhancement Program created under Ohio Revised Code Section 3317.18 was approved by the Ohio Department of Education. The School District issued \$719,999.85 in energy conservation improvement bonds, dated August 15, 2012, for the purpose of upgrading inefficient systems and reducing energy and operating costs at both the high school complex and the middle/elementary school complex.

The Board of Education and administration of the School District continue to monitor revenues and expenditures diligently to ensure long-term financial stability.

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

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Trena Rice, Treasurer/CFO at Noble Local School District, 20977 Zep Road East, Sarahsville, Ohio 43779-9702.

**Noble Local School District, Ohio**

*Statement of Net Position*

*June 30, 2016*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$8,164,063
Cash and Cash Equivalents with Fiscal Agent	1,819,116
Inventory Held for Resale	1,240
Materials and Supplies Inventory	27,000
Accrued Interest Receivable	1,162
Intergovernmental Receivable	380,458
Prepaid Items	40,417
Accounts Receivable	29,528
Property Taxes Receivable	6,804,035
Nondepreciable Capital Assets	20,925
Depreciable Capital Assets, Net	<u>4,905,164</u>
<i>Total Assets</i>	<u>22,193,108</u>
<b>Deferred Outflows of Resources</b>	
Pension	<u>1,349,439</u>
<b>Liabilities</b>	
Accounts Payable	60,022
Accrued Wages and Benefits Payable	979,932
Matured Compensated Absences Payable	8,569
Intergovernmental Payable	155,744
Accrued Interest Payable	1,086
Vacation Benefits Payable	59,313
Claims Payable	197,399
Long-Term Liabilities:	
Due Within One Year	94,095
Due In More Than One Year:	
Net Pension Liability (See Note 13)	13,573,804
Other Amounts Due in More Than One Year	<u>1,140,512</u>
<i>Total Liabilities</i>	<u>16,270,476</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	4,377,039
Pension	<u>1,017,517</u>
<i>Total Deferred Inflows of Resources</i>	<u>5,394,556</u>
<b>Net Position</b>	
Net Investment in Capital Assets	4,304,260
Restricted for:	
Unclaimed Monies	379
State Programs	2,113
Federal Programs	167,050
Student Activities	10,171
Other Purposes	79,077
Unrestricted (Deficit)	<u>(2,685,535)</u>
<i>Total Net Position</i>	<u><u>\$1,877,515</u></u>

See accompanying notes to the basic financial statements

**Noble Local School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$4,926,820	\$862,165	\$102,620	(\$3,962,035)
Special	1,124,241	0	622,401	(501,840)
Vocational	234,967	0	25,543	(209,424)
Support Services:				
Pupils	501,833	0	142,588	(359,245)
Instructional Staff	309,010	0	104,286	(204,724)
Board of Education	73,348	0	0	(73,348)
Administration	1,052,055	0	195,325	(856,730)
Fiscal	545,006	0	1,379	(543,627)
Business	18,768	0	0	(18,768)
Operation and Maintenance of Plant	992,595	1,511	0	(991,084)
Pupil Transportation	1,179,531	2,500	21,363	(1,155,668)
Central	60,978	0	3,436	(57,542)
Operation of Non-Instructional Services:				
Food Service Operations	530,955	158,636	274,809	(97,510)
Extracurricular Activities	210,275	79,653	4,448	(126,174)
Interest and Fiscal Charges	22,933	0	0	(22,933)
<i>Totals</i>	<u>\$11,783,315</u>	<u>\$1,104,465</u>	<u>\$1,498,198</u>	<u>(9,180,652)</u>
<b>General Revenues</b>				
Property Taxes Levied for General Purposes				8,693,684
Grants and Entitlements not Restricted to Specific Programs				5,509,775
Investment Earnings				33,480
Gifts and Donations				2,857
Miscellaneous				29,586
<i>Total General Revenues</i>				<u>14,269,382</u>
<i>Change in Net Position</i>				5,088,730
<i>Net Position (Deficit) Beginning of Year</i>				<u>(3,211,215)</u>
<i>Net Position End of Year</i>				<u><u>\$1,877,515</u></u>

See accompanying notes to the basic financial statements

**Noble Local School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2016*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$7,531,346	\$632,338	\$8,163,684
Receivables:			
Property Taxes	6,804,035	0	6,804,035
Accounts	28,947	581	29,528
Accrued Interest	1,162	0	1,162
Intergovernmental	56,113	324,345	380,458
Interfund	171,176	0	171,176
Prepaid Items	35,144	5,273	40,417
Inventory Held for Resale	0	1,240	1,240
Materials and Supplies Inventory	25,980	1,020	27,000
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	<u>379</u>	<u>0</u>	<u>379</u>
<i>Total Assets</i>	<u>\$14,654,282</u>	<u>\$964,797</u>	<u>\$15,619,079</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$52,173	\$7,849	\$60,022
Accrued Wages and Benefits Payable	881,326	98,606	979,932
Matured Compensated Absences Payable	8,569	0	8,569
Interfund Payable	0	171,176	171,176
Intergovernmental Payable	<u>142,268</u>	<u>13,476</u>	<u>155,744</u>
<i>Total Liabilities</i>	<u>1,084,336</u>	<u>291,107</u>	<u>1,375,443</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	4,377,039	0	4,377,039
Unavailable Revenue	<u>97,110</u>	<u>140,267</u>	<u>237,377</u>
Total Deferred Inflows of Resources	<u>4,474,149</u>	<u>140,267</u>	<u>4,614,416</u>
<b>Fund Balances</b>			
Nonspendable	61,503	6,293	67,796
Restricted	74,121	38,750	112,871
Assigned	95,181	604,410	699,591
Unassigned (Deficit)	<u>8,864,992</u>	<u>(116,030)</u>	<u>8,748,962</u>
<i>Total Fund Balance</i>	<u>9,095,797</u>	<u>533,423</u>	<u>9,629,220</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$14,654,282</u>	<u>\$964,797</u>	<u>\$15,619,079</u>

