

***NORWALK CITY SCHOOL DISTRICT***

**Audit Report**

**For the Year Ended June 30, 2002**

***CHARLES E. HARRIS & ASSOCIATES, INC.***  
Certified Public Accountants





**Auditor of State  
Betty Montgomery**

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Board of Education  
Norwalk City School District  
134 Benedict Avenue  
Norwalk, Ohio 44857

We have reviewed the Independent Auditor's Report of the Norwalk City School District, Huron County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2001 to June 30, 2002. 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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

February 4, 2003

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**NORWALK CITY SCHOOL DISTRICT**  
**Audit Report**  
**For the Year Ended June 30, 2002**

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**Charles E. Harris & Associates, Inc.**  
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**REPORT OF INDEPENDENT ACCOUNTANTS**

**Board of Education  
Norwalk City School District  
Norwalk, Ohio**

We have audited the accompanying general purpose financial statements of the Norwalk City School District (the District), as of and for the year ended June 30, 2002, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 significant estimates made by management, as well as evaluating the overall 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 District as of June 30, 2002 and the results of its operations and cash flows of its proprietary fund types and non-expendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 31, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements of the Norwalk City School District taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

**Charles E. Harris & Associates, Inc.**  
December 31, 2002

**NORWALK CITY SCHOOL DISTRICT  
HURON COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT BALANCES  
AS OF JUNE 30, 2002**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 7,742,685	\$ 769,507	\$ 431,576	\$ 2,193,179
Investments:				
Investments	-	-	-	-
Receivables:				
Taxes	6,768,581	-	1,186,069	504,279
Accounts	1,180	-	-	-
Intergovernmental	-	991,064	-	-
Accrued Interest	1,684	-	-	-
Interfund Receivable	832,048	-	-	-
Income Tax	714,873	-	-	-
Inventory Held for Resale	-	-	-	-
Materials and Supplies Inventory	-	-	-	-
Prepaid Items	18,799	-	-	3,595
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	741,250	-	-	-
Fixed Assets	-	-	-	-
Accumulated Depreciation	-	-	-	-
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of Long-Term Obligations	-	-	-	-
Amount to be Provided From General Government Resources	-	-	-	-
<b>Total Assets and Other Debits</b>	<b>\$ 16,821,100</b>	<b>\$ 1,760,571</b>	<b>\$ 1,617,645</b>	<b>\$ 2,701,053</b>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 93,223	\$ 24,474	\$ -	\$ 7,642
Accrued Wages and Benefits	1,301,515	144,944	-	-
Compensated Absences Payable	19,685	-	-	-
Interfund Payable	-	832,048	-	-
Intergovernmental Payable	206,649	6,074	-	-
Deferred Revenue	6,302,573	991,064	1,092,976	471,598
Undistributed Monies	-	-	-	-
Due to Students	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
<b>Total Liabilities</b>	<b>7,923,645</b>	<b>1,998,604</b>	<b>1,092,976</b>	<b>479,240</b>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets	-	-	-	-
Retained Earnings:				
Unreserved	-	-	-	-
Fund Balances:				
Reserved:				
Reserved for Encumbrances	691,607	95,397	-	661,601
Reserved for Prepaid Items	18,799	-	-	3,595
Reserved for Debt Service Principal	-	-	431,576	-
Reserved for Property Taxes	466,008	-	93,093	32,681
Reserved for Textbooks & Instructional Materials	98,507	-	-	-
Reserved for Budget Stabilization	642,743	-	-	-
Unreserved:				
Unreserved, Undesignated	6,979,791	(333,430)	-	1,523,936
<b>Total Fund Equity and Other Credits</b>	<b>8,897,455</b>	<b>(238,033)</b>	<b>524,669</b>	<b>2,221,813</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$ 16,821,100</b>	<b>\$ 1,760,571</b>	<b>\$ 1,617,645</b>	<b>\$ 2,701,053</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*



Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 263,546	\$ 186,417	\$ -	\$ -	\$ 11,586,910
-	31,262	-	-	31,262
-	-	-	-	8,458,929
1,035	-	-	-	2,215
-	-	-	-	991,064
-	-	-	-	1,684
-	-	-	-	832,048
-	-	-	-	714,873
24,105	-	-	-	24,105
4,745	-	-	-	4,745
-	-	-	-	22,394
-	-	-	-	741,250
163,541	-	33,422,110	-	33,585,651
(56,893)	-	-	-	(56,893)
-	-	-	524,669	524,669
-	-	-	15,930,315	15,930,315
<u>\$ 400,079</u>	<u>\$ 217,679</u>	<u>\$ 33,422,110</u>	<u>\$ 16,454,984</u>	<u>\$ 73,395,221</u>
\$ 228	\$ 790	\$ -	\$ -	\$ 126,357
41,149	-	-	-	1,487,608
14,705	-	-	1,323,592	1,357,982
-	-	-	-	832,048
28,185	-	-	81,521	322,429
16,551	-	-	-	8,874,762
-	930	-	-	930
-	50,125	-	-	50,125
-	-	-	15,049,871	15,049,871
<u>100,818</u>	<u>51,845</u>	<u>-</u>	<u>16,454,984</u>	<u>28,102,112</u>
-	-	33,422,110	-	33,422,110
299,261	-	-	-	299,261
-	2,622	-	-	1,451,227
-	-	-	-	22,394
-	-	-	-	431,576
-	-	-	-	591,782
-	-	-	-	98,507
-	-	-	-	642,743
-	163,212	-	-	8,333,509
299,261	165,834	33,422,110	-	45,293,109
<u>\$ 400,079</u>	<u>\$ 217,679</u>	<u>\$ 33,422,110</u>	<u>\$ 16,454,984</u>	<u>\$ 73,395,221</u>

