

NORWALK CITY SCHOOL DISTRICT
HURON COUNTY, OHIO

GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1999

NORWALK CITY SCHOOL DISTRICT
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GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1999

**NORWALK CITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 1999**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Combined Balance Sheet - All Fund Types and Account Groups	2-3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds.....	4-5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - (Non-GAAP Basis) Budget and Actual - All Governmental Fund Types and Expendable Trust Funds.....	6-9
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - All Proprietary Fund Types and Non-Expendable Trust Fund	10
Combined Statement of Cash Flows - All Proprietary Fund Types and Non-Expendable Trust Fund	11
Notes to the General Purpose Financial Statements.....	12-31
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	32
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	33-34
Schedule of Expenditures of Federal Awards – Non-GAAP Budgetary Basis.....	35
Schedule of Findings and Questioned Costs	36



STATE OF OHIO
OFFICE OF THE AUDITOR
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Board of Education
Norwalk City School District
Norwalk, Ohio 44857

We have reviewed the Independent Auditor's Report of the Norwalk City School District, Huron County, prepared by Rea & Associates, Inc., for the audit period July 1, 1998 to June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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


JIM PETRO
Auditor of State

January 3, 2000

December 8, 1999

The Board of Education
Norwalk City School District
Norwalk, Ohio 44857

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying general purpose financial statements of the Norwalk City School District as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Norwalk City School District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 1998 on our consideration of the Norwalk City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Rea & Associates, Inc.

Columbus
New Philadelphia
Millersburg
Coshocton
Cambridge
Marietta
Medina
Lima

NORWALK CITY SCHOOL DISTRICT

Combined Balance Sheet
All Fund Types and Account Groups

June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Assets and Other Debits</i>				
Assets				
Cash and Cash Equivalents - Unrestricted	\$ 3,648,454	\$ 606,524	\$ 323,272	\$ 16,514,147
Cash and Cash Equivalents - Restricted	499,784	0	0	0
Receivables:				
Taxes	6,505,997	0	1,098,698	493,203
Accounts	295	405	0	0
Gifts	0	0	0	3,000,000
Prepaid Items	19,181	0	0	0
Inventory Held For Resale	0	0	0	0
Materials and Supplies Inventory	11,317	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation	0	0	0	0
Other Debits				
Amount Available In Debt Service	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$ 10,685,028	\$ 606,929	\$ 1,421,970	\$ 20,007,350
<i>Liabilities, Fund Equity, and Other Credits</i>				
Liabilities				
Accounts Payable	\$ 18,608	\$ 8,794	\$ 0	\$ 31,643
Accrued Wages and Benefits	1,068,171	85,655	0	0
Compensated Absences Payable	0	0	0	0
Intergovernmental Payable	299,000	27,915	0	0
Deferred Revenue	5,735,984	0	1,050,210	3,471,437
Undistributed monies	0	0	0	0
Capital Lease Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	7,121,763	122,364	1,050,210	3,503,080
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	191,998	202,395	0	138,417
Reserved for Inventory	11,317	0	0	0
Reserved for Prepaid Items	19,181	0	0	0
Reserved for Tax Revenue Unavailable for Appropriations	264,830	0	48,488	21,766
Reserved for Budget Stabilization	489,619	0	0	0
Reserved for Textbooks/Instructional Materials	10,165	0	0	0
Reserved for Principal Endowment	0	0	0	0
Unreserved:				
Undesignated	2,576,155	282,170	323,272	16,344,087
Total Fund Equity and Other Credits	3,563,265	484,565	371,760	16,504,270
Total Liabilities, Fund Equity, and Other Credits	\$ 10,685,028	\$ 606,929	\$ 1,421,970	\$ 20,007,350

See accompanying notes to the general purpose financial statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Totals (Memorandum Only)
		Trust and Agency	General Fixed Assets	General Long-Term Obligations	
Enterprise					
\$ 61,195	\$ 164,198	\$ 0	\$ 0	\$ 21,317,790	
0	0	0	0	499,784	
0	0	0	0	8,097,898	
1,275	0	0	0	1,975	
0	0	0	0	3,000,000	
0	0	0	0	19,181	
20,556	0	0	0	20,556	
6,462	0	0	0	17,779	
40,376	0	8,876,993	0	8,917,369	
0	0	0	323,272	323,272	
0	0	0	17,115,113	17,115,113	
<u>\$ 129,864</u>	<u>\$ 164,198</u>	<u>\$ 8,876,993</u>	<u>\$ 17,438,385</u>	<u>\$ 59,330,717</u>	

\$ 310	\$ 360	\$ 0	\$ 0	\$ 59,715
30,455	0	0	0	1,184,281
16,814	0	0	1,099,671	1,116,485
19,846	0	0	88,268	435,029
8,465	0	0	0	10,266,096
0	30,663	0	0	30,663
0	0	0	5,575	5,575
0	0	0	16,244,871	16,244,871
<u>75,890</u>	<u>31,023</u>	<u>0</u>	<u>17,438,385</u>	<u>29,342,715</u>
0	0	8,876,993	0	8,876,993
53,974	5,678	0	0	59,652
0	2,867	0	0	535,677
0	0	0	0	11,317
0	0	0	0	19,181
0	0	0	0	335,084
0	0	0	0	489,619
0	0	0	0	10,165
0	60,619	0	0	60,619
0	64,011	0	0	19,589,695
<u>53,974</u>	<u>133,175</u>	<u>8,876,993</u>	<u>0</u>	<u>29,988,002</u>
<u>\$ 129,864</u>	<u>\$ 164,198</u>	<u>\$ 8,876,993</u>	<u>\$ 17,438,385</u>	<u>\$ 59,330,717</u>

