

**Norwalk City
School District
Huron County, Ohio**

Basic Financial Statements

***For the Fiscal Year Ended
June 30, 2007***



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Norwalk City School District, Huron County, prepared by Rea & Associates, Inc., for the audit period July 1, 2006 through June 30, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 17, 2008

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NORWALK CITY SCHOOL DISTRICT
HURON COUNTY, OHIO
For the Year Ended June 30, 2007
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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 22, 2007

To the Board of Education
Norwalk City School District
Norwalk, Ohio 44857

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Norwalk City School District (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2007, and the respective changes in financial position, and the respective budgetary comparison for the general 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 our report dated December 22, 2007, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hea & Associates, Inc.

Medina, Ohio

Norwalk City School District
Huron County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

The discussion and analysis of the Norwalk City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2007 are as follows:

- ❑ General Revenues accounted for \$22.8 million in revenue or 83.0% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for approximately \$4.7 million or 17.0% of total revenues of \$27.5 million.
- ❑ Total program expenses were \$28.0 million.
- ❑ Total net assets decreased \$.5 million or 1.8% from fiscal year 2006.
- ❑ Outstanding net bonded debt decreased from \$14.2 million to \$13.8 million through payment of principal.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For the School District, the General Fund is the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

Norwalk City School District
Huron County
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District activities are listed as governmental:

- Governmental Activities - Most of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

The government-wide financial statements begin on page 12.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 14.

Norwalk City School District
Huron County
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007

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

The fiduciary fund financial statements begin on page 20.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for fiscal year 2007 compared to 2006:

(Table 1)
Governmental Activities

	2007	Restated 2006
Assets		
Current and Other Assets	\$ 27,454,276	\$ 26,689,484
Capital Assets	26,438,146	27,616,641
Total Assets	53,892,422	54,306,125
Liabilities		
Long-Term Liabilities	15,227,215	15,728,899
Other Liabilities	10,972,405	10,373,247
Total Liabilities	26,199,620	26,102,146
Net Assets		
Invested in Capital		
Assets Net of Debt	13,190,316	13,423,217
Restricted	4,382,094	4,331,201
Unrestricted (Deficit)	10,120,392	10,449,561
Total Net Assets	\$ 27,692,802	\$ 28,203,979

Total assets decreased \$.4 million, or .8%. Current liabilities increased \$.6 million in accounts payable and accrued wages and long term liabilities decreased \$.5 million through principal payments on debt obligations.

Norwalk City School District
Huron County
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007

Table 2 shows the changes in net assets for fiscal year 2007 and 2006 and will help further explain the change from the prior year.

(Table 2)
Governmental Activities

	2007	2006
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 659,834	\$ 734,530
Operating Grants	4,010,479	3,495,593
Program Revenues	4,670,313	4,230,123
<i>General Revenue:</i>		
Property Taxes	8,296,170	7,383,417
Income Taxes	1,843,596	1,709,904
Grants and Entitlements	11,868,647	11,436,741
Investment Earnings	632,492	574,686
Other	214,362	175,258
General Revenues	22,855,267	21,280,006
<i>Total Revenues</i>	<i>27,525,580</i>	<i>25,510,129</i>
Program Expenses		
Instruction	15,328,873	13,891,844
Support Services	6,226,182	6,279,919
Operation and Maintenance and Central	3,073,082	1,599,536
Operation of Non-Instructional	2,099,499	1,265,267
Extracurricular Activities	621,072	601,727
Interest and Fiscal Charges	688,049	553,033
<i>Total Expenses</i>	<i>28,036,757</i>	<i>24,191,326</i>
<i>Increase (Decrease) in Net Assets</i>	<i>\$ (511,177)</i>	<i>\$ 1,318,803</i>

Program revenues account for 17.0% of total revenues and are primarily represented by restricted intergovernmental revenues, charges for tuition and fees, extracurricular activities, and food service sales.