**NORWALK CITY SCHOOL DISTRICT  
HURON COUNTY**

**COMBINED STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types	
	General	Special Revenue
<b>Revenues:</b>		
Intergovernmental	\$ 8,573,436	\$ 1,016,307
Interest	154,936	2,148
Tuition and Fees	19,741	-
Rent	7,750	-
Extracurricular Activities	22,616	152,492
Gifts and Donations	50,665	27,645
Customer Services	5,656	-
Income Tax	2,335,521	-
Property & Other Local Taxes	6,416,237	-
Miscellaneous	69,882	90,677
Total Revenues	17,656,440	1,289,269
<b>Expenditures:</b>		
Instruction:		
Regular	6,771,123	173,963
Special	1,965,699	436,334
Vocational	133,138	-
Adult/Continuing	9,069	40,933
Other	43,755	-
Support services:		
Pupils	560,731	186,515
Instructional Staff	604,760	92,580
Board of Education	147,954	-
Administration	1,480,340	130,201
Fiscal	361,544	-
Business	22,517	-
Operation and Maintenance of Plant	1,578,820	200
Pupil Transportation	465,660	-
Central	12,759	2,000
Non-Instructional Services	1,491	458,927
Extracurricular activities	325,846	191,832
Capital Outlay	-	-
Debt Service		
Debt Service - Principal	-	-
Debt Service - Interest	-	-
Total Expenditures	14,485,206	1,713,485
Excess of Revenues Over (Under) Expenditures	3,171,234	(424,216)
<b>Other Financing Sources and Uses</b>		
Operating Transfers In	-	3,600
Refund of Prior Year Expenditures	14,697	-
Other Financing Sources	1,253	-
Operating Transfers Out	-	(4,300)
Total Other Financing Sources (Uses)	15,950	(700)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,187,184	(424,916)
Fund Balance at Beginning of Year - Restated See Note 18	5,710,271	186,883
<b>Fund Balance at End of Year</b>	<b>\$ 8,897,455</b>	<b>(238,033)</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Governmental Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust		
\$ 118,806	\$ 118,089	\$ -	\$	9,826,638
-	53,893	251		211,228
-	-	-		19,741
-	-	-		7,750
-	-	-		175,108
-	1,150,130	115,429		1,343,869
-	-	-		5,656
-	-	-		2,335,521
1,098,545	480,674	-		7,995,456
-	87,022	13,266		260,847
<u>1,217,351</u>	<u>1,889,808</u>	<u>128,946</u>		<u>22,181,814</u>
-	97,414	87,723		7,130,223
-	-	-		2,402,033
-	-	-		133,138
-	-	-		50,002
-	-	-		43,755
-	-	-		747,246
-	12,673	-		710,013
-	-	-		147,954
-	-	1,995		1,612,536
22,296	10,161	-		394,001
-	-	-		22,517
-	23,335	-		1,602,355
-	-	-		465,660
-	-	-		14,759
-	-	1,752		462,170
-	-	-		517,678
-	4,228,569	-		4,228,569
460,000	-	-		460,000
675,430	-	-		675,430
<u>1,157,726</u>	<u>4,372,152</u>	<u>91,470</u>		<u>21,820,039</u>
<u>59,625</u>	<u>(2,482,344)</u>	<u>37,476</u>		<u>361,775</u>
-	-	-		3,600
-	2,100	-		16,797
-	-	-		1,253
-	-	-		(4,300)
<u>-</u>	<u>2,100</u>	<u>-</u>		<u>17,350</u>
59,625	(2,480,244)	37,476		379,125
465,044	4,702,057	28,882		11,093,137
<u>524,669</u>	<u>2,221,813</u>	<u>66,358</u>		<u>11,472,262</u>