NORWALK CITY SCHOOL DISTRICT

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds

For the Year Ended June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Taxes	\$ 6,326,609	\$ 0	\$ 504,950	\$ 401,076
Intergovernmental	6,432,361	1,227,737	53,006	310,945
Investment Income	230,397	8,927	0	414,194
Tuition and Fees	11,583	0	0	0
Extracurricular Activities	24,057	94,242	0	0
Miscellaneous	83,861	148,442	733	0
Total Revenues	13,108,868	1,479,348	558,689	1,126,215
Expenditures				
Current:				
Instruction				
Regular	6,170,546	19,413	0	201,435
Special	1,362,496	541,757	0	311
Vocational	264,397	0	0	0
Adult Continuing	3,484	34,893	0	0
Other	29,861	0	0	0
Support Services:				
Pupils	466,916	82,033	0	0
Instructional Staff	373,500	106,276	0	0
Board of Education	4,755	0	0	0
Administration	1,253,270	138,392	0	0
Fiscal	319,316	0	10,445	10,300
Business	13,013	0	0	0
Operation and Maintenance of Plant	975,418	0	0	37,629
Pupil Transportation	475,759	0	0	0
Central	12,961	2,895	0	0
Operation of Non-Instructional Services	0	343,978	0	0
Extracurricular Activities	208,379	117,753	0	0
Capital Outlay	0	0	0	657,910
Debt Service:				
Principal Retirement	5,148	0	0	0
Interest and Fiscal Charges	672	0	300,132	0
Total Expenditures	11,939,891	1,387,390	310,577	907,585
Excess of Revenues Over (Under) Expenditures	1,168,977	91,958	248,112	218,630
Other Financing Sources (Uses)				
Proceeds of Bonds	0	0	0	16,244,871
Proceeds from Sales of Fixed Assets	755	0	0	0
Other Financing Sources	0	0	0	5,112
Operating Transfers In	0	10,898	123,648	0
Operating Transfers Out	(500)	(5,750)	0	(123,648)
Total Other Financing Sources	255	5,148	123,648	16,126,335
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,169,232	97,106	371,760	16,344,965
Fund Balance at Beginning Of Year	2,394,033	387,459	0	159,305
Fund Balance at End of Year	\$ 3,563,265	\$ 484,565	\$ 371,760	\$ 16,504,270

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Type			
Expendable Trust		Totals (Memorandum Only)	
\$	0	\$	7,232,635
	0		8,024,049
	768		654,286
	0		11,583
	0		118,299
	61,473		294,509
	62,241		16,335,361

	88,121		6,479,515
	0		1,904,564
	0		264,397
	0		38,377
	0		29,861
	0		548,949
	0		479,776
	0		4,755
	1,872		1,393,534
	0		340,061
	0		13,013
	0		1,013,047
	0		475,759
	0		15,856
	4,937		348,915
	0		326,132
	0		657,910
	0		5,148
	0		300,804
	94,930		14,640,373

	(32,689)		1,694,988
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	0		16,244,871
	0		755
	0		5,112
	0		134,546
	0		(129,898)
	0		16,255,386

	(32,689)		17,950,374
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	99,567		3,040,364
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\$	66,878	\$	20,990,738
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NORWALK CITY SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
All Governmental Fund Types and Expendable Trust Funds
(Non-GAAP Budgetary Basis)*

For the Year Ended June 30, 1999

GENERAL FUND			
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 6,690,020	\$ 6,690,020	\$ 0
Intergovernmental	6,432,362	6,432,362	0
Investment Income	230,397	230,397	0
Tuition and Fees	11,844	11,844	0
Extracurricular Activities	24,057	24,057	0
Rentals	5,806	5,806	0
Miscellaneous	81,122	81,122	0
Total Revenues	13,475,608	13,475,608	0
Expenditures			
Current			
Instruction	8,200,577	7,824,189	376,388
Support Services			
Pupils	476,883	449,341	27,542
Instructional Staff	394,119	372,190	21,929
Board of Education	6,979	6,338	641
Administration	1,270,233	1,231,709	38,524
Fiscal	330,066	323,118	6,948
Business	67,900	61,058	6,842
Operation and Maintenance of Plant	1,037,025	976,727	60,298
Pupil Transportation	663,538	619,273	44,265
Central	15,710	14,479	1,231
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	209,200	208,486	714
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest	0	0	0
Total Expenditures	12,672,230	12,086,908	585,322
Excess of Revenues Over (Under) Expenditures	803,378	1,388,700	585,322
Other Financing Sources (Uses)			
Proceeds from Sales of Bonds	0	0	0
Proceeds from Sale of Notes	0	0	0
Proceeds from Sale of Fixed Assets	755	755	0
Other Financing Sources	1,061	1,061	0
Operating Transfers In	0	0	0
Operating Transfers Out	(50,000)	(500)	49,500
Total Other Financing Sources (Uses)	(48,184)	1,316	49,500
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	755,194	1,390,016	634,822
Fund Balance (Deficit) at Beginning of Year	2,434,347	2,434,347	0
Prior Year Encumbrances Appropriated	113,269	113,269	0
Fund Balance (Deficit) at End of Year	\$ 3,302,810	\$ 3,937,632	\$ 634,822