The major program expenses for governmental activities are for instruction, which accounts for 54.7% of all governmental expenses. Other programs, which support the instruction process, including pupils and instructional staff and pupil transportation, account for 22.2% of governmental expenses. Maintenance of the School District's facilities also represents a significant expense of 11.2%. Therefore, 88.1% of the School District's expenses are related to the primary functions of providing facilities and delivering education. It is apparent that these costs are funded almost entirely from property taxes and grants and entitlements.

Norwalk City School District
Huron County
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental funds had total revenues of \$27.5 million and expenditures of \$28.0 million in 2007.

(Table 3)
Governmental Activities

	2007		2006	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 15,328,873	\$ 13,019,531	\$ 13,891,844	\$ 12,245,925
Support Services:				
Pupils	946,809	574,336	987,170	564,661
Instructional Staff	1,916,862	1,808,281	1,818,291	1,506,603
Board of Education	58,684	58,684	134,837	134,837
Administration	2,052,014	2,011,366	2,004,017	1,940,574
Fiscal	463,906	434,882	398,753	353,134
Business	75,253	75,253	177,995	177,995
Operation and Maintenance of Plant	2,936,099	2,936,099	1,541,699	1,541,699
Pupil Transportation	712,654	712,654	758,856	758,856
Central	136,983	136,983	57,837	46,949
Operation of Non-Instructional	2,099,499	550,390	1,265,267	(206,832)
Extracurricular Activities	621,072	359,936	601,727	343,769
Interest and Fiscal Charges	688,049	688,049	553,033	553,033
Total Expenses	\$ 28,036,757	\$ 23,366,444	\$ 24,191,326	\$ 19,961,203

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 84.9% of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 83.3%. It is apparent that the community, as a whole, is the primary support for the School District's students.

Norwalk City School District
Huron County
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007

Financial Analysis of the Government's Funds

Governmental Funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School District's net resources available for spending at year-end.

The School District's governmental funds (as presented on the balance sheet on page 14) reported a total fund balance of \$15.7 million, which is \$.1 million under last year's balance of \$15.9 million. The most significant changes within the School District's funds was reported in the General fund with an increase in fund balance of \$.05 million. There were no individually significant events causing this change.

Major Fund

The general fund is the main operating fund of the School District. At the end of fiscal year 2007, the fund balance in the general fund was \$12.8 million, which is an increase of .4% from 2006.

General Fund Budgeting Highlights

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

The School District uses a combination site-based and activity-based style of budgeting and has systems in place to tightly control expenses, yet provide flexibility for proper decisions by management.

For the general fund, there was a difference of \$2.3 million between the budget basis revenue of \$19.9 million and the actual revenue of \$22.2 million. The School District received more intergovernmental revenue than expected due to the increased enrollment. The final budget expenditures of \$25.6 million were \$3.0 million more than the actual expenditures of \$22.5 million. The regular instruction and operation and maintenance expenditures were less than anticipated. Original budget other financing uses were \$1.0 million under final budget.

Norwalk City School District
Huron County
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District governmental activities had \$26.4 million invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Table 4 shows fiscal year 2007 balances compared with 2006.

(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2007	2006
Land	\$ 2,196,532	\$ 2,196,532
Land Improvements	880,907	1,009,688
Buildings and Improvements	22,043,919	22,993,604
Furniture and Equipment	786,489	828,684
Vehicles	525,311	581,150
Textbooks	4,988	6,983
Totals	\$ 26,438,146	\$ 27,616,641

The \$1.2 million net decrease in capital assets can be attributed to depreciation and reductions exceeding additions. For additional information regarding the capital assets of the School District, see Note 9.

Debt

At June 30, 2007, the School District had \$13.7 million in net bonds outstanding with \$.5 million due within one year. During fiscal year 2007, \$.5 million of general obligation bonds were retired. Table 5 summarizes bonds outstanding.