NORWALK CITY SCHOOL DISTRICT  
HURON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types		
	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>			
Intergovernmental	\$ 8,568,630	8,574,541	5,911
Interest	376,068	198,908	(177,160)
Tuition and Fees	31,000	19,741	(11,259)
Rent	6,000	7,750	1,750
Extracurricular Activities	23,500	22,616	(884)
Gifts and Donations	4,000	50,665	46,665
Customer Services	1,500	5,656	4,156
Income Tax	1,620,648	1,620,648	-
Property & Other Local Taxes	6,269,867	6,289,829	19,962
Miscellaneous	51,000	69,022	18,022
<b>Total Revenues</b>	<b>16,952,213</b>	<b>16,859,376</b>	<b>(92,837)</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	8,485,439	6,975,700	1,509,739
Special	2,187,966	2,079,889	108,077
Vocational	157,980	132,039	25,941
Adult/Continuing	21,000	9,419	11,581
Other	412,628	46,673	365,955
Support services:			
Pupils	614,143	589,246	24,897
Instructional Staff	669,606	616,581	53,025
Board of Education	385,709	152,256	233,453
Administration	1,726,686	1,524,574	202,112
Fiscal	406,869	361,287	45,582
Business	116,163	106,179	9,984
Operation and Maintenance of Plant	1,619,642	1,573,158	46,484
Pupil Transportation	738,466	607,686	130,780
Central	20,280	15,539	4,741
Non-Instructional Services	2,375	1,491	884
Extracurricular activities	337,164	319,178	17,986
Capital Outlay	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
<b>Total Expenditures</b>	<b>17,902,116</b>	<b>15,110,895</b>	<b>2,791,221</b>
Excess of Revenues Over (Under) Expenditures	(949,903)	1,748,481	2,698,384
<b>Other Financing Sources and Uses</b>			
Operating Transfers In	541,995	-	(541,995)
Refund of Prior Year Expenditures	6,000	14,419	8,419
Advances In	-	-	-
Other Financing Sources	1,000	1,253	253
Operating Transfers Out	(657,866)	-	657,866
Refund of Prior Year Receipts	(1,000)	-	1,000
Advances Out	(597,341)	(536,131)	61,210
<b>Total Other Financing Sources (Uses)</b>	<b>(707,212)</b>	<b>(520,459)</b>	<b>186,753</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,657,115)	1,228,022	2,885,137
Fund Balances at Beginning of Year	6,109,991	6,109,991	-
Prior Year Encumbrances Appropriated	399,214	399,214	-
<b>Fund Balance at end of Year</b>	<b>\$ 4,852,090</b>	<b>7,737,227</b>	<b>2,885,137</b>

The notes to the general-purpose financial statements are an integral part of this statement.

**Governmental Fund Types**

		<b>Special Revenue</b>			<b>Debt Service</b>		
		<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$	2,001,336	1,134,330	(867,006)	110,000	118,806	8,806	
	7,914	3,014	(4,900)	-	-	-	
	-	-	-	-	-	-	
	-	-	-	-	-	-	
	159,966	152,492	(7,474)	-	-	-	
	30,386	27,645	(2,741)	-	-	-	
	-	-	-	-	-	-	
	-	-	-	-	-	-	
	-	-	-	1,060,538	1,074,052	13,514	
	122,000	90,677	(31,323)	-	-	-	
	<u>2,321,602</u>	<u>1,408,158</u>	<u>(913,444)</u>	<u>1,170,538</u>	<u>1,192,858</u>	<u>22,320</u>	
	330,746	195,107	135,639	-	-	-	
	832,736	434,038	398,698	-	-	-	
	-	-	-	-	-	-	
	80,400	42,173	38,227	-	-	-	
	-	-	-	-	-	-	
	277,900	200,121	77,779	-	-	-	
	182,337	96,346	85,991	-	-	-	
	-	-	-	-	-	-	
	221,234	132,764	88,470	-	-	-	
	-	-	-	25,000	22,296	2,704	
	-	-	-	-	-	-	
	5,075	200	4,875	-	-	-	
	-	-	-	-	-	-	
	6,805	2,000	4,805	-	-	-	
	751,805	517,006	234,799	-	-	-	
	282,328	234,486	47,842	-	-	-	
	-	-	-	-	-	-	
	-	-	-	808,920	460,000	348,920	
	-	-	-	675,430	675,430	-	
	<u>2,971,366</u>	<u>1,854,241</u>	<u>1,117,125</u>	<u>1,509,350</u>	<u>1,157,726</u>	<u>351,624</u>	
	<u>(649,764)</u>	<u>(446,083)</u>	<u>203,681</u>	<u>(338,812)</u>	<u>35,132</u>	<u>373,944</u>	
	1,450	3,600	2,150	-	-	-	
	-	-	-	-	-	-	
	536,131	536,131	-	-	-	-	
	-	-	-	-	-	-	
	(5,407)	(4,300)	1,107	-	-	-	
	-	-	-	-	-	-	
	-	-	-	-	-	-	
	<u>532,174</u>	<u>535,431</u>	<u>3,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	
	(117,590)	89,348	206,938	(338,812)	35,132	373,944	
	406,549	406,549	-	396,444	396,444	-	
	158,196	158,196	-	-	-	-	
\$	<u>447,155</u>	<u>654,093</u>	<u>206,938</u>	<u>57,632</u>	<u>431,576</u>	<u>373,944</u>	

(Continued)

NORWALK CITY SCHOOL DISTRICT  
HURON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