SPECIAL REVENUE FUND				DEBT SERVICE FUND			
Revised Budget	Actual	Variance Favorable (Unfavorable)		Revised Budget	Actual	Variance Favorable (Unfavorable)	
\$ 0	\$ 0	\$ 0	0	\$ 456,462	\$ 456,462	\$ 0	0
1,341,060	1,341,060	0	0	53,006	53,006	0	0
8,927	8,927	0	0	0	0	0	0
0	0	0	0	0	0	0	0
94,242	94,242	0	0	0	0	0	0
0	0	0	0	0	0	0	0
148,037	148,037	0	0	733	733	0	0
1,592,266	1,592,266	0	0	510,201	510,201	0	0
603,600	603,600	0	0	0	0	0	0
84,575	84,575	0	0	0	0	0	0
108,341	108,341	0	0	0	0	0	0
0	0	0	0	0	0	0	0
142,562	142,562	0	0	0	0	0	0
0	0	0	0	10,445	10,445	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
2,895	2,895	0	0	0	0	0	0
533,682	533,682	0	0	0	0	0	0
124,288	124,288	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	9,975,000	9,975,000	0	0
0	0	0	0	300,132	300,132	0	0
1,599,943	1,599,943	0	0	10,285,577	10,285,577	0	0
(7,677)	(7,677)	0	0	(9,775,376)	(9,775,376)	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
7,171	7,171	0	0	0	0	0	0
10,898	10,898	0	0	10,098,648	10,098,648	0	0
(5,750)	(5,750)	0	0	0	0	0	0
12,319	12,319	0	0	10,098,648	10,098,648	0	0
4,642	4,642	0	0	323,272	323,272	0	0
365,415	365,415	0	0	0	0	0	0
25,278	25,278	0	0	0	0	0	0
\$ 395,335	\$ 395,335	\$ 0	0	\$ 323,272	\$ 323,272	\$ 0	0

(continued)

NORWALK CITY SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
All Governmental Fund Types and Expendable Trust Funds
(Non-GAAP Budgetary Basis)*

For the Year Ended June 30, 1999

CAPITAL PROJECTS FUND			
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 435,110	\$ 435,110	\$ 0
Intergovernmental	310,945	310,945	0
Investment Income	414,194	414,194	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Rentals	0	0	0
Miscellaneous	0	0	0
Total Revenues	1,160,249	1,160,249	0
Expenditures			
Current			
Instruction	203,973	203,973	0
Support Services			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	10,300	10,300	0
Business	0	0	0
Operation and Maintenance of Plant	39,399	39,399	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	851,556	851,556	
Debt Service:			
Principal Retirement	0	0	
Interest	0	0	0
Total Expenditures	1,105,228	1,105,228	0
Excess of Revenues Over (Under) Expenditures	55,021	55,021	0
Other Financing Sources (Uses)			
Proceeds from Sales of Bonds	16,248,792	16,248,792	
Proceeds from Sale of Notes	9,975,000	9,975,000	
Proceeds from Sale of Fixed Assets	0	0	0
Other Financing Sources	1,190	1,190	0
Operating Transfers In	0	0	0
Operating Transfers Out	(10,098,648)	(10,098,648)	0
Total Other Financing Sources (Uses)	16,126,334	16,126,334	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	16,181,355	16,181,355	0
Fund Balance (Deficit) at Beginning of Year	68,031	68,031	0
Prior Year Encumbrances Appropriated	94,701	94,701	0
Fund Balance (Deficit) at End of Year	\$ 16,344,087	\$ 16,344,087	\$ 0

See accompanying notes to the general purpose financial statements.

EXPENDABLE TRUST FUNDS				TOTALS (MEMORANDUM ONLY)			
Revised Budget	Actual	Variance Favorable (Unfavorable)		Revised Budget	Actual	Variance Favorable (Unfavorable)	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,581,592	\$ 7,581,592	\$ 0	\$ 0
0	0	0	0	8,137,373	8,137,373	0	0
768	768	0	0	654,286	654,286	0	0
0	0	0	0	11,844	11,844	0	0
0	0	0	0	118,299	118,299	0	0
0	0	0	0	5,806	5,806	0	0
61,473	61,473	0	0	291,365	291,365	0	0
62,241	62,241	0	0	16,800,565	16,800,565	0	0
90,981	90,981	0	0	9,099,131	8,722,743	376,388	376,388
0	0	0	0	561,458	533,916	27,542	27,542
0	0	0	0	502,460	480,531	21,929	21,929
0	0	0	0	6,979	6,338	641	641
1,879	1,879	0	0	1,414,674	1,376,150	38,524	38,524
0	0	0	0	350,811	343,863	6,948	6,948
0	0	0	0	67,900	61,058	6,842	6,842
0	0	0	0	1,076,424	1,016,126	60,298	60,298
0	0	0	0	663,538	619,273	44,265	44,265
0	0	0	0	18,605	17,374	1,231	1,231
4,937	4,937	0	0	538,619	538,619	0	0
0	0	0	0	333,488	332,774	714	714
0	0	0	0	851,556	851,556	0	0
0	0	0	0	9,975,000	9,975,000	0	0
0	0	0	0	300,132	300,132	0	0
97,797	97,797	0	0	25,760,775	25,175,453	585,322	585,322
(35,556)	(35,556)	0	0	(8,960,210)	(8,374,888)	585,322	585,322
0	0	0	0	16,248,792	16,248,792	0	0
0	0	0	0	9,975,000	9,975,000	0	0
0	0	0	0	755	755	0	0
0	0	0	0	9,422	9,422	0	0
0	0	0	0	10,109,546	10,109,546	0	0
0	0	0	0	(10,154,398)	(10,104,898)	49,500	49,500
0	0	0	0	26,189,117	26,238,617	49,500	49,500
(35,556)	(35,556)	0	0	17,228,907	17,863,729	634,822	634,822
99,567	99,567	0	0	2,967,360	2,967,360	0	0
0	0	0	0	233,248	233,248	0	0
\$ 64,011	\$ 64,011	\$ 0	\$ 0	\$ 20,429,515	\$ 21,064,337	\$ 634,822	\$ 634,822