Norwalk City School District
Huron County
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities	
	2007	Restated 2006
	<u>2007</u>	<u>2006</u>
<i>General Obligation Bonds:</i>		
1998 High School Bonds		
Serial Bonds	\$ 3,760,000	\$ 3,760,000
Capital Appreciation Bonds	107,840	234,980
Accretion on Capital Appreciation Bonds	311,256	539,685
2006 Capital Improvement (Refunding)		
Serial Bonds	9,025,000	9,145,000
Capital Appreciation Bonds	354,989	354,989
Accretion on Capital Appreciation Bonds	62,921	0
Unamortized Bond Premiums	454,149	476,856
Loss on Refunding	(302,939)	(318,086)
	<u> </u>	<u> </u>
Totals	<u>\$ 13,773,216</u>	<u>\$ 14,193,424</u>

For additional information regarding long-term debt, see Note 14.

Current Issues

The School District is doing well considering the uncertainty in State funding. The School District takes a very conservative stance in its budgeting and forecasting. The School District's five-year forecast reflects the current state biennial budget and trends. The School District's residential growth has remained steady with a slight increase in residential students.

Over the past few years, the School District has remained in a good financial position. In the late 1980s, the School District experienced some financial difficulties due to the failure of several proposed tax levies. In 1991, the School District was able to pass a .5% school income tax levy, which generates approximately \$1.5 million annually which has resulted in a steady recovering of their financial footing.

During fiscal years 2004 to 2006, the School District renovated the old high school building at 80 East Main Street using General Fund monies at a cost of \$2,400,000. The building was renamed the Main Street Elementary School and housed school district fifth and sixth graders beginning in August 2004 (2004-2005 school year). During school year 2005-2006, the School District renovated the basement level of the Main Street Elementary School which added four new classroom areas. A building addition was also constructed which added three more classrooms.

Norwalk City School District
Huron County
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Treasurer Kenneth W. France, Norwalk City School District, 134 Benedict Avenue, Norwalk, OH 44857.

Norwalk City School District
Statement of Net Assets
June 30, 2007

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 17,286,547
Receivables:	
Property Taxes	8,684,562
Accounts	7,497
Interest	41,562
Intergovernmental	428,323
Income Tax	854,576
Deferred Charge - Issuance Costs	151,209
Nondepreciable Capital Assets	2,196,532
Depreciable Capital Assets (Net)	24,241,614
 <i>Total Assets</i>	 53,892,422
Liabilities	
Accounts Payable	452,643
Accrued Wages and Benefits	2,019,665
Matured Compensated Absences	187,568
Intergovernmental Payable	581,573
Accrued Interest Payable	39,694
Deferred Revenue	7,691,262
Long Term Liabilities:	
Due Within One Year	742,351
Due in More Than One Year	14,484,864
 <i>Total Liabilities</i>	 26,199,620
Net Assets	
Invested in Capital Assets, Net of Related Debt	13,190,316
Restricted for:	
Capital Projects	915,559
Debt Service	1,115,060
Other Purposes	825,276
Set Asides	1,526,199
Unrestricted	10,120,392
 <i>Total Net Assets</i>	 \$ 27,692,802

See accompanying notes to the basic financial statements.

Norwalk City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 10,616,382	\$ 13,422	\$ 230,360	\$ (10,372,600)
Special	3,669,322	0	2,013,383	(1,655,939)
Vocational	177,779	0	0	(177,779)
Adult continuing	67,010	2,996	49,181	(14,833)
Other	798,380	0	0	(798,380)
Support services:				
Pupils	946,809	0	372,473	(574,336)
Instructional staff	1,916,862	0	108,581	(1,808,281)
Board of education	58,684	0	0	(58,684)
Administration	2,052,014	0	40,648	(2,011,366)
Fiscal	463,906	29,024	0	(434,882)
Business	75,253	0	0	(75,253)
Operation and maintenance of plant	2,936,099	0	0	(2,936,099)
Pupil transportation	712,654	0	0	(712,654)
Central	136,983	0	0	(136,983)
Operation of non-instructional services:				
Community Services	993,461	0	459,583	(533,878)
Food Service Operations	1,106,038	390,509	699,017	(16,512)
Extracurricular activities	621,072	223,883	37,253	(359,936)
Interest and fiscal charges	688,049	0	0	(688,049)
Total Governmental Activities	\$ 28,036,757	\$ 659,834	\$ 4,010,479	(23,366,444)