	<b>Governmental Fund Types</b>		
	<b>Capital Projects</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Intergovernmental	\$ 175,044	176,390	1,346
Interest	56,380	58,363	1,983
Tuition and Fees	-	-	-
Rent	-	-	-
Extracurricular Activities	-	-	-
Gifts and Donations	1,150,130	1,150,130	-
Customer Services	-	-	-
Income Tax	-	-	-
Property & Other Local Taxes	455,089	471,594	16,505
Miscellaneous	87,022	87,022	-
<b>Total Revenues</b>	<b>1,923,665</b>	<b>1,943,499</b>	<b>19,834</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	179,364	98,691	80,673
Special	-	-	-
Vocational	-	-	-
Adult/Continuing	-	-	-
Other	-	-	-
Support services:			
Pupils	26,100	-	26,100
Instructional Staff	33,061	12,684	20,377
Board of Education	-	-	-
Administration	-	-	-
Fiscal	12,000	10,161	1,839
Business	-	-	-
Operation and Maintenance of Plant	33,605	19,125	14,480
Pupil Transportation	-	-	-
Central	-	-	-
Non-Instructional Services	-	-	-
Extracurricular activities	-	-	-
Capital Outlay	6,774,390	6,356,561	417,829
Debt Service:			
Principal	-	-	-
Interest	-	-	-
<b>Total Expenditures</b>	<b>7,058,520</b>	<b>6,497,222</b>	<b>561,298</b>
Excess of Revenues Over (Under) Expenditures	(5,134,855)	(4,553,723)	581,132
<b>Other Financing Sources and Uses</b>			
Operating Transfers In	-	-	-
Proceeds from Sale of Long-Term Notes	2,100	2,100	-
Advances In	-	-	-
Other Financing Sources	-	-	-
Operating Transfers Out	-	-	-
Refund of Prior Year Receipts	-	-	-
Advances Out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>2,100</b>	<b>2,100</b>	<b>-</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(5,132,755)	(4,551,623)	581,132
Fund Balances at Beginning of Year	1,456,342	1,456,342	-
Prior Year Encumbrances Appropriated	4,624,293	4,624,293	-
<b>Fund Balance at end of Year</b>	<b>\$ 947,880</b>	<b>1,529,012</b>	<b>581,132</b>

The notes to the general-purpose financial statements are an integral part of this statement.

Fiduciary Fund Type			Totals (Memorandum Only)		
Expendable Trust					
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	-	-	10,855,010	10,004,067	(850,943)
700	251	(449)	441,062	260,536	(180,526)
-	-	-	31,000	19,741	(11,259)
-	-	-	6,000	7,750	1,750
-	-	-	183,466	175,108	(8,358)
114,478	115,429	951	1,298,994	1,343,869	44,875
-	-	-	1,500	5,656	4,156
-	-	-	1,620,648	1,620,648	-
-	-	-	7,785,494	7,835,475	49,981
10,303	13,266	2,963	270,325	259,987	(10,338)
125,481	128,946	3,465	22,493,499	21,532,837	(960,662)
125,533	89,477	36,056	9,121,082	7,358,975	1,762,107
-	-	-	3,020,702	2,513,927	506,775
-	-	-	157,980	132,039	25,941
-	-	-	101,400	51,592	49,808
-	-	-	412,628	46,673	365,955
-	-	-	918,143	789,367	128,776
-	-	-	885,004	725,611	159,393
-	-	-	385,709	152,256	233,453
8,073	2,055	6,018	1,955,993	1,659,393	296,600
922	-	922	444,791	393,744	51,047
-	-	-	116,163	106,179	9,984
-	-	-	1,658,322	1,592,483	65,839
-	-	-	738,466	607,686	130,780
-	-	-	27,085	17,539	9,546
15,614	2,620	12,994	769,794	521,117	248,677
4,282	-	4,282	623,774	553,664	70,110
-	-	-	6,774,390	6,356,561	417,829
-	-	-	808,920	460,000	348,920
-	-	-	675,430	675,430	-
154,424	94,152	60,272	29,595,776	24,714,236	4,881,540
(28,943)	34,794	63,737	(7,102,277)	(3,181,399)	3,920,878
-	-	-	543,445	3,600	(539,845)
-	-	-	8,100	16,519	8,419
-	-	-	536,131	536,131	-
-	-	-	1,000	1,253	253
-	-	-	(663,273)	(4,300)	658,973
-	-	-	(1,000)	-	1,000
-	-	-	(597,341)	(536,131)	61,210
-	-	-	(172,938)	17,072	190,010
(28,943)	34,794	63,737	(7,275,215)	(3,164,327)	4,110,888
27,860	27,860	-	8,397,186	8,397,186	-
1,083	1,083	-	5,182,786	5,182,786	-
\$ -	63,737	63,737	6,304,757	10,415,645	4,110,888

**NORWALK CITY SCHOOL DISTRICT  
HURON COUNTY**

**COMBINED STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN FUND EQUITY  
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	
<b>Operating Revenues:</b>			
Sales	\$ 419,804	\$ -	\$ 419,804
Interest	-	1,940	1,940
Other Revenues	7,115	28	7,143
Total Operating Revenues	<u>426,919</u>	<u>1,968</u>	<u>428,887</u>
<b>Operating Expenses</b>			
Salaries	203,229	-	203,229
Fringe Benefits	86,585	-	86,585
Purchased Services	16,224	-	16,224
Materials and Supplies	403,120	-	403,120
Depreciation	12,284	-	12,284
Other	1,384	1,500	2,884
Total Operating Expenses	<u>722,826</u>	<u>1,500</u>	<u>724,326</u>
Operating Income (Loss)	<u>(295,907)</u>	<u>468</u>	<u>(295,439)</u>
<b>Non-Operating Revenues and Expenses</b>			
Federal Donated Commodities	66,654	-	66,654
Interest	3,034	-	3,034
Federal and State Subsidies	279,270	-	279,270
Total Non-Operating Revenues and Expenses	<u>348,958</u>	<u>-</u>	<u>348,958</u>
Net Income (Loss)	53,051	468	53,519
Retained Earnings/Fund Balances at Beginning of Year	171,635	99,008	270,643
Change in Reporting Fixed Assets - See Note 5	74,575	-	74,575
Retained Earnings Beginning Balance Restated	246,210	99,008	345,218
Retained Earnings/Fund Balances at End of Year	<u>\$ 299,261</u>	<u>\$ 99,476</u>	<u>\$ 398,737</u>