NORWALK CITY SCHOOL DISTRICT

*Combined Statement of Revenues,
Expenses, and Changes in Fund Equity
All Proprietary Fund Types and Non-Expendable Trust Fund*

For the Year Ended June 30, 1999

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Non-Expendable Trust	
<u>Operating Revenues</u>			
Tuition	\$ 27,789	\$ 0	\$ 27,789
Charges for Services	258,544	0	258,544
Investment Income	0	2,977	2,977
Other Operating Revenues	1,275	190	1,465
<i>Total Operating Revenues</i>	<u>287,608</u>	<u>3,167</u>	<u>290,775</u>
<u>Operating Expenses</u>			
Salaries	164,440	0	164,440
Fringe Benefits	86,789	0	86,789
Purchased Services	12,195	0	12,195
Materials and Supplies	293,535	0	293,535
Depreciation	840	0	840
Other Operating Expenses	0	1,400	1,400
<i>Total Operating Expenses</i>	<u>557,799</u>	<u>1,400</u>	<u>559,199</u>
Operating Income (Loss)	<u>(270,191)</u>	<u>1,767</u>	<u>(268,424)</u>
<u>Non-Operating Revenues (Expenses)</u>			
Operating Grants	256,854	0	256,854
Interest	659	0	659
<i>Total Non-Operating Revenues (Expenses)</i>	<u>257,513</u>	<u>0</u>	<u>257,513</u>
Net Income (Loss)	(12,678)	1,767	(10,911)
Retained Earnings/Fund Balance at Beginning of Year	<u>66,652</u>	<u>64,530</u>	<u>131,182</u>
Total Fund Equity at End of Year	<u>\$ 53,974</u>	<u>\$ 66,297</u>	<u>\$ 120,271</u>

See accompanying notes to the general purpose financial statements.

NORWALK CITY SCHOOL DISTRICT

Combined Statement of Cash Flows

All Proprietary Fund Types and Non-Expendable Trust Fund

For the Year Ended June 30, 1999

	Proprietary Fund Type		Fiduciary Fund Type	Totals
	Enterprise	Non-Expendable Trust		(Memorandum Only)
<u>Cash Flows From Operating Activities</u>				
Cash Received from Customers	\$ 284,437	\$ 3,167	\$	287,604
Cash Paid for Goods and Services	(282,720)	(1,400)		(284,120)
Cash Paid to Employees	(244,046)	0		(244,046)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>(242,329)</u>	<u>1,767</u>		<u>(240,562)</u>
<u>Cash Flows From Non-Capital Financing Activities</u>				
Grants	256,854	0		256,854
Other Non-Operating Revenue	659	0		659
<i>Net Cash Provided By (Used For) Non-Capital Activities</i>	<u>257,513</u>	<u>0</u>		<u>257,513</u>
<u>Cash Flows From Capital and Related Financing Activities</u>				
Payments for Capital Acquisitions	(3,300)	0		(3,300)
<i>Net Cash Provided By (Used For) Capital and Related Financing Activities</i>	<u>(3,300)</u>	<u>0</u>		<u>(3,300)</u>
Net Increase in Cash and Cash Equivalents	11,884	1,767		13,651
Cash and Cash Equivalents at Beginning of Year	49,311	64,530		113,841
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 61,195</u>	<u>\$ 66,297</u>		<u>127,492</u>
Cash Reconciliation:				
Non-Expendable Trust Fund		\$ 66,297		
Expendable Trust		66,946		
Agency		30,955		
		<u>\$ 164,198</u>		
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</u>				
Operating Income (Loss)	\$ (270,191)	\$ 1,767		(268,424)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:				
Depreciation	840	0		840
(Increase) Decrease in Accounts Receivable	(1,130)	0		(1,130)
(Increase) Decrease in Inventory	8,926	0		8,926
Increase (Decrease) in Accounts Payable	266	0		266
Increase (Decrease) in Accrued Wages and Benefits	7,183	0		7,183
Increase (Decrease) in Deferred Revenue	(2,041)	0		(2,041)
Increase (Decrease) in Intergovernmental Payable	13,818	0		13,818
<i>Total Adjustments</i>	<u>27,862</u>	<u>0</u>		<u>27,862</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ (242,329)</u>	<u>\$ 1,767</u>		<u>\$ (240,562)</u>

See accompanying notes to the general purpose financial statements.

NORWALK CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Norwalk City School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.04 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 1998, was 2,544. The District employs 180 certificated and 76 non-certificated employees.

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

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

Management believes the financial statements included in the report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The accounts of the Norwalk City School District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Norwalk City School District has the following fund types and account groups:

NORWALK CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

Governmental Fund Types

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be approximately sixty days. Generally property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred revenue until available. Reimbursements due for federally funded programs are recognized when the corresponding expenditures are made.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

General Fund - used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditure for specified purposes.

Debt Service Fund - used to account for the accumulation of resources for the payment of interest and principal on long-term debt obligations other than those payable from Enterprise Funds.

Capital Projects Fund - used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary or trust funds.

Proprietary Fund Types

Proprietary fund types are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the board of education has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations unless they contradict/conflict with GASB pronouncements. Proprietary funds include the following fund types:

NORWALK CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

Enterprise Funds - used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types

Fiduciary fund types account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary fund types are as follows:

Expendable Trust Fund - accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting.

Non-Expendable Trust Fund - is an account for endowment-like trust arrangements, accounted for much like a proprietary fund.

Agency Fund - custodial in nature and do not present results of operations or have a measurement focus. Agency Funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

Account Groups

The District maintains two account groups as described below:

General Fixed Assets Account Group - used to account for fixed assets acquired principally for general purposes other than those accounted for in proprietary or trust funds.