See accompanying notes to the basic financial statements

**Noble Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2016*

<b>Total Governmental Fund Balances</b>		\$9,629,220
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,926,089
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds:		
Delinquent Property Taxes	68,255	
Intergovernmental Revenues	140,567	
Tuition and Fees	27,046	
Extracurricular Activities	408	
Rent	1,101	237,377
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net position.		1,621,717
Interest Payable is accrued for outstanding long-term liabilities while interest is not reported until due on the balance sheet.		(1,086)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:		
Deferred Outflows - Pension	1,349,439	
Deferred Inflows - Pension	(1,017,517)	
Net Pension Liability	(13,573,804)	(13,241,882)
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due.		(59,313)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Capital Lease Payable	(36,829)	
Bonds Payable	(626,839)	
Sick Leave Benefits Payable	(570,939)	(1,234,607)
 Net Position of Governmental Activities		 \$1,877,515

See accompanying notes to the basic financial statements

**Noble Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2016*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$8,697,793	\$0	\$8,697,793
Intergovernmental	5,924,564	1,041,931	6,966,495
Investment Earnings	19,487	25	19,512
Charges for Services	2,500	158,636	161,136
Tuition and Fees	860,917	0	860,917
Extracurricular Activities	24,307	54,938	79,245
Rent	410	0	410
Gifts and Donations	21,767	4,350	26,117
Miscellaneous	20,749	8,837	29,586
<i>Total Revenues</i>	<u>15,572,494</u>	<u>1,268,717</u>	<u>16,841,211</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	4,568,243	191,426	4,759,669
Special	761,035	330,958	1,091,993
Vocational	231,602	0	231,602
Support Services:			
Pupils	492,916	250	493,166
Instructional Staff	228,351	75,391	303,742
Board of Education	69,536	2,048	71,584
Administration	842,759	171,189	1,013,948
Fiscal	538,879	3,655	542,534
Business	18,768	0	18,768
Operation and Maintenance of Plant	830,907	169,995	1,000,902
Pupil Transportation	914,153	134,989	1,049,142
Central	1,077	59,938	61,015
Operation of Non-Instructional Services	0	510,032	510,032
Extracurricular Activities	141,482	98,154	239,636
Capital Outlay	0	277,087	277,087
Debt Service:			
Principal Retirement	55,743	0	55,743
Interest and Fiscal Charges	15,688	0	15,688
<i>Total Expenditures</i>	<u>9,711,139</u>	<u>2,025,112</u>	<u>11,736,251</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,861,355</u>	<u>(756,395)</u>	<u>5,104,960</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	745,224	745,224
Transfers Out	(745,224)	0	(745,224)
<i>Total Other Financing Sources (Uses)</i>	<u>(745,224)</u>	<u>745,224</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	5,116,131	(11,171)	5,104,960
<i>Fund Balances Beginning of Year</i>	<u>3,979,666</u>	<u>544,594</u>	<u>4,524,260</u>
<i>Fund Balances End of Year</i>	<u>\$9,095,797</u>	<u>\$533,423</u>	<u>\$9,629,220</u>

See accompanying notes to the basic financial statements

**Noble Local School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2016*

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**Net Change in Fund Balances - Total Governmental Funds** \$5,104,960

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

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays:

Capital Asset Additions	319,204	
Depreciation Expense	<u>(333,505)</u>	(14,301)

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

Delinquent Property Taxes	(4,109)	
Intergovernmental Revenues	18,193	
Tuition and Fees	1,248	
Extracurricular Activities	408	
Rent	<u>1,101</u>	16,841

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

Energy Conservation Bonds	45,000	
Capital Leases	<u>10,743</u>	55,743

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Bond Premiums	1,655	
Annual Accretion	(8,937)	
Interest Payable	<u>37</u>	(7,245)

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows. 802,735

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (620,149)

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

Vacation Benefits Payable	(3,266)	
Sick Leave Benefits Payable	<u>(64,175)</u>	(67,441)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (182,413)