*The notes to the general-purpose financial statements are an integral part of this statement.*



NORWALK CITY SCHOOL DISTRICT  
HURON COUNTY

**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$ 419,573	\$ -	\$ 419,573
Cash Received from Interest	-	1,940	1,940
Cash Received from Other	7,115	28	7,143
Cash Payments to Suppliers for Goods and Service	(339,520)	-	(339,520)
Cash Payments for Contract Services	(16,486)	-	(16,486)
Cash Payments for Employee Services	(185,242)	-	(185,242)
Cash Payments for Employee Benefits	(88,169)	-	(88,169)
Cash Payments for Other	(1,384)	(1,500)	(2,884)
Net Cash Provided (Used) by Operating Activities	<u>(204,113)</u>	<u>468</u>	<u>(203,645)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	318,303	-	318,303
Net Cash Provided (Used) by Noncapital Financing Activities	<u>318,303</u>	<u>-</u>	<u>318,303</u>
Cash Flows from Investing Activities:			
Interest Received	3,034	-	3,034
Net Cash Provided (Used) by Investing Activities	<u>3,034</u>	<u>-</u>	<u>3,034</u>
Cash Flows from Capital and Related Financing Activities:			
Payments for Capital Acquisitions	(1,188)	-	(1,188)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,188)</u>	<u>-</u>	<u>1,846</u>
Net Increase (Decrease) in Cash and Cash Equivalents	116,036	468	119,538
Cash and Cash Equivalents at Beginning of Year	147,510	67,746	215,256
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 263,546</u></u>	<u><u>\$ 68,214</u></u>	<u><u>\$ 334,794</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (295,907)	\$ 468	\$ (295,439)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:			
Depreciation	12,284	-	12,284
Donated Commodities Used During the Year	66,654	-	66,654
Adjustments to Capital Outlay	1,190	-	1,190
(Increase) Decrease in Assets:			
Accounts Receivable	(231)	-	(231)
Material and Supplies Inventory	(9,028)	-	(9,028)
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	1,490	-	1,490
Intergovernmental Payable	(4,366)	-	(4,366)
Deferred Revenue	4,671	-	4,671
Accrued Wages and Benefits	19,279	-	19,279
Accounts Payable	(149)	-	(149)
Total Adjustments	<u>91,794</u>	<u>-</u>	<u>91,794</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ (204,113)</u></u>	<u><u>\$ 468</u></u>	<u><u>\$ (203,645)</u></u>
Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2002:			
Cash and Cash Equivalents — Trust and Agency Funds			\$ 186,417
Less: Expendable Trust Funds			(67,148)
Less: Agency Funds			(51,055)
Cash and Cash Equivalents — Nonexpendable Trust Funds			<u><u>\$ 68,214</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

**NORWALK CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2002

**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, 2001, was 2,807. The District employs 196 certificated and 83 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 the 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.

Parochial Schools - Within the District boundaries, the St. Marys Elementary, St. Paul Elementary and the St. Paul High School are operated through the Toledo Catholic Diocese. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools.

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

**A. Measurement Focus, Basis of Accounting, and Basis of Presentation**

The accounts of 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 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.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental fund types are used 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.

**NORWALK CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2002  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)**

*Revenue – Exchange and Non-exchange Transactions:*

Revenue resulting from exchange transactions, in which each party gives and received 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. For the District, available means expected to be received within sixty days of fiscal year end.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

*Expenditures:*

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurements focus of governmental fund 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.

**NORWALK CITY SCHOOL DISTRICT**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)**

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:

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**  
For the Year Ended June 30, 2002  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Deposits and Investments**

For purposes of the statement of cash flows, the District considered 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 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 27 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, 2002.

Under existing Ohio statutes, all investments earnings accrue to the general fund except those specifically related to agency Funds, the food service fund, certain trust funds and those funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balances. Interest income earned in fiscal 2002 for all funds (excluding Agency fund operations) totaled \$215,830.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

**C. Restricted Cash**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve can be used only after receiving approval from the Board of Education. The textbook reserve can only be used for instructional materials. During fiscal year 2002, 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**  
For the Year Ended June 30, 2002  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 life 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 District records reservations for portions of fund equity, which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Undesignated fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, prepaid items, debt service, textbooks, and the budget stabilization reserve. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

**K. Intergovernmental Revenues**

In governmental funds, entitlement and non-reimbursable grants are recorded as revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred and certain other criteria are met. Grants for proprietary fund operations are recognized as revenue when measurable and earned.

**NORWALK CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2002  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Interfund Transactions**

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

1. Routine transfers of resources from one fund to another fund through which transactions resources to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans payable/receivable, while long term interfund loans (greater than one year in length) are recorded as advances to/from other funds with a corresponding reservation of fund balance.

**M. 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.

**N. 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.

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.

**NORWALK CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2002  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Budgetary Process (Continued)**

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 (Budgetary Basis) - All Governmental Fund Types and Similar Trust Funds" do not include July 1, 2001 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 and function appropriations do not exceed current estimated resources, as certified.

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 Charges in Fund Balances - Budget and Actual (Budgetary Basis) - All Governmental Fund Types and Similar Trust Funds" 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.