General Long-term Debt Account Group - used to account for the outstanding principal balances of general obligation bonds and other long-term debt not reported in proprietary funds.

NORWALK CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

B. DEPOSITS AND INVESTMENTS

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Investment income is recorded in the general fund, as permitted by the Ohio Revised Code. *Investments are stated at cost which approximates fair value at year-end.* Cash deposits are reported as carrying amount, which reasonably estimates fair value.

The District has also invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. *Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.*

C. RESTRICTED CASH

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve and textbook reserve. These reserves are required by State statute. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction. *The textbook reserve can only be used for instructional materials.* During fiscal year 1999, the District set aside the required amounts required by state statute. Fund balance reserves have also been established.

D. RECEIVABLES

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

E. INVENTORIES AND SUPPLIES

The costs of inventory items are recognized as expenditures when purchased in the governmental funds and recognized as expenses when used in the enterprise funds. For all funds, cost is determined on a first-in, first-out basis.

Reported inventories in the governmental fund types are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

F. PREPAID EXPENSES

The District uses the consumption method to account for prepaid expenses. Under the consumption method the prepaid items are recorded as an expenditure when used.

NORWALK CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

G. FIXED ASSETS AND DEPRECIATION

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets. The District does not possess any infrastructure.

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on the estimated life of assets. Estimated useful lives of depreciable equipment is 5 to 20 years.

H. LONG-TERM LIABILITIES

Unmatured general long-term liabilities, which are related to governmental fund type operations, are reflected in the general long-term debt account group.

I. UNPAID COMPENSATED ABSENCES

The entire estimated amount of unpaid compensated absences, including sick pay and vacation pay, of the proprietary type funds is reflected as a liability in the respective funds. The portion of unpaid compensated absences related to governmental fund type operations is reflected in the general long-term debt account group.

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

J. FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations.

K. TOTAL COLUMNS

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

NORWALK CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

A. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the object code level within each fund. Budgetary modifications may only be made by resolution of the Board of Education.

B. BUDGETARY BASIS

Tax Budget

A budget of estimated revenue and expenditures is submitted to the Huron County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states that projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types and Expendable Trust Fund" do not include July 1, 1999 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the fund, function level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

NORWALK CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

The allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types and Expendable Trust Fund" represent the final appropriation amounts including all amendments and modifications.

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

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the Non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balance for subsequent-year expenditures.

Budgetary Reporting

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types and Expendable Trust Fund" is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles (GAAP Basis) are that:

- 1.) Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis).
- 2.) Expenditures are recorded when paid or encumbered (budget basis) rather than when the liability is incurred (GAAP basis).

NORWALK CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental funds follow:

Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)
Reconciliation of Budget Basis to GAAP Basis

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Expendable Trust Fund
Budget Basis	\$ 1,390,016	\$ 4,642	\$ 323,272	\$ 16,181,355	\$ (35,556)
Adjustments, increase (decrease)					
Revenue accruals	(367,801)	(120,089)	(9,926,512)	(10,009,034)	0
Expenditure accruals	(63,588)	1,364	9,975,000	10,002,585	(68)
Encumbrances	210,605	211,189	0	170,059	2,935
GAAP basis, as reported (deficit)	\$ 1,169,232	\$ 97,106	\$ 371,760	\$ 16,344,965	\$ (32,689)

NOTE 4 DEPOSITS AND INVESTMENTS

The Norwalk City School District maintains a cash and investment pool used by various funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Equivalents."

A. LEGAL REQUIREMENTS

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

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

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

Interim deposits are 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.

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

NORWALK CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

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

- (1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuance's of federal government agencies or instrumentalities;
- (3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be market to market daily with the term of the agreement not exceeding thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasurer's investments pool (STAR Ohio);
- (7) Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
- (8) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

NORWALK CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

B. DEPOSITS AND CASH

At June 30, 1999, the District had \$100 of petty cash on hand.

At year-end, the carrying amount of the Norwalk City School District deposits was \$22,981, the bank balance was \$163,061, of which all was covered by federal depository insurance.

C. INVESTMENTS

GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the District's investments to be categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the District's name.

Statutory provisions require that all securities acquired by the District be held by the District treasurer or deposited with a qualified trustee. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counterpart is a designated depository of the District for the current period of designation of depositories, in which case the securities may be held in trust by the depository. STAR Ohio and Deferred Compensation are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category			Carrying value	Fair value
	1	2	3		
Certificate of Deposits	\$ 200,000	\$ 0	\$ 0	\$ 200,000	\$ 200,000
Banker's Acceptance	0	0	393,051	393,051	393,051
Repurchase Agreement	0	0	1,230,823	1,230,823	1,230,823
Investment in State Treasurer's Investment Pool				<u>19,970,619</u>	<u>19,970,619</u>
Total				<u>\$ 21,794,493</u>	<u>\$ 21,794,493</u>

NORWALK CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

The classification of cash and cash equivalents and investments on the general purpose financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and cash equivalents, and investments on the general purpose financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalent/Deposits	Investments
<i>GASB Statement 9</i>	\$ 21,817,574	\$ 0
Investments of the Cash Management Pool:		
Certificates of Deposit	(200,000)	200,000
Banker's Acceptance	(393,051)	393,051
Repurchase Agreement	(1,230,823)	1,230,823
State Treasurer's Pool	(19,970,619)	19,970,619
Cash on hand	(100)	0
<i>GASB Statement 3</i>	<u>\$ 22,981</u>	<u>\$ 21,794,493</u>

NOTE 5 INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's operating transfers for fiscal year 1999:

	Transfers In	Transfers Out
General Fund	\$ 0	\$ (500)
Special Revenue	10,898	(5,750)
Debt Service	123,648	0
Capital Projects	0	(123,648)
Agency Funds	4,000	(8,648)
Total	<u>\$ 138,546</u>	<u>\$ (138,546)</u>