*Change in Net Position of Governmental Activities* \$5,088,730

See accompanying notes to the basic financial statements



**Noble Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2016*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Taxes	\$4,054,701	\$7,754,258	\$7,754,258	\$0
Intergovernmental	5,578,200	5,840,414	5,885,600	45,186
Investment Earnings	12,000	18,325	18,325	0
Tuition and Fees	899,470	856,160	859,680	3,520
Extracurricular Activities	5,000	24,337	24,337	0
Rent	500	510	510	0
Gifts and Donations	7,000	20,669	20,669	0
Customer Sales and Services	0	2,500	2,500	0
Miscellaneous	0	8,960	8,960	0
<i>Total Revenues</i>	<u>10,556,871</u>	<u>14,526,133</u>	<u>14,574,839</u>	<u>48,706</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,779,139	4,866,089	4,761,489	104,600
Special	798,813	813,346	767,965	45,381
Vocational	270,954	275,884	264,819	11,065
Support Services:				
Pupils	541,928	551,788	528,427	23,361
Instructional Staff	257,354	262,036	233,720	28,316
Board of Education	73,983	75,329	74,862	467
Administration	865,518	881,265	867,400	13,865
Fiscal	540,648	550,484	543,661	6,823
Business	18,433	18,768	18,768	0
Operation and Maintenance of Plant	875,417	891,344	884,529	6,815
Pupil Transportation	920,872	937,626	928,066	9,560
Central	1,060	1,077	1,077	0
Operation of Non-Instructional Services	82	83	0	83
Extracurricular Activities	136,515	138,999	137,680	1,319
Debt Service:				
Principal	44,196	45,000	45,000	0
Interest and Fiscal Charges	13,023	13,260	13,260	0
<i>Total Expenditures</i>	<u>10,137,935</u>	<u>10,322,378</u>	<u>10,070,723</u>	<u>251,655</u>
<i>Excess of Revenues Over Expenditures</i>	<u>418,936</u>	<u>4,203,755</u>	<u>4,504,116</u>	<u>300,361</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	200	0	0	0
Refund of Prior Year Expenditures	5,000	572	572	0
Transfers Out	(757,774)	(745,224)	(745,224)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(752,574)</u>	<u>(744,652)</u>	<u>(744,652)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(333,638)	3,459,103	3,759,464	300,361
<i>Fund Balance Beginning of Year</i>	3,658,050	3,658,050	3,658,050	0
Prior Year Encumbrances Appropriated	88,780	88,780	88,780	0
<i>Fund Balance End of Year</i>	<u>\$3,413,192</u>	<u>\$7,205,933</u>	<u>\$7,506,294</u>	<u>\$300,361</u>

See accompanying notes to the basic financial statements

**Noble Local School District, Ohio**

*Statement of Fund Net Position*

*Internal Service Fund*

*June 30, 2016*

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	Medical, Dental, and Vision Self-Insurance
<b>Current Assets</b>	
Cash and Cash Equivalents with Fiscal Agent	\$1,819,116
<b>Current Liabilities</b>	
Claims Payable	<u>197,399</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$1,621,717</u></u>

See accompanying notes to the basic financial statements

**Noble Local School District, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2016*

	Medical, Dental, and Vision Self-Insurance
<b>Operating Revenues</b>	
Charges for Services	\$1,719,019
<b>Operating Expenses</b>	
Purchased Services	283,096
Claims	1,632,329
<i>Total Operating Expenses</i>	1,915,425
<i>Operating Loss</i>	(196,406)
<b>Non-Operating Revenues:</b>	
Interest	13,993
<i>Change in Net Position</i>	(182,413)
<i>Net Position Beginning of Year</i>	1,804,130
<i>Net Position End of Year</i>	\$1,621,717

See accompanying notes to the basic financial statements

**Noble Local School District, Ohio**  
*Statement of Cash Flows*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2016

	Medical, Dental, and Vision Self-Insurance
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Transactions with Other Funds	\$1,719,019
Cash Payments to Suppliers for Services	(283,096)
Cash Payments for Claims	(1,677,041)
<i>Net Cash Used for Operating Activities</i>	(241,118)
<b>Cash Flows from Investing Activities:</b>	
Interest	13,993
Net Decrease in Cash and Cash Equivalents	(227,125)
<i>Cash and Cash Equivalents Beginning of Year</i>	2,046,241
<i>Cash and Cash Equivalents End of Year</i>	\$1,819,116
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	(\$196,406)
<b>Changes in Liabilities</b>	
Decrease in Claims Payable	(44,712)
<i>Net Cash Used for Operating Activities</i>	(\$241,118)
See accompanying notes to the basic financial statements	

**Noble Local School District, Ohio**

*Statement of Net Position*

*Fiduciary Funds*

*June 30, 2016*

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	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$34,289</u>	<u>\$31,086</u>
<b>Liabilities</b>		
Due to Students	<u>0</u>	<u>\$31,086</u>
<b>Net Position</b>		
Endowments	33,500	
Held in Trust for Scholarships	<u>789</u>	
Total Net Position	<u>\$34,289</u>	

See accompanying notes to the basic financial statements

**Noble Local School District, Ohio**  
*Statement of Changes in Net Position*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Private Purpose Trust
	Scholarships
<b>Additions</b>	
Interest	\$151
<b>Deductions</b>	
Scholarships	0
<i>Change in Net Position</i>	151
<i>Net Position Beginning of Year</i>	34,138
<i>Net Position End of Year</i>	\$34,289

See accompanying notes to the basic financial statements

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

Noble Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. This Board of Education controls the School District's two instructional/support facilities staffed by 48 classified employees and 71 certified full time teaching personnel who provide services to 908 students and other community members.

***Reporting Entity:***

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

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

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA), the Mid-East Career and Technology Center, the Coalition of Rural and Appalachian Schools, and the Ohio Coalition for Equity and Adequacy of School Funding, which are defined as jointly governed organizations; the Ohio School Boards Association Workers' Compensation Group Rating Program, which is defined as an insurance purchasing pool; and the Jefferson Health Plan Self-Insurance Plan, which is defined as a public entity risk pool. These organizations are presented in Notes 19, 20, and 21 to the basic financial statements.

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

The financial statements of 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:

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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***A. Basis of Presentation***

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

***Government-wide Financial Statements***

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District has no business-type activities.

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

***Fund Financial Statements***

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

***B. Fund Accounting***

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



**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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***Governmental Fund Types:***

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

***General Fund*** - The General Fund accounts for and reports 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 and transferred according to the general laws of Ohio.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

***Proprietary Fund Type:***

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The School District's only proprietary fund type is an Internal Service Fund.

***Internal Service Fund*** - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operations of the self-insurance program for employee medical, dental, and vision claims.

***Fiduciary Fund Types:***

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities and assets held by the School District as an agent for outside activities.