**NORWALK CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2002  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Budgetary Process (Continued)**

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 (Budgetary Basis) - All Governmental Fund Types and Similar Trust Funds" 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).
- 3.) Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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 of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses					
Reconciliation of Budget Basis to GAAP Basis					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$1,228,022	\$89,348	\$35,132	(\$4,551,623)	\$34,794
Revenue Accruals	797,064	(118,888)	24,493	(53,690)	
Expenditure Accruals	(120,920)	20,928		1,455,827	(730)
Other Sources/Uses					
Accruals	536,409	(536,131)			
Encumbrances	746,609	119,827		669,242	3,412
GAAP Basis	\$3,187,184	(\$424,916)	\$59,625	(\$2,480,244)	\$37,476

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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.

**NORWALK CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2002  
(Continued)

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of the federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of 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 purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Funds invested by fiscal agents are determined by trust agreements and bond indentures. Like the cash invested by the District Treasurer, eligible investments include U.S. government obligations, U.S. government agencies, and certificates of deposit.

**NORWALK CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2002  
(Continued)

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

Any public depository, at the time it receives a District deposit or investment in a certificate of deposit, is required to pledge to the investing authority as collateral eligible securities of aggregate market value that, when added to the portion of the deposit insured by the Federal Deposit Insurance Corporation or the Savings Association Fund, equals or exceeds the amount of District funds deposited.

A public depository may at its option pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The pool of securities so pledged must have a current market value at least equal to 110 percent of all public monies on deposit with the depository including the amount covered by federal insurance.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

**Deposits:**

At June 30, 2002, the District had \$3,600 of petty cash on hand.

At year-end, the carrying amount of the Norwalk City School District deposits was \$1,661,406, and the bank balance was \$1,905,330. \$280,273 was covered by federal depository insurance. \$1,625,057 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to successful claim by the FDIC.

**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. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 2	Category 3	Carrying Value	Fair Value
Donated Stocks	\$31,262		\$31,262	\$31,262
Repurchase Agreements		\$4,381,770	4,381,770	4,381,770
Marketable Securities		4,011,123	4,011,123	4,011,123
Star Ohio			2,270,261	2,270,261
Total	<u>\$31,262</u>	<u>\$8,392,893</u>	<u>\$10,694,416</u>	<u>\$10,694,416</u>

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.

**NORWALK CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2002  
(Continued)

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

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 Equivalents	Investments
GASB Statement 9	\$11,357,827	\$1,001,595
Cash on Hand	(3,600)	
Reclassifications:		
CD's over 90 days	1,001,595	(1,001,595)
Repurchase Agreement	(4,381,770)	4,381,770
Marketable Securities	(4,011,123)	4,011,123
Donated Stock	(31,262)	31,262
Star Ohio	(2,270,261)	2,270,261
GASB Statement 3	\$1,661,406	\$10,694,416

**NOTE 4 - INTERFUND TRANSACTIONS**

The following is a summarized breakdown of the District's operating transfers for fiscal year 2002:

	Transfers In	Transfers Out
Special Revenue	\$3,600	\$4,300
Agency	700	
Total	\$4,300	\$4,300

The following is a summarized breakdown of the District's interfund receivables and payables for fiscal year 2002:

	Interfund Receivable	Interfund Payable
General Fund	\$832,048	
Special Revenue		\$832,048
Total	\$832,048	\$832,048

**NORWALK CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2002  
(Continued)

**NOTE 5 - FIXED ASSETS**

**A. General Fixed Assets Account Group**

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

	Balance July 1, 2002	Additions	Disposals	Balance June 30, 2002
Land and Improvements	\$3,533,426	\$135,422		\$3,668,848
Buildings	8,970,700	18,019,279		26,989,979
Furniture and Equipment	870,300	93,928		964,228
Educational Media	669,418	101,901		771,319
Vehicles	992,660	35,076		1,027,736
Construction in Progress	17,845,891		(\$17,845,891)	
Total	<u>\$32,882,395</u>	<u>\$18,385,606</u>	<u>\$17,845,891</u>	<u>\$33,422,110</u>

**B. Proprietary Fund Type Fixed Assets**

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

Asset Category	Balance at June 30, 2002
Furniture and equipment	\$163,541
Less accumulated depreciation	(56,893)
Total	<u>\$106,648</u>

In fiscal year 2002, the District changed its policy on reporting fixed assets. This change increased the beginning balance by \$5,020,652 in the General Fixed Asset Account Group. The change increased the beginning balance in the Proprietary Fund fixed assets by \$74,575 and accumulated depreciation decreased by \$132,338.

**NOTE 6 - 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.

	Outstanding June 30, 2001	Additions	Deductions	Outstanding June 30, 2002
Compensated Absences	\$1,294,713	\$28,879		\$1,323,592
Pension Obligation Payable	89,126	\$81,521	\$89,126	81,521
General Obligation Bond Payable	15,509,871		460,000	15,049,871
Total	<u>\$16,893,710</u>	<u>\$110,400</u>	<u>\$549,126</u>	<u>\$16,454,984</u>

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid. The current year activity for compensated absences is netted for practical purposes.