NOTE 6 FIXED ASSETS AND ACCUMULATED DEPRECIATION

A. GENERAL FIXED ASSETS ACCOUNT GROUP

The changes in general fixed assets during the year consisted of:

	Balance July 1, 1998	Additions	Disposals	Balance June 30, 1999
Land and improvements	\$ 563,651	\$ 69,073	\$ 0	\$ 632,724
Buildings	3,438,676	0	0	3,438,676
Furniture and Equipment	2,859,250	302,280	0	3,161,530
Educational media	830,685	0	0	830,685
Vehicles	818,348	61,030	66,000	813,378
	<u>\$ 8,510,610</u>	<u>\$ 432,383</u>	<u>\$ 66,000</u>	<u>\$ 8,876,993</u>

NORWALK CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

B. PROPRIETARY FUND TYPE FIXED ASSETS

Proprietary fund type fixed assets and accumulated depreciation at year-end consisted of:

<u>Enterprise</u>	<u>Balance</u> <u>June 30, 1999</u>
Equipment	\$ 213,329
Less: accumulated depreciation	<u>172,953</u>
Net fixed asset	<u>\$ 40,376</u>

NOTE 7 CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District entered into capitalized leases for the acquisition of copiers.

The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement No. 13 of the Financial Accounting Standards Board (FASB), "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Financial Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Fund Types and Expendable Trust Funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Asset Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 1999 fiscal year totaled \$5,148. This amount is reflected as Debt Service Principal Retirement in the General Fund.

The following is an analysis of the equipment under capital lease as of June 30, 1999:

	<u>General</u> <u>Fixed Assets</u>
Equipment-Carry value	\$ 24,079

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 1999:

<u>Year ending June 30,</u>	
2000	\$ 5,820
Less: amount representing interest	<u>245</u>
Present Value of future minimum lease payments	<u>\$ 5,575</u>

The District does not have a capitalized lease obligation after fiscal year 2000.

NORWALK CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

NOTE 8 GENERAL LONG-TERM OBLIGATIONS

All bonds outstanding are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Debt Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund.

	<u>Outstanding</u> <u>June 30, 1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding</u> <u>June 30, 1999</u>
Accrued sick leave benefits	\$ 1,011,430	\$ 43,142	\$ 0	\$ 1,054,572
Accrued vacation pay	45,339	45,099	45,339	45,099
Pension Obligation payable	100,827	88,268	100,827	88,268
General obligation bond payable	0	16,244,871	0	16,244,871
Capital leases	10,723	0	5,148	5,575
	<u>\$ 1,168,319</u>	<u>\$ 16,421,380</u>	<u>\$ 151,314</u>	<u>\$ 17,438,385</u>

The District's future annual debt service requirements for bonded debt is as follows:

<u>Year ending</u> <u>June 30</u>	<u>Principal</u> <u>On General</u> <u>Obligation Bonds</u>	<u>Interest</u> <u>On General</u> <u>Obligations Bonds</u>	<u>Total</u>
2000	\$ 390,000	\$ 699,902	\$ 1,089,902
2001	345,000	688,627	1,033,627
2002	460,000	675,430	1,135,430
2003	475,000	659,528	1,134,528
2004	490,000	642,396	1,132,396
2005	440,000	777,990	1,217,990
2006	149,891	933,779	1,083,670
2007	127,140	954,805	1,081,945
2008	107,840	790,876	898,716
2009	455,000	607,968	1,062,968
2010	475,000	588,784	1,063,784
2011	495,000	568,409	1,063,409
2012	515,000	546,560	1,061,560
2013	535,000	523,193	1,058,193
2014	560,000	498,276	1,058,276
2015	585,000	471,648	1,056,648
2016	615,000	443,294	1,058,294
2017	645,000	413,369	1,058,369
2018	675,000	382,019	1,057,019
2019	705,000	349,244	1,054,244
2020	740,000	314,925	1,054,925
2021	775,000	278,944	1,053,944
2022	810,000	241,300	1,051,300
2023	850,000	201,875	1,051,875
2024	890,000	160,551	1,050,551
2025	935,000	117,207	1,052,207
2026	975,000	71,844	1,046,844
2027	1,025,000	24,334	1,049,334
	<u>\$ 16,244,871</u>	<u>\$ 13,627,077</u>	<u>\$ 29,871,948</u>

NORWALK CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

NOTE 9 PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. The Huron County Treasurer is responsible for assessing and remitting these property taxes to the District.

Real property taxes are based on assessed value equal to thirty-five percent of appraisal value. The Huron County Treasurer reappraises real property every six years with a triennial update, the last update for Huron County was 1998. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, in Huron County, real property taxes are billed semi-annually, one year in arrears. The tax rate applied to real property collected in 1998 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$40.60 per \$1,000 of valuation for Huron County. The effective rate applied after adjustment for inflationary increases in property values was \$21.55 per \$1,000 of assessed valuation for residential and agricultural real property, and \$23.81 per \$1,000 of assessed valuation for other real property.

Tangible personal property used in business is required to be reported by its owners by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the current year ended December 31, 1998 was \$40.60 per \$1,000 of valuation.

The property valuation consisted of:

Real Property - 1998	
Residential/Agricultural	\$ 150,198,420
Commercial/Agricultural	45,289,550
Public Utilities	46,940
Tangible Personal Property - 1999	
General	33,777,320
Public Utilities	<u>13,478,430</u>
Total valuation	<u>\$ 242,790,660</u>

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 1999, was \$335,084.