***C. Measurement Focus and Basis of Accounting***

***Government-wide Financial Statements***

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

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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***Fund Financial Statements***

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

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the Statement of Net Position. The Statement of Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

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

***D. Basis of Accounting***

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

***Revenues - Exchange and Non-Exchange Transactions***

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

***Expenses/Expenditures***

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

***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 represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide Statement of Net Position for pension. The deferred outflows of resources related to pension are explained in Note 13.

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 until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental revenues, tuition and fees, extracurricular activities revenues, and rent. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position. (See Note 13)

***E. Budgetary Process***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer has been authorized to further allocate appropriations to the function and object level within each fund. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

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

***F. Cash and Cash Equivalents***

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

The School District participates in the OME-RESA insurance consortium for self-insurance. These monies are held separate from the School District's central bank account and are reflected in the financial statements as "cash and cash equivalents with fiscal agents".

During fiscal year 2016, the School District's investments were limited to certificates of deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2016 amounted to \$19,487, which includes \$6,315 assigned from other School District funds.

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

***G. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventories consist of expendable supplies held for consumption and donated and purchased food held for resale.

***H. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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***I. Capital Assets***

The School District’s capital assets are general capital assets generally resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of \$5,000. 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 years
Buildings and Improvements	20-50 years
Furniture and Equipment	5-15 years
Vehicles	10 years

***J. 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 externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent unclaimed monies. Unclaimed monies that are required to be held for five years before they may be utilized by the School District are reported as restricted.

***K. 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 vacation leave after an employee’s anniversary hire date. The liability for vacation benefits is recorded as “vacation benefits payable”, rather than long-term liabilities, as the balances are to be used by employees in the fiscal year following the fiscal year in which the benefit was earned.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District’s past experience of making termination payments.

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

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as “matured compensated absences payable” in the fund from which the employees who will receive the payment are paid.

***L. Bond Premium***

On government-wide financial statement, bond premiums are amortized over the term of the bonds using the straight-line method, which approximates effective interest method. Bond premiums are presented as an addition of the face amount of the bonds. On the governmental fund statements, bond premiums are recorded in the fiscal year the bonds are issued.

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

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

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

***N. Internal Activity***

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities.

Payments for interfund services provided and used are not eliminated. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***O. Fund Balance***

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

**Nonspendable:** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Restricted:** The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education.

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

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

***P. Net Position***

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for scholarships not held in trust that are restricted for specified purposes.

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

***Q. 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.

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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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.

***R. Operating Revenues and Expenses***

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

***S. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

***T. 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 3 - Changes in Accounting Principle**

For fiscal year 2016, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," GASB Statement No. 79, "Certain External Investment Pools and Pool Participants," and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the School District's financial statements.

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



**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

**Note 4 - 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 governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Other Governmental Funds	Total
Nonspendable:			
Prepays	\$35,144	\$5,273	\$40,417
Unclaimed Monies	379	0	379
Materials and Supplies Inventory	25,980	1,020	27,000
<i>Total Nonspendable</i>	<u>61,503</u>	<u>6,293</u>	<u>67,796</u>
Restricted for:			
Teacher Credentialing	3,791	0	3,791
State Grant Expenditures	0	2,113	2,113
Federal Grant Expenditures	0	21,510	21,510
Student Development	70,330	0	70,330
Scholarships	0	4,956	4,956
Athletic Programs	0	10,171	10,171
<i>Total Restricted</i>	<u>74,121</u>	<u>38,750</u>	<u>112,871</u>
Assigned to:			
Capital Improvements	0	604,410	604,410
Public School Support	13,172	0	13,172
Purchases on Order	41,792	0	41,792
Fiscal Year 2017 Appropriations	40,217	0	40,217
<i>Total Assigned</i>	<u>95,181</u>	<u>604,410</u>	<u>699,591</u>
Unassigned:	8,864,992	(116,030)	8,748,962
<i>Total Fund Balances</i>	<u>\$9,095,797</u>	<u>\$533,423</u>	<u>\$9,629,220</u>

**Note 5 - Fund Deficits**

The Food Service Special Revenue Fund had a \$115,010 deficit fund balance at fiscal year end. The deficit is the result of over-expended grant resources and accrued liabilities. The General Fund provides transfers to cover deficit balances in the special revenue funds; however, this is done when cash is needed rather than when accruals occur.

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 6 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balance (GAAP basis).
4. Prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
5. Budgetary revenues and expenditures of the Public School Support Fund are reclassified to the General Fund for GAAP reporting.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements:

Net Change in Fund Balance

	General Fund
GAAP Basis	\$5,116,131
Revenue Accruals	(1,073,710)
Expenditure Accruals	(274,924)
Prepaid Items:	
Beginning of Fiscal Year	30,705
End of Fiscal Year	(35,144)
Debt Principal	10,743
Interest and Fiscal Charges	2,428
Cash Deficits	86,840
To reclassify excess of expenditures over revenues into financial statement fund types	(4,321)
Encumbrances	(99,284)
Budget Basis	\$3,759,464

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 7 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations or political subdivisions of the State of Ohio;
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 eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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8. Written repurchase agreements in the securities described in (1) or (2) provided 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 the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

At June 30, 2016, the School District's internal service fund had a cash balance of \$1,819,116 with Jefferson Health Plan Self-Insurance Plan, a claims servicing pool (See Note 21). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and, therefore, cannot be included in the risk disclosures reported by the School District. Disclosures for the Jefferson Health Plan Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Plan Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43695.