General Revenues

Property Taxes Levied for:	
General Purposes	6,762,939
Debt Service	1,069,400
Capital Outlay	463,831
Income Tax	1,843,596
Grants and Entitlements not Restricted to Specific Programs	11,868,647
Investment Earnings	632,492
Miscellaneous	214,362
Total General Revenues	22,855,267
Change in Net Assets	(511,177)
Net Assets Beginning of Year (Restated, See Note 3)	28,203,979
Net Assets End of Year	\$ 27,692,802

See accompanying notes to the basic financial statements.

Norwalk City School District
Balance Sheet
Governmental Funds
June 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 12,416,755	\$ 3,343,593	\$ 15,760,348
Restricted Cash and Cash Equivalents	1,526,199	0	1,526,199
Receivables:			
Property Taxes	7,086,286	1,598,276	8,684,562
Income Taxes	854,576	0	854,576
Accounts	7,497	0	7,497
Interest	41,562	0	41,562
Interfund	416,926	0	416,926
Intergovernmental	0	428,323	428,323
<i>Total Assets</i>	<u>\$ 22,349,801</u>	<u>\$ 5,370,192</u>	<u>\$ 27,719,993</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 432,764	\$ 19,879	\$ 452,643
Accrued Wages and Benefits	1,838,404	181,261	2,019,665
Intergovernmental Payable	524,200	57,373	581,573
Interfund Payable	0	416,926	416,926
Deferred Revenue	6,521,527	1,790,303	8,311,830
Matured Compensated Absences	187,568	0	187,568
<i>Total Liabilities</i>	9,504,463	2,465,742	11,970,205
Fund Balances			
Fund Balance:			
Reserved for Encumbrances	724,058	245,160	969,218
Reserved for Tax Revenue Unavailable for Appropriation	692,798	155,441	848,239
Reserved for Textbook and Instructional Materials	883,456	0	883,456
Reserved for Budget Reserve	642,743	0	642,743
Unreserved, Undesignated, Reported in:			
General Fund	9,902,283	0	9,902,283
Special Revenue Funds	0	504,045	504,045
Debt Service Fund	0	1,137,748	1,137,748
Capital Projects Funds	0	862,056	862,056
<i>Total Fund Balances</i>	<u>12,845,338</u>	<u>2,904,450</u>	<u>15,749,788</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 22,349,801</u>	<u>\$ 5,370,192</u>	<u>\$ 27,719,993</u>

See accompanying notes to the basic financial statements.

Norwalk City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities*
 June 30, 2007

Total Governmental Fund Balances		\$ 15,749,788
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		26,438,146
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Grants	\$ 347,468	
Property Taxes	145,061	
Income Tax	128,039	
Bond Issuance Costs	151,209	771,777
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	12,785,000	
Capital Appreciation Bonds	462,829	
Bond Premium	454,149	
Loss on Refunding	(302,939)	
Bond Accretion	374,177	
Compensated Absences	1,453,999	
Accrued Interest	39,694	(15,266,909)
 Net Assets of Governmental Activities		 \$ 27,692,802

See accompanying notes to the basic financial statements.