NORWALK CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

NOTE 10 PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The Norwalk City School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple-employer public employee retirement defined benefit pension plan. SERS provides retirement, annual cost-of-living adjustments, disability, survivor, and health care benefits. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and Norwalk City School District is required to contribute at an actuarially determine rate. The current rate is 14% of annual covered payroll. The contribution requirement of plan members and Norwalk City School District are established and may be amended by the SERS Board of Trustees. The School District's contributions to SERS for the years ending June 30, 1999, 1998, and 1997 were \$217,368, \$205,164, and \$192,048, respectively; 50 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. The amount representing the unpaid portion for fiscal year 1999, \$108,864 is recorded as a liability within the respective funds and the general long-term obligations account group.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

The Norwalk City School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple-employer public employee retirement defined benefit pension plan operated by the State of Ohio. STRS provides retirement, annual cost-of-living adjustments, disability, survivor, and health care benefits. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report can be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and Norwalk City School District is required to contribute at an actuarially determine rate. The current rate is 14% of annual covered payroll. The contribution requirement of plan members and Norwalk City School District are established and may be amended by the STRS Board of Trustees. The School District's contributions to STRS for the years ending June 30, 1999, 1998, and 1997 were \$1,027,236, \$977,592, and \$915,828, respectively; 82.7 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The amount representing the unpaid contribution for fiscal year 1999, \$177,856 is recorded as a liability within the respective funds.

NORWALK CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

NOTE 11 POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The Ohio Revised Code gives SERS the discretionary authority to provide post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients.

Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's contribution is allocated to providing health care benefits. At June 30, 1998, (the latest information available) the allocation rate was 4.98%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1998 the minimum pay has been established as \$12,400.

Health care benefits are financed on a pay-as-you-go basis.

The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits was \$160.3 million, at cost. The number of participants currently receiving health care benefits is approximately 50,000. The portion employer contributions that were used to fund postemployment benefits was approximately \$105,853.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipient and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Board currently allocates employer contributions equal to 2% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. However, for the fiscal year ended June 30, 1998, the board allocated employer contributions equal to 3.5% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2,156 million at June 30, 1998, (the latest information available). For the year ended June 30, 1998, the net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

NORWALK CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

NOTE 12 SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains enterprise funds to account for the operation of school food service and uniform school supplies. Segment information related to these follows:

	Food Services	Uniform Supplies	Total
Operating revenues	\$ 259,819	\$ 27,789	\$ 287,608
Operating expenses			
Salaries and wages	164,440	0	164,440
Fringe benefits	86,789	0	86,789
Purchased services	12,195	0	12,195
Materials and supplies	266,534	27,001	293,535
Depreciation	840	0	840
Total operating expenses	530,798	27,001	557,799
Operating income (loss)	(270,979)	788	(270,191)
Non-operating revenues, net	257,513	0	257,513
Net income (loss)	\$ (13,466)	\$ 788	\$ (12,678)
Other information:			
Net working capital	\$ 2,084	\$ 11,514	\$ 13,598
Fixed assets, net	\$ 40,376	\$ 0	\$ 40,376
Total assets	\$ 118,298	\$ 11,566	\$ 129,864
Total equity	\$ 42,460	\$ 11,514	\$ 53,974

NOTE 13 JOINTLY GOVERNED ORGANIZATIONS

Related Organization:

Norwalk Public Library

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

Jointly Governed Organizations:

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of government are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each school district. The Board of Directors of the BACG consists of one elected representative from each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent). Members of the Board serve two-year terms which are staggered. Financial information can be obtained by contacting Betty Schwiefert, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

NORWALK CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

Joint Venture Without Equity Interest:

Northern Ohio Educational Computer Association (NOECA)

NOECA is a joint venture among 38 school districts. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidation's in a ratio proportionate to their last twelve months' financial contributions. NOECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have an equity interest in NOECA because the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained by contacting NOECA at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

NOTE 14 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In October, 1981, the District joined together with thirteen other school districts in two counties to form the Huron-Erie School Employees Insurance Association (HESEIA), a public entity risk pool currently operating as a common risk management and insurance program. The District pays an annual premium to the pool for its general insurance coverage. The risk of loss transfers entirely from the District to HESEIA. The Agreement for Formation of the HESEIA provides that the HESEIA will be self-sustaining through member premiums and will reinsure through commercial coverage for claims in excess of \$200,000 pooling level per year.

OSBA WORKERS' COMPENSATION GROUP RATING

The District is a member of the OSBA Workers' Compensation Group Rating Program established in April 1991. The program was created by the Ohio School Boards Association as a result of the Workers' Compensation group rating plan as defined in 4123.29, Ohio Revised Code. The group rating plan will allow school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

NOTE 15 OTHER MATTERS

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$5,864,608 of school foundation support all of which is recorded in the general fund.

NORWALK CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

Since the Supreme Court Ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws, and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of September 17, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future state funding under this program and on its financial operations.

NOTE 16 YEAR 2000 ISSUES

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform Staff Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the district through EMIS. The State is responsible for remediating these systems.

Because of the unprecedented nature of Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

NOTE 17 OTHER COMMITMENTS

The District is in the process of constructing a new high school, razing the James E. Cole portion of the existing high school, renovating and improving existing school buildings and facilities to the extent possible within available resources, finishing and equipping the same, including technology for instructional purposes, and improving the sites thereof. The District has issued and received bond proceeds of \$16,244,870 in conjunction with the project. The District is currently in the process of bidding and awarding contracts for the construction project. The total estimated contract for this project is \$19,297,422, including a performing arts center. The John F. and Doris E. Ernsthausen Foundation, a charitable foundation located in Norwalk, recently made a gift of \$3,000,000 for a performing arts center at the new high school to be built as part of the Project. This gift was accrued as a receivable and recorded as deferred revenue in the capital projects fund at June 30, 1999.