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$8,451,720 of the School District's bank balance of \$8,451,720 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

**Investments** As of June 30, 2016, the School District had no investments.

## **Note 8 - Property Taxes**

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

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

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

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

Accrued property taxes receivable includes real property and public utility taxes which are measurable as of June 30, 2016, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2016, was \$2,358,741 and is recognized as revenue in the General Fund. The amount available as an advance at June 30, 2015, was \$1,416,144 in the General Fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

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

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$118,866,700	59.98%	\$120,621,610	32.92%
Commerical/Industrial and Public Utility Real	17,588,840	8.88%	94,839,910	25.89%
Public Utility Personal	61,719,780	31.14%	150,921,560	41.19%
	\$198,175,320	100.00%	\$366,383,080	100.00%
Tax Rate per \$1,000 of assessed valuation		\$30.50		\$30.50

**Note 9 - Receivables**

Receivables at June 30, 2016, consisted of property taxes, accounts (billings for user charged services and student tuition and fees), accrued interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Except for property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be received within one year.

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A summary of the principal items of intergovernmental receivables follows:

	Amounts
<b>Governmental Activities</b>	
Special Education	\$40,000
Title II-A	59,662
Title I	74,780
TIF - Year 6 Operating Grant	81,831
Food Service	120
Special Education, Part B-IDEA	100,380
Title VI-B, Rural and Low Income	7,572
Summer Youth Employment	4,886
Medicaid Reimbursement	3,280
Miscellaneous Reimbursements	3,099
Foundation Adjustments	0
SERS Receivable	4,848
	<u>4,848</u>
Total	<u>\$380,458</u>

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance 6/30/2015	Additions	Deductions	Balance 6/30/2016
<b>Nondepreciable Capital Assets:</b>				
Land	\$20,925	\$0	\$0	\$20,925
Construction in Progress	8,528	161,955	(170,483)	0
Total Capital Assets not being Depreciated	<u>29,453</u>	<u>161,955</u>	<u>(170,483)</u>	<u>20,925</u>
<b>Depreciable Capital Assets:</b>				
Land Improvements	782,281	0	0	782,281
Buildings and Improvements	8,936,333	229,401	0	9,165,734
Furniture and Equipment	779,827	98,331	0	878,158
Vehicles	1,655,728	0	0	1,655,728
Total Capital Assets being Depreciated	<u>12,154,169</u>	<u>327,732</u>	<u>0</u>	<u>12,481,901</u>
Less Accumulated Depreciation:				
Land Improvements	(782,281)	0	0	(782,281)
Buildings and Improvements	(4,980,527)	(190,526)	0	(5,171,053)
Furniture and Equipment	(508,353)	(40,201)	0	(548,554)
Vehicles	(972,071)	(102,778)	0	(1,074,849)
Total Accumulated Depreciation	<u>(7,243,232)</u>	<u>(333,505)</u>	<u>0</u>	<u>(7,576,737)</u>
Total Capital Assets being Depreciated, Net	<u>4,910,937</u>	<u>(5,773)</u>	<u>0</u>	<u>4,905,164</u>
Capital Assets, Net	<u>\$4,940,390</u>	<u>\$156,182</u>	<u>(\$170,483)</u>	<u>\$4,926,089</u>

**Noble Local School District, Ohio**  
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\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$105,421
Special	27,800
Vocational	4,843
Support Services:	
Pupils	10,120
Instructional Staff	4,456
Administration	19,506
Fiscal	3,206
Operation and Maintenance of Plant	34,283
Pupil Transportation	105,932
Food Service Operations	15,755
Extracurricular Activities	2,183
Total Depreciation Expense	\$333,505

**Note 11 - Significant Commitments**

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

General Fund	\$99,384
Nonmajor Funds	105,204
Total	\$204,588

**Note 12 - Risk Management**

**A. Property and Liability**

The School District was exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the School District contracted with Ohio Casualty Insurance for the following commercial coverage:

- Property and equipment;
- Crime;
- Inland marine;
- General liability, benefits liability, stop gap liability, school leaders errors and omissions liability, sexual misconduct and molestation liability, and law enforcement liability; and
- Business auto and terrorism risk.

Blanket property coverage for fiscal year 2016 was \$33,955,566. The deductible was \$5,000. Crime coverage had a limit of \$10,000 per loss and a \$500 deductible. Inland marine coverage had limits of \$50,000 to \$187,946 and a \$1,000 deductible.

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General liability coverage included a \$1,000,000 each occurrence limit and a \$2,000,000 aggregate limit and no deductible. Business auto coverage included liability, medical payments, uninsured motorists, underinsured motorists, comprehensive, and collision. Auto liability had a \$1,000,000 combined single limit of liability and no deductible while the deductibles for both comprehensive and collision were \$1,000 for buses and \$500 for other vehicles.

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior fiscal year.

***B. Workers' Compensation***

For fiscal year 2016, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

***C. Employee Benefits***

Medical/surgical, dental, and vision insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$197,399 reported in the internal service fund at June 30, 2016, is based on an estimate by Jefferson Health Plan and the application of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the increased claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for 2015 and 2016 were:

	Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2015	\$188,545	\$2,076,961	\$2,023,395	\$242,111
2016	242,111	1,632,329	1,677,041	197,399

**Note 13 - Defined Benefit Pension Plans**

***A. 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.



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

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

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

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$190,462 for fiscal year 2016. Of this amount \$18,134 is reported as an intergovernmental payable.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 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 year of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan.

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Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$612,273 for fiscal year 2016. Of this amount \$66,646 is reported as an intergovernmental payable.