Norwalk City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 6,757,362	\$ 1,533,867	\$ 8,291,229
Income Taxes	1,842,315	0	1,842,315
Intergovernmental	12,629,577	2,883,744	15,513,321
Investment income	589,685	42,807	632,492
Tuition and fees	89,505	1,242	90,747
Extracurricular activities	22,140	193,831	215,971
Rentals	29,024	0	29,024
Charges for services	0	390,510	390,510
Gifts and Donations	6,150	100,060	106,210
Miscellaneous	63,438	98,617	162,055
<i>Total Revenues</i>	<u>22,029,196</u>	<u>5,244,678</u>	<u>27,273,874</u>
Expenditures:			
Current:			
Instruction:			
Regular	9,619,595	209,249	9,828,844
Special	2,796,666	875,207	3,671,873
Vocational	173,372	0	173,372
Adult continuing	8,955	58,055	67,010
Other	798,380	0	798,380
Support services:			
Pupils	697,878	252,798	950,676
Instructional staff	1,714,481	183,922	1,898,403
Board of education	58,684	0	58,684
Administration	1,810,740	219,793	2,030,533
Fiscal	429,143	33,240	462,383
Business	74,211	0	74,211
Operation and maintenance of plant	2,438,331	24,669	2,463,000
Pupil transportation	600,424	0	600,424
Central	59,646	0	59,646
Operation of non-instructional services:			
Community services	28,869	453,799	482,668
Food service operations	0	1,089,132	1,089,132
Extracurricular activities	437,153	183,919	621,072
Capital outlay	228,475	715,007	943,482
Debt service:			
Principal retirement	0	247,140	247,140
Interest and fiscal charges	0	854,370	854,370
<i>Total Expenditures</i>	<u>21,975,003</u>	<u>5,400,300</u>	<u>27,375,303</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	54,193	(155,622)	(101,429)
Other Financing Sources (Uses):			
Transfers in	0	1,303	1,303
Transfers out	(1,303)	0	(1,303)
<i>Total Financing Sources and (Uses)</i>	<u>(1,303)</u>	<u>1,303</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	52,890	(154,319)	(101,429)
<i>Fund balance (deficit) at beginning of period</i>	<u>12,792,448</u>	<u>3,058,769</u>	<u>15,851,217</u>
<i>Fund balance (deficit) at end of period</i>	<u>\$ 12,845,338</u>	<u>\$ 2,904,450</u>	<u>\$ 15,749,788</u>

See accompanying notes to the basic financial statements

Norwalk City School District
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	(101,429)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures, However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 600,546	
Current Year Depreciation	<u>(1,209,310)</u>	(608,764)
 Net effect of transactions involving the sale and adjustments to capital assets are not reflected in the funds		
		(569,731)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Grants	267,591	
Delinquent Property Taxes	4,937	
Income Tax	<u>1,281</u>	273,809
 Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Principal	247,140	
Accreted Capital Appreciation Bond Interest	<u>291,962</u>	539,102
 Some expenses reported in the statement of activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.		
(Increase) Decrease in Amortization of Bond Issuance Costs	(7,561)	
(Increase) Decrease in Amortization of Bond Premium	22,707	
(Increase) Decrease in Amortization of Loss on Refunding	(15,147)	
(Increase) Decrease in Bond Accretion	(126,454)	
(Increase) Decrease in Compensated Absences	81,476	
(Increase) Decrease in Accrued Interest	<u>815</u>	(44,164)
 Change in Net Assets of Governmental Activities		
	<u>\$</u>	<u>(511,177)</u>