NORWALK CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

NOTE 18 STATUTORY RESERVES

Substitute House Bill 412, as amended, required the District to “set aside” certain percentages of defined revenues for (1) textbook and instructional materials purchases, (2) capital and maintenance expenditures, and (3) to establish a budget reserve. It also required five year budget projections, amended the fiscal watch and fiscal emergency statutes, created a school district solvency fund, and amended “spending reserve” provisions. During the fiscal year June 30, 1999, the reserve activity (GAAP-Basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Set-Aside Cash Balance as of June 30, 1998	\$ 0	\$ 0	\$ 66,956	\$ 66,956
Current Year Set-Aside Requirement	195,848	195,848	97,924	489,620
Additional Set-Aside	0	0	324,739	324,739
Qualifying Disbursements	<u>(185,683)</u>	<u>(486,993)</u>	<u>0</u>	<u>(672,676)</u>
Total	<u>\$ 10,165</u>	<u>\$ (291,145)</u>	<u>\$ 489,619</u>	<u>\$ 208,639</u>
Cash Balance Carried Forward FY 1999	<u>\$ 10,165</u>	<u>\$ 0</u>	<u>\$ 489,619</u>	
Amount Restricted for Set-Asides				<u>\$ 499,784</u>
Total Restricted Assets				<u>\$ 499,784</u>

December 8, 1999

The Board of Education
Norwalk City School District
Norwalk, Ohio 44857

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

We have audited the general purpose financial statements of Norwalk City School District as of and for the year ended June 30, 1999, and have issued our report thereon dated December 8, 1999. We have conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Norwalk City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

Columbus
New Philadelphia
Millersburg
Coshocton
Cambridge
Marietta
Medina
Lima

December 8, 1999

The Board of Education
Norwalk City School District
Norwalk, Ohio 44857

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Norwalk City School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. Norwalk City School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Norwalk City School District's management. Our responsibility is to express an opinion on Norwalk City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circulars A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Norwalk City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Norwalk City School District's compliance with those requirements.

In our opinion, Norwalk City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Columbus
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Internal Control Over Compliance

The management of Norwalk City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Norwalk City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards - Non GAAP Budgetary Basis

We have audited the general purpose financial statements of Norwalk City School District as of and for the year ended June 30, 1999, and have issued our report thereon dated December 8, 1999. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

NORWALK CITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - NON-GAAP BUDGETARY BASIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
U. S. Department of Education (Passed Through Ohio Department of Education):					
Title I	84.010	C1-S1-99	\$ 285,211	\$ 135,695	0
Title I	84.010	C1-S1-98C	44,215	44,215	0
Title I	84.010	C1-S1-98	76,279 (C)	104,133	0
Total Title I			385,705	284,043	0
Title VI	84.298	C2-S1-99	13,572	11,838	0
Title VI	84.298	C2-S1-98	0	958	0
Title VI	84.298	C2-S1-97C	0	772	0
Title VI	84.298	C2-S1-96	0	155	0
Total Title VI			13,572	13,723	0
Eisenhower Math & Science	84.281	MS-S1-99P	10,199	150	0
Eisenhower Math & Science	84.281	MS-S1-97C	0	2,882	0
Total Eisenhower Math & Science			10,199	2,832	0
Adult Basic Literacy Education	84.002	AB-S1-99	72,362	44,547	0
Adult Basic Literacy Education	84.002	AB-S1-98C	19,986	19,986	0
Adult Basic Literacy Education	84.002	AB-S1-98	(19,986) (C)	1,294	0
Total Adult Basic Literacy Education			72,362	65,827	0
Special Education Cluster					
Title VI-B	84.027	6B-SF-99P	177,356	148,736	0
Title VI-B	84.027	6B-SF-98P	0	58,126	0
Preschool Handicap	84.173	PG-S1-99P	27,378	23,399	0
Preschool Handicap	84.173	PG-S1-98P	0	3,787	0
Total Special Education Cluster			204,734	234,048	0
Safe, Drug Free Schools Grant	84.186	DR-S1-99	16,283	5,082	0
Safe, Drug Free Schools Grant	84.186	DR-S1-98	0	12,623	0
Total Safe, Drug Free Schools Grant			16,283	17,705	0
E - Rate	(D)		9,286	9,286	0
School-Age Child Care Grant	93.873	DC-S1-98	0	9,785	0
Total Department of Education			712,141	637,249	0
U. S. Department of Agriculture (Passed Through Ohio Department of Education):					
Nutrition Cluster					
Food Distribution (B)	10.550		38,338	0	40,379
School Breakfast Program (A)	10.553		33,961	33,961	0
National School Lunch Program (A)	10.555		206,066	206,066	0
Total Department of Agriculture - Nutrition Cluster			278,365	240,027	40,379
U. S. Department of Health and Human Services (Passed Through Ohio Department of Education):					
Learn and Serve America	94.001	SV-S4-98	0	1,029	0
U. S. Department of Labor (Passed Through Ohio Department of Education):					
Continuous Improvement Grant	17.249	G2-S2-00P	10,000	0	0
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 1,000,506	\$ 878,305	\$ 40,379

- (A) Federal money commingled with state subsidy reimbursements. It is assumed the money was spent on a first-in, first-out basis.
 (B) Government commodities are reported at the fair market value of the commodities received and disbursed.
 (C) Transferred to carryover grant
 (D) The CFDA number is not available at this time per SOP 98-3

**NORWALK CITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 , Section .505
 JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non- compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Title I, CFDA #84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

NORWALK CITY SCHOOL DISTRICT

HURON COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*

Date: JANUARY 13, 2000