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

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

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	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net Pension Liability			
Prior Measurement Date	0.04507300%	0.04040390%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.04284730%</u>	<u>0.04026800%</u>	
Change in Proportionate Share	<u>-0.00222570%</u>	<u>-0.00013590%</u>	
			<u>Total</u>
Proportionate Share of the Net			
Pension Liability	\$2,444,907	\$11,128,897	\$13,573,804
Pension Expense	\$123,450	\$496,699	\$620,149

At June 30, 2016, the School 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>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$39,367	\$507,337	\$546,704
School District contributions subsequent to the measurement date	<u>190,462</u>	<u>612,273</u>	<u>802,735</u>
Total Deferred Outflows of Resources	<u>\$229,829</u>	<u>\$1,119,610</u>	<u>\$1,349,439</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$81,008	\$800,378	\$881,386
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>98,665</u>	<u>37,466</u>	<u>136,131</u>
Total Deferred Inflows of Resources	<u>\$179,673</u>	<u>\$837,844</u>	<u>\$1,017,517</u>

\$802,735 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	(\$60,940)	(\$189,985)	(\$250,925)
2018	(60,940)	(189,985)	(250,925)
2019	(61,127)	(189,985)	(251,112)
2020	<u>42,701</u>	<u>239,448</u>	<u>282,149</u>
Total	<u>(\$140,306)</u>	<u>(\$330,507)</u>	<u>(\$470,813)</u>

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***Actuarial Assumptions - SERS***

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$3,390,209	\$2,444,907	\$1,648,887

**Changes Between Measurement Date and Report Date**

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

**Actuarial Assumptions - STRS**

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

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Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
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 commences 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 no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS’ investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Nominal 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>	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

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

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$15,458,878	\$11,128,897	\$7,467,253

***B. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2016, no Board Members have elected Social Security. The contribution rate would be 6.2 percent of wages.

**Note 14 - Postemployment Benefits**

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

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

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

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation 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 2016, this amount was \$23,000.



**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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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 2016, the School District's surcharge obligation was \$22,635.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014, were \$22,635, \$10,587, and \$34,227, respectively. The full amount has been contributed for fiscal years 2015 and 2014.

***B. State Teachers Retirement System***

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

**Funding Policy** – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014, were \$0, \$0, and \$40,628, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

**Note 15 - Other Employee Benefits**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Only one year's accumulation of vacation days can be carried forward to the next year. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 245 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum payment of 61.25 days for both certified and classified employees. For all days remaining beyond the maximum, classified employees are paid \$14 per day.

**Note 16 - Capital Leases**

In prior fiscal years, the School District entered into agreements to lease copiers. Such agreements are, in substance, lease purchases and are reflected as capital lease obligations in the financial statements. Capital lease payments are reflected as debt service expenditures in the financial statements for the governmental funds for \$10,743. The capital lease obligation represents the present value of the net future minimum lease payments on the capital lease.

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

Book value related to this lease is as follows:

	Governmental Activities
Furniture and Equipment	\$56,721
Less Accumulated Depreciation	(15,206)
Total June 30, 2016	\$41,515

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2016.

Fiscal Year	Principal	Interest	Total
2017	\$11,172	\$1,770	\$12,942
2018	11,928	1,129	13,057
2019	11,801	450	12,251
2020	1,928	13	1,941
Total	\$36,829	\$3,362	\$40,191

**Note 17 - Long-Term Obligations**

Changes in general long-term obligations of the School District during fiscal year 2016 were as follows:

	Principal Outstanding 6/30/15	Additions	Deductions	Principal Outstanding 6/30/16	Amounts Due within One Year
2012 Energy Conservation Improvement Bonds:					
Term Bonds - 1.00% - 2.70%	\$615,000	\$0	\$45,000	\$570,000	\$0
Premium on Bonds	18,897	0	1,655	17,242	0
Capital Appreciation Bonds - 27.29061%	15,000	0	0	15,000	15,000
Accretion on Capital Appreciation Bonds	15,660	8,937	0	24,597	0
Total Bonds	664,557	8,937	46,655	626,839	15,000
Net Pension Liability:					
STRS	9,827,627	1,301,270	0	11,128,897	0
SERS	2,281,119	163,788	0	2,444,907	0
Total Net Pension Liability	12,108,746	1,465,058	0	13,573,804	0
Capital Leases Payable	47,572	0	10,743	36,829	11,172
Sick Leave Benefits Payable	506,764	97,900	33,725	570,939	67,923
Total Long-Term Obligations	\$13,327,639	\$1,571,895	\$91,123	\$14,808,411	\$94,095

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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The capital leases will be paid from the General Fund. Sick leave benefits will be paid from the General Fund and Food Service Special Revenue Fund. The School District pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to the net pension liability, see Note 13.

On August 15, 2012, the School District issued \$720,000 in unvoted energy conservation improvement bonds. The bond issue included term and capital appreciation bonds, in the amount of \$705,000 and \$15,000, respectively. The bonds were issued for a 15 year period with final maturity at December 1, 2027. The debt will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements.

The capital appreciation bonds will mature in fiscal year 2017. The maturity amount of the bonds is \$45,000. For the fiscal year 2016, \$8,937 was accreted for a total bond value of \$39,597.

The current interest term bonds due December 1, 2019, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Date	Principal Amount To Be Redeemed
2017	\$45,000
2018	50,000

The remaining principal amount of such current interest term bonds (\$50,000) will be paid at stated maturity on December 1, 2019.

The current interest term bonds due December 1, 2022, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Date	Principal Amount To Be Redeemed
2020	\$50,000
2021	50,000

The remaining principal amount of such current interest term bonds (\$50,000) will be paid at stated maturity on December 1, 2022.