See accompanying notes to the basic financial statements

Norwalk City School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2007*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property Taxes	\$ 6,165,818	\$ 6,165,818	\$ 6,826,174	\$ 660,356
Income Taxes	1,752,052	1,752,052	1,750,822	(1,230)
Intergovernmental	11,110,175	11,110,175	12,629,577	1,519,402
Investment Income	500,000	500,000	613,790	113,790
Tuition and Fees	23,000	23,000	15,393	(7,607)
Rentals	25,000	25,000	27,498	2,498
Extracurricular Activities	25,000	25,000	23,050	(1,950)
Gifts and Donations	3,000	3,000	6,150	3,150
Charges for Services	20,000	20,000	0	(20,000)
Miscellaneous	235,450	235,450	259,085	23,635
<i>Total Revenues</i>	<u>19,859,495</u>	<u>19,859,495</u>	<u>22,151,539</u>	<u>2,292,044</u>
Expenditures:				
Current				
Instruction:				
Regular	10,546,064	10,546,064	9,736,752	809,312
Special	2,738,356	2,738,356	2,624,248	114,108
Vocational	176,461	176,461	171,215	5,246
Adult/continuing	20,500	20,500	8,955	11,545
Other	861,230	861,230	803,325	57,905
Support Services				
Pupils	806,215	806,215	727,013	79,202
Instructional Staff	1,839,657	1,839,657	1,754,518	85,139
Board of Education	364,825	364,825	60,421	304,404
Administration	2,113,360	2,113,360	1,835,309	278,051
Fiscal	469,268	469,268	453,128	16,140
Business	107,364	107,364	91,045	16,319
Operation and Maintenance of Plant	3,371,027	3,371,027	2,692,533	678,494
Pupil Transportation	1,138,241	1,138,241	759,964	378,277
Central	95,000	95,000	60,656	34,344
Operation of non-instructional	60,886	60,886	30,331	30,555
Extracurricular Activities	455,500	455,500	430,200	25,300
Capital Outlay	405,602	405,602	292,210	113,392
<i>Total Expenditures</i>	<u>25,569,556</u>	<u>25,569,556</u>	<u>22,531,823</u>	<u>3,037,733</u>
Excess of Revenues Over (Under) Expenditures	(5,710,061)	(5,710,061)	(380,284)	5,329,777
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	0	0	34,670	34,670
Refund of Prior Year Receipts	(5,000)	(5,000)	0	5,000
Advances Out	(473,680)	(1,484,685)	(355,654)	1,129,031
Transfers Out	(2,000,000)	(1,892,626)	(1,303)	1,891,323
Other Financing Uses	(800,000)	(800,000)	0	800,000
<i>Total Other Financing Sources (Uses)</i>	<u>(3,278,680)</u>	<u>(4,182,311)</u>	<u>(322,287)</u>	<u>3,860,024</u>
<i>Net Change in Fund Balance</i>	(8,988,741)	(9,892,372)	(702,571)	9,189,801
<i>Fund Balance (Deficit) at Beginning of Period</i>	13,155,987	13,155,987	13,155,987	0
Prior Year Encumbrances Appropriated	551,488	551,488	551,488	0
<i>Fund Balance (Deficit) at End of Period</i>	<u>\$ 4,718,734</u>	<u>\$ 3,815,103</u>	<u>\$ 13,004,904</u>	<u>\$ 9,189,801</u>

See accompanying notes to the basic financial statements.

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Norwalk City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 71,824	\$ 58,655
Liabilities		
Due to Students	\$ 0	\$ 58,655
Net Assets		
Held in Trust for Scholarships	71,824	
<i>Total Net Assets</i>	\$ 71,824	

See accompanying notes to the basic financial statements.

Norwalk City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2007

	Private Purpose Trust	
	Scholarship	
Additions:		
Gifts and Contributions	\$ 1,265	
Interest	2,436	
Total Additions	3,701	
Deductions:		
Payments in Accordance with Trust Agreements	1,500	
<i>Change in Net Assets</i>	2,201	
<i>Net Assets Beginning of Year</i>	69,623	
<i>Net Assets End of Year</i>	\$ 71,824	

See accompanying notes to the basic financial statements.

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Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Note 1 - Description of the School District

The Norwalk City School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a City School District as defined by Section 3311.04 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on, or as of, October 1, 2006, was 3,043. The School District employs 197 certificated and 116 non-certificated employees.