**NORWALK CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2002  
(Continued)

**NOTE 6 - GENERAL LONG-TERM OBLIGATIONS (Continued)**

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

Year Ending June 30	Principal Paid On General Obligation Bonds	Interest Paid On General Obligation Bonds	Total
2003	\$475,000	\$659,528	\$1,134,528
2004	490,000	651,215	1,141,215
2005	440,000	633,575	1,073,575
2006	149,891	922,404	1,072,295
2007	127,141	945,154	1,072,295
2008-2012	2,047,839	3,317,208	5,365,047
2013-2017	2,940,000	2,418,368	5,358,368
2018-2022	3,705,000	1,322,258	5,027,258
2023-2027	4,675,000	686,850	5,361,850
Totals	<u>\$15,049,871</u>	<u>\$11,556,560</u>	<u>\$26,606,431</u>

**NOTE 7 - 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 2001. 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 2002 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$44.65 per \$1,000 of valuation for Huron County. The effective rate applied after adjustment for inflationary increases in property values was \$25.59 per \$1,000 of assessed valuation for residential and agricultural real property, and \$26.58 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, 2001 was \$44.65 per \$1,000 of valuation.

The property valuation upon which fiscal year 2002 taxes were collected consisted of:

	2000	2001
Real Property		
Residential/Agricultural	\$192,558,190	\$192,592,740
Commercial/Agricultural	49,869,940	50,770,750
Public Utilities	29,270	28,500
Tangible Personal Property		
General	40,070,100	38,519,180
Public Utilities	11,602,020	9,093,940
Total Valuation	<u>\$294,129,520</u>	<u>\$291,005,110</u>

**NORWALK CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2002  
(Continued)

**NOTE 7 - PROPERTY TAXES (Continued)**

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes that became measurable at June 30, 2002. 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, 2002, was \$466,008 in the General Fund, \$93,093 in the Debt Service Fund and \$32,681 in the Capital Projects Fund.

**NOTE 8 - DEFINED BENEFIT 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 system administered by the School employees Retirement Board. SERS provides basic retirement benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the Norwalk City School District is required to contribute an actuarially determined rate of 14%. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions to SERS for the years ending June 30, 2002, 2001, 2000 were \$244,506, \$232,804, and \$208,488, respectively; 54 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$111,432 represents the unpaid contribution for fiscal year 2002, 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 system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Plan members are required to contribute 9.3% of their annual covered salary and the Norwalk City School District is required to contribute 14%. 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to STRS for the years ending June 30, 2002, 2001, and 2000 were \$1,092,438, \$1,117,440, and \$1,091,028 respectively, 83 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$180,264 represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**NORWALK CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2002  
(Continued)

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

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

The Revised Code 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 at 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. Health care benefits are financed on a pay-as-you-go basis. For the fiscal year ended June 30, 2001, (the latest information available) the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001.

For the year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients. The portion of employer contributions used to fund health care benefits was \$351,141.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement 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 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2001, (the latest information available) the allocation rate is 9.80 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2001, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available) were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits were \$315.7 million.

The number of participants currently receiving health care benefits is approximately 50,000.

The portion of employer contributions that were used to fund health care benefits was \$171,154.



**NORWALK CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2002  
(Continued)

**NOTE 10 - 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	\$395,423	\$31,496	\$426,919
Operating Expenses	(678,738)	(31,804)	(710,542)
Depreciation	(12,284)		(12,284)
Operating Income (Loss)	(295,599)	(308)	(295,907)
Federal Donated Commodities	66,654		66,654
Interest	3,034		3,034
Grants	279,270		279,270
Net Income (Loss)	53,359	(308)	53,051
Net Working Capital	193,768	13,550	207,318
Total Assets	386,529	13,550	400,079
Total Liabilities	100,818		100,818
Total Equity	285,711	13,550	299,261

**NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS**

**A. 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 that are staggered. Financial information can be obtained by contacting Betty Schwiefert, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**B. 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.

**NORWALK CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2002  
(Continued)

**NOTE 12 - 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.

**NOTE 13 - 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. There were no significant reductions in insurance coverage from the prior year. Also, covered claims have not exceeded coverage in any of the past three years.

**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 14 - SCHOOL FUNDING DECISION**

On December 11, 2002, The Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**NOTE 15 - CONTINGENCIES**

As of June 30, 2002, the School district's significant contractual purchase commitments for the construction projects are as follows:

<u>Company</u>	<u>Amount Remaining</u>
Adena Corporation	\$460,758
Steingass Mechanical	26,553
Norstan Communications	4,527
Waller Duman, Inc.	2,727
Bay Mechanical	180,697
Tiffin Scenic Supply	848
Total	<u>\$676,110</u>

**NORWALK CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2002  
(Continued)

**NOTE 15 – CONTINGENCIES – (continued)**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

**B. Litigation**

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

**NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

The following cash basis information describes the change in the year-end set aside amounts for textbooks, capital acquisition and the budget reserve. Disclosure of this information is required by State statute. The District had offsets and qualifying disbursements during the year that reduced the capital set-aside amounts to below zero. These extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts, however, are not presented as being carried forward to the next fiscal year.