The current interest term bonds due December 1, 2027, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

Date	Principal Amount To Be Redeemed
2023	\$50,000
2024	55,000
2025	55,000
2026	55,000

The remaining principal amount of such current interest term bonds (\$60,000) will be paid at stated maturity on December 1, 2027.

The current interest term bonds maturing on December 1, 2022, and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity as the School District shall determine, and by lot within a maturity, at the option of the School District on or after December 1, 2019, at par, which is 100% of the face value of the Current Interest Bonds.

Principal and interest requirements to retire the bonds outstanding at June 30, 2016, were as follows:

Fiscal Year Ending	Term Bonds		Capital Appreciation	
	Principal	Interest	Principal	Interest
2017	\$0	\$13,035	\$15,000	\$30,000
2018	45,000	12,630	0	0
2019	50,000	11,775	0	0
2020	50,000	10,875	0	0
2021	50,000	9,925	0	0
2022-2026	260,000	32,780	0	0
2027-2028	115,000	3,172	0	0
Total	\$570,000	\$94,192	\$15,000	\$30,000

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

The School District's overall legal debt margin at June 30, 2016, was \$32,974,477, with an unvoted debt margin of \$366,383.

**Note 18 - Interfund Activity**

**A. Transfers**

Interfund transfers for the year ended June 30, 2016, consisted of the following:

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

	Transfer In	Transfer Out
General Fund	\$0	\$745,224
Nonmajor Special Revenue Funds:		
Food Service	80,000	0
Student Activities	4,178	0
Federal Grants	4,907	0
Permanent Improvement Capital Projects Fund	656,139	0
Total All Funds	\$745,224	\$745,224

The transfer to the Student Activities Special Revenue Fund was to help cover the cost of electric for stadium lights. The transfer to the Permanent Improvement Capital Projects Fund was for various construction projects for the School District. The transfers to the Food Service and Federal Grants funds were to help fund the programs until the receipt of grant monies.

**B. Interfund Balances**

Unpaid interfund cash advances at June 30, 2016, were as follows:

	Receivables	Payables
General Fund	\$171,176	\$0
Nonmajor Special Revenue Funds:		
Food Service	0	83,004
Student Activities	0	1,332
Federal Grants	0	86,840
Total All Funds	\$171,176	\$171,176

The interfund receivables/payables are due to cash deficits, from the provision of cash flow resources from the General Fund until the receipt of grant monies by the grant funds, and for services rendered. The interfund balances are anticipated to be repaid within one fiscal year.

**Note 19 - Jointly Governed Organizations**

**A. Oho Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA)**

The Oho Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA) was created as a separate regional council of governments pursuant to State statutes. OME-RESA operates under the direction of a Board comprising a representative from each participating school district. The Board exercises total control over the operations of OME-RESA including budgeting, appropriating, contracting, and designating management. Each participants control is limited to its representation on the Board. OME-RESA provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2016, the total amount paid to OME-RESA from the School District was \$47,290 for technology services and financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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***B. Mid-East Career and Technology Center***

The Mid-East Career and Technology Center, a joint vocational school, 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 13 participating school districts' elected boards. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from Mid-East Ohio Joint Vocational School District, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 45701.

***C. Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$325 for fiscal year 2016. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

***D. Ohio Coalition for Equity and Adequacy of School Funding***

The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. Member school districts and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 districts and educational service centers pay dues of \$.05 per pupil. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest or financial responsibility for the Coalition. During 2016, the School District paid \$479 for membership fees to the Coalition.

**Note 20 - Insurance Purchasing Pool**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the plan. Each year, the participating School District pays an enrollment fee to the GRP to cover the costs of administering the plan.

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**Note 21 - Public Entity Risk Pool**

***Risk Sharing, Claims Servicing, and Insurance Purchasing Pool*** The School District participates in the **Jefferson Health Plan Self-Insurance Plan**, a risk sharing, claims servicing, and insurance purchasing pool composed of over three hundred participants, including six pool organizations within the consortium. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The Plan offers medical, dental, vision, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$200,000 under which the individual member is responsible for all claims below the selected deductible. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$1,500,000, and all claims between the deductible and the \$1,500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a funding accrual that is actuarially calculated based on the participant's actual claims experience which are utilized for the payments of plan expenses within the participant's reserve account up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for selected deductible that is included in the funding accrual that is based on the claims of the selected internal pool deductible in aggregate and is not based on individual participant claims experience. In the event of a deficit in a participant's reserve account, the participant would be charged an additional funding accrual; and in the event of a surplus, a participant can apply for a funding accrual moratorium. For all individual claims exceeding \$1,500,000, umbrella stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services, amount other fixed costs that are included in the monthly funding accrual.

**Note 22 - Set-Aside Calculations**

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

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

	Capital Improvements
Set-aside Balance as of June 30, 2015	\$0
Current Year Set-aside Requirement	166,398
Offsetting Credits	(467,426)
Qualifying Disbursements	(113,767)
Total	(\$414,795)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future years.

**Note 23 - Donor Restricted Endowments**

The School District's private purpose trust funds include donor restricted endowments. Total endowments, representing the principal portion are \$33,500. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that interest should be used to provide scholarships each year.

**Note 24 - Contingencies**

***A. Grants***

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

***B. Litigation***

As of June 30, 2016, the School District is currently not a party to any material legal proceedings.

***C. School Foundation***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, 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, 2016, Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the School District.