Reporting Entity

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

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

The School District participates in two jointly governed organizations and one insurance purchasing pool. These organizations are the Bay Area Council of Governments, the Northern Ohio Educational Computer Association and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 10 and 15 to the basic financial statements.

Parochial Schools - Within the School District boundaries, the Norwalk Catholic Schools (formerly known as St. Mary's 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 School District, as directed by the parochial schools and are accounted for in the Auxiliary services fund.

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements.

The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

B. Fund Accounting

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

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

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

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

The other governmental funds of the School District account for grants and other resources, debt service, and capital projects of the School District whose uses are restricted to a particular purpose.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only trust fund is a private purpose trust, which accounts for a program that provides assistance to needy students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They are limited to student activities at the School District.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenditures) in total net assets.

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

The private purpose trust fund is reported using the economic resources measurement focus and is excluded from the governmental activities. Agency funds do not report a measurement focus as they do not report operations.

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

D. Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives 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 the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue on the balance sheet. This amount is reported as deferred revenue on the statement of net assets, however excludes delinquent amounts earned as of year end.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

statement as an expense with a like amount reported as operating grants and contributions program revenue.

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

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2007.

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

F. Cash and Cash Equivalents

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

During fiscal year 2007, investments were limited to repurchase agreements, marketable securities and STAROhio, (the State Treasurer's Investment Pool).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2007. Certificates of deposit and repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$589,685, which includes \$69,225 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside for the purchase of textbooks and other instructional materials and the reserve for BWC. See Note 20 for additional information regarding set asides.

H. Capital Assets

General capital assets are those assets not specifically related to activities and are generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Description	Governmental Activities Estimated Lives
Land	N/A
Land Improvements	15 - 30 Years
Buildings and Improvements	15 - 30 Years
Furniture and Equipment	5 - 20 Years
Vehicles	5 - 15 Years
Textbooks	5 Years

I. Interfund Balances

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

J. Compensated Absences

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.

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

In governmental funds, the liability for unpaid compensated absences is the unused reimbursable leave still outstanding following an employee's resignation or retirement.

K. Accrued Liabilities and Long-term Obligations

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

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

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes primarily include extracurricular activities, operation and maintenance of plant, and special education instruction.

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

M. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balance reserves have been established for taxes, BWC reserve, textbooks and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for BWC represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

N. Interfund Activity

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2007.

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

P. Estimates

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

Note 3 – Restatement of Net Assets

During fiscal year 2007, the amount of \$539,685 was added to long term liabilities – due in more than one year for prior years accretion on capital appreciation bonds that were incorrectly accounted for. The change in net assets is summarized below:

	Governmental Activities
Net Assets at June 30, 2006	\$ 28,743,664
Adjustment to long term liabilities	(539,685)
Restated Net Assets at July 1, 2006	\$ 28,203,979

Note 4 - Accountability

Fund balances at June 30, 2007 included the following individual fund deficits:

	Fund Balance
Nonmajor Governmental Funds:	
Public Preschool	\$ 2,807
Vocational Enhancement	4,967
Adult Basic Education	1,040
Title VI-B	11,499
Title I	58,800
Title VI	8,923
Drug Free	1,586
Preschool Grant	4,429

The deficits in these nonmajor governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these nonmajor funds and will provide transfers when cash is required, not when accruals occur.

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

Net Change in Fund Balance

GAAP Basis	\$	52,890
Net Adjustment for Revenue Accruals		157,013
Net Adjustment for Expenditure Accruals		381,242
Advance Out		(355,654)
Adjustment for Encumbrances		<u>(938,062)</u>
Budget Basis	\$	<u><u>(702,571)</u></u>

Note 6 - Deposits and Investments

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or

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withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

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

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

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Cash on Hand: At year end, the School District had \$6,600 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and cash equivalents.