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Set-Aside Cash Balance as of June 30, 2001	\$47,344		\$641,746	\$689,090
Current Year Set-Aside Requirement	317,459	\$317,459	997	635,915
Qualifying Disbursements and Offsets	(266,296)	(398,279)		(664,575)
Totals June 30, 2002	<u>\$98,507</u>	<u>(\$80,820)</u>	<u>\$642,743</u>	<u>\$660,430</u>
Cash Balance Carried Forward FY 2003	<u>\$98,507</u>		<u>\$642,743</u>	<u>\$741,250</u>
Total Restricted Assets				<u>\$741,250</u>

**NOTE 17 – ACCOUNTABILITY**

**Accountability**

At June 30, 2002, the Disadvantaged Pupil Impact Aid, Adult Basic Education, Title VI-B, Title I, Title VI, Title VI-R, and Miscellaneous Federal funds had deficit fund balances of \$33,522, \$7,935, \$92,521, \$418,575, \$22,008, \$60,776, and \$7,620, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NORWALK CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2002  
(Continued)

**NOTE 18 – PRIOR YEAR RESTATEMENT**

A misclassification of medical premium liability in the prior audit caused the following prior year adjustment:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Fund balance, As stated June 30, 2001	\$ 5,883,934	\$ 207,274
Restatements	<u>(173,663)</u>	<u>(20,391)</u>
Fund balance, As restated July 1, 2001	<u>\$ 5,710,271</u>	<u>\$ 186,883</u>

**NORWALK CITY SCHOOL DISTRICT**  
**Schedule of Federal Awards Expenditures**  
**June 30, 2002**

Federal Grantor/Pass Through Grantor Number/Program Title	Pass Through Entity Number	CFDA Number	Federal Receipts	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>				
<i>Pass through State Department of Education:</i>				
Nutrition Cluster:				
Government Donated Foods (Note 2)	n/a	10.550	\$ 66,654	\$ 66,654
National School Lunch Program	044560-LL-P1/P4-0000	10.555	303,523	303,523
Total Nutrition Cluster			<u>370,177</u>	<u>370,177</u>
<i>Total U.S. Department of Agriculture</i>			370,177	370,177
<b><u>U.S. Department of Education</u></b>				
<i>Pass through State Department of Education:</i>				
Special Education Cluster:				
Title VI-B	044560-6B-SF-01/02	84.027	270,066	264,383
Handicapped Preschool	044560-PG-S1-01/02	84.173	28,115	20,954
Total Special Education Cluster			<u>298,181</u>	<u>285,337</u>
Adult Education	044560-AB-S1-01/02	84.002	-	59,812
Total Adult Education			-	59,812
Eisenhower Grant	044560-MS-S1-01/02	84.281	13,380	10,860
Total Eisenhower Grant			<u>13,380</u>	<u>10,860</u>
Title I	044560-C1-S1-01/02	84.010	51,981	290,001
Total Title I			<u>51,981</u>	<u>290,001</u>
Title VI	044560-C2-S1-00/01/02	84.298	5,552	18,193
Total Title VI			<u>5,552</u>	<u>18,193</u>
Drug Free	044560-DR-S1-01/02	84.186	2,998	4,944
Total Drug Free			<u>2,998</u>	<u>4,944</u>
Goal 2000	044560-G2-S6-2002	84.276	-	6,917
Total Goals 2000			-	6,917
Raising the Bar	n/a	84.318	(10,780)	46,830
Total Raising the Bar			<u>(10,780)</u>	<u>46,830</u>
Assistive Technology Project	044560-ATSI-02	84.352A	2,355	1,519
Total Assistive Technology Project			<u>2,355</u>	<u>1,519</u>
Title VI-R	044560-CR-S1-2002	84.340	58,092	68,270
Total Title VI-R			<u>58,092</u>	<u>68,270</u>
<i>Total U.S. Department of Education</i>			<u>421,759</u>	<u>792,683</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 791,936</u>	<u>\$ 1,162,860</u>

See the Accompanying Notes to the Schedule of Federal Awards Expenditures

**NORWALK CITY SCHOOL DISTRICT**  
**Notes to the Schedule of Federal Awards Expenditures**  
**For the Year Ended June 30, 2002**

**1. Significant Accounting Policies**

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

**2. Food Distribution**

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had food commodities in inventory recorded in the Enterprise Fund.

**3. Matching Requirements**

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally funded programs. The District has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the schedule.

**Charles E. Harris & Associates, Inc.**  
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Board of Education  
Norwalk City School District  
Norwalk, Ohio**

We have audited the general purpose financial statements of the Norwalk City School District as of and for the year ended June 30, 2002, and have issued our report thereon dated December 31, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the 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 Controls Over Financial Reporting**

In planning and performing our audit, we considered the 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.

**However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated December 31, 2002.**

**This report is intended for the information and use of management, the Board of Education, 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.**

*Charles E. Harris & Associates, Inc.*  
**December 31, 2002**



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

**Board of Education  
Norwalk City School District  
Norwalk, Ohio**

**Compliance**

We have audited the compliance of the Norwalk City School District with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2002.

**Internal Control Over Compliance**

The management of the 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 the 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.**

**This report is intended for the information and use of management, the Board of Education, 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.**

*Charles E. Harris & Associates, Inc.*  
**December 31, 2002**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505**

**NORWALK CITY SCHOOL DISTRICT  
HURON COUNTY  
June 30, 2002**

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

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Title 1 CFDA# 84.010 Special Education Cluster: Title VI-B CFDA# 84.027 Handicapped Preschool CFDA# 84.173
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)**  
**OMB CIRCULAR A-133 SECTION .505**

**NORWALK CITY SCHOOL DISTRICT**  
**HURON COUNTY**  
**June 30, 2002**

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS**

**The prior audit report, for the period ending June 30, 2001, included no material citations or recommendations.**





**Auditor of State  
Betty Montgomery**

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**NORWALK CITY SCHOOL DISTRICT**

**HURON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 18, 2003**