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**Noble Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Three Fiscal Years (1)\**

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.0428473%	0.045073%	0.045073%
School District's Proportionate Share of the Net Pension Liability	\$2,444,907	\$2,281,119	\$2,680,347
School District's Covered-Employee Payroll	\$1,291,146	\$1,312,350	\$1,194,824
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	189.36%	173.82%	224.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

**Noble Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Three Fiscal Years (1) \**

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.04026800%	0.04040390%	0.04040390%
School District's Proportionate Share of the Net Pension Liability	\$11,128,897	\$9,827,627	\$11,706,605
School District's Covered-Employee Payroll	\$4,203,271	\$4,152,054	\$3,749,200
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	264.77%	236.69%	312.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

**Noble Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$190,462	\$170,173	\$181,892	\$165,364
Contributions in Relation to the Contractually Required Contribution	<u>(190,462)</u>	<u>(170,173)</u>	<u>(181,892)</u>	<u>(165,364)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$1,360,443	\$1,291,143	\$1,312,350	\$1,194,824
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$139,609	\$152,829	\$166,395	\$120,806	\$111,671	\$113,577
<u>(139,609)</u>	<u>(152,829)</u>	<u>(166,395)</u>	<u>(120,806)</u>	<u>(111,671)</u>	<u>(113,577)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,037,984	\$1,215,826	\$1,228,912	\$1,227,701	\$1,137,183	\$1,063,455
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**Noble Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$612,273	\$588,458	\$539,767	\$487,396
Contributions in Relation to the Contractually Required Contribution	<u>(612,273)</u>	<u>(588,458)</u>	<u>(539,767)</u>	<u>(487,396)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$4,373,379	\$4,203,271	\$4,152,054	\$3,749,200
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
\$562,480	\$516,581	\$514,190	\$478,670	\$483,564	\$442,577
(562,480)	(516,581)	(514,190)	(478,670)	(483,564)	(442,577)
\$0	\$0	\$0	\$0	\$0	\$0
\$4,326,769	\$3,973,700	\$3,955,308	\$3,682,077	\$3,719,723	\$3,404,438
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**NOBLE LOCAL SCHOOL DISTRICT  
NOBLE COUNTY**

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

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Grant Year</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Receipts</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<b>Passed Through Ohio Department of Education</b>					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555	2016	\$0	\$29,189	\$29,189
Cash Assistance:					
School Breakfast Program	10.553	2016	0	86,768	86,768
National School Lunch Program	10.555	2016	0	151,749	151,749
Cash Assistance Subtotal			<u>0</u>	<u>238,517</u>	<u>238,517</u>
Total Child Nutrition Cluster				267,706	267,706
Team Nutrition Grants	10.574	2016	<u>0</u>	<u>1,756</u>	<u>1,756</u>
Total U.S. Department of Agriculture			0	269,462	269,462
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<b>Passed Through Ohio Department of Education</b>					
Title 1 Grants to Local Educational Agencies	84.010	2015	0	29,480	11,994
		2016	0	209,485	232,512
Total Title 1 Grants to Local Educational Agencies			<u>0</u>	<u>238,965</u>	<u>244,506</u>
Special Education Cluster:					
Special Education - Grants to States	84.027	2015	0	38,982	31,565
		2016	0	142,881	171,135
Total Special Education - Grants to States			<u>0</u>	<u>181,863</u>	<u>202,700</u>
<b>Passed Through Ohio Valley Educational Service Center</b>					
Special Education - Preschool Grants	84.173	2016	<u>0</u>	<u>8,161</u>	<u>8,161</u>
Total Special Education Cluster			0	190,024	210,861
Rural Education	84.358	2015	0	23,289	23,289
		2016	0	9,256	9,256
Total Rural Education			<u>0</u>	<u>32,545</u>	<u>32,545</u>
Improving Teacher Quality State Grants	84.367	2015	0	15,049	12,895
		2016	0	42,998	48,823
Total Improving Teacher Quality State Grants			<u>0</u>	<u>58,047</u>	<u>61,718</u>
Teacher Incentive Fund	84.374	2015	0	19,696	10,925
		2016	0	108,674	138,403
Total Teacher Incentive Fund			<u>0</u>	<u>128,370</u>	<u>149,328</u>
ARRA - Race to the Top Incentive Grants	84.395	2015	0	10,419	0
Total U.S. Department of Education			<u>0</u>	<u>658,370</u>	<u>698,958</u>
<b>Total Receipts and Expenditures of Federal Awards</b>			<u><u>\$0</u></u>	<u><u>\$927,832</u></u>	<u><u>\$968,420</u></u>

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

**NOBLE LOCAL SCHOOL DISTRICT  
NOBLE COUNTY**

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

**NOTE A – BASIS OF PRESENTATION**

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

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

Receipts and expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C – CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

Noble Local School District  
Noble County  
20977 Zep Road East  
Sarahsville, Ohio 43779

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Noble Local School District, Noble County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated February 27, 2017.

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

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

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

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

### ***Compliance and Other Matters***

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

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157  
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110

[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Purpose of this Report***

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

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

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

February 27, 2017



# Dave Yost • Auditor of State

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

Noble Local School District  
Noble County  
20977 Zep Road East  
Sarahsville, Ohio 43779

To the Board of Education:

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

We have audited the Noble Local School District's, Noble County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Noble Local School District's major federal program for the year ended June 30, 2016. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

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

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

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

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

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

### ***Opinion on the Major Federal Program***

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

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

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

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

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

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



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

February 27, 2017

**NOBLE LOCAL SCHOOL DISTRICT  
NOBLE COUNTY**

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

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR Part 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Program: <ul style="list-style-type: none"> <li>• Title 1 Grants to Local Educational Agencies, CFDA # 84.010</li> </ul>	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR Part 200.520?	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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# Dave Yost • Auditor of State

**NOBLE LOCAL SCHOOL DISTRICT**

**NOBLE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 14, 2017**