Deposits: The carrying value of the School District's deposits totaled \$2,054,100 and the bank balances of the deposits totaled \$2,308,130. \$577,347 of the bank balance was covered by federal depository insurance and \$1,730,783 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments

Investments are reported at fair value. As of June 30, 2007, the district had the following investments:

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Standard & Poors Rating		Fair Value	Investment Maturities (in months)				% Investments
			0 - 6	6 - 12	12 - 24	24 - 36	
AAA	STAROhio	\$ 1,000,030	\$ 1,000,030	\$ 0	\$ 0	\$ 0	6.51%
N/A	Repurchase Agreement	1,153,000	1,153,000	0	0	0	7.51%
AAA	Federal Home Loan Bank	400,771	0	400,771	0	0	2.61%
N/A	Commercial Paper	1,888,265	0	1,888,265	0	0	12.30%
AAA	Federal Home Loan Mortgage Discount Note	305,472	0	305,472	0	0	1.99%
AAA	Federal Home Loan Mortgage Discount Note	501,772	0	501,772	0	0	3.27%
AAA	Federal National Mortgage Association	501,165	0	0	0	501,165	3.26%
AAA	Federal Home Loan Mortgage Corporation	503,409	0	503,409	0	0	3.28%
AAA	Federal National Mortgage Association	501,964	0	501,964	0	0	3.27%
AAA	Federal Home Loan Bank	499,770	0	499,770	0	0	3.25%
AAA	Federal Home Loan Bank	505,151	0	505,151	0	0	3.29%
AAA	Federal National Mortgage Association	700,914	0	0	0	700,914	4.56%
AAA	Federal National Mortgage Association	507,908	0	0	0	507,908	3.31%
AAA	Federal Home Loan Bank	296,434	0	0	0	296,434	1.93%
AAA	Federal Home Loan Bank	500,813	0	0	0	500,813	3.26%
AAA	Federal Home Loan Bank	508,503	0	0	0	508,503	3.31%
AAA	Federal Home Loan Bank	1,001,729	0	0	0	1,001,729	6.52%
AAA	Federal National Mortgage Association	501,637	0	0	501,637	0	3.27%
AAA	Federal Home Loan Bank	528,238	0	0	0	528,238	3.44%
AAA	Federal Home Loan Mortgage Corporation	407,773	0	0	407,773	0	2.66%
AAA	Federal Home Loan Mortgage Corporation	992,597	0	0	0	992,597	6.46%
AAA	Federal Home Loan Bank	1,134,731	0	0	0	1,134,731	7.39%
AAA	Federal National Mortgage Association	514,280	0	0	0	514,280	3.35%
Totals		\$ 15,356,326	\$ 2,153,030	\$ 5,106,574	\$ 909,410	\$ 7,187,312	100.00%

Interest Rate Risk: The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

Credit Risk: The School District's investments at June 30, 2007 in Federal Home Loan Bank, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation are rated AAA by Standard & Poor's. Its investments in STAROhio are also rated AAA by Standard & Poor's. The School District's policy doesn't address credit risk.

Concentration of Credit Risk: The School District places no limit on the amount the district may invest in any one issuer. More than 5 percent of the School District's investments are in Federal National Mortgage Association, Federal Home Loan and STAROhio as listed above.

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Note 7 - Property Taxes and Income Taxes

A. Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2007 for real and public utility property taxes represents collections of calendar 2006 taxes. Property tax payments received during calendar 2007 for tangible personal property (other than public utility property) is for calendar 2007 taxes.

2007 real property taxes are levied after April 1, 2006, on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35 percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after April 1, 2007 and are collected in 2007 with real property taxes.

2007 tangible personal property taxes are levied after April 1, 2006, on the value as of December 31, 2005. Collections are made in 2007. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value of inventory.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 284,103,550	86.56%	\$ 307,341,440	89.37%
Public Utility	10,219,830	3.11%	10,175,180	2.96%
Tangible Personal Property	33,897,090	10.33%	26,371,380	7.67%
	<u>\$ 328,220,470</u>	<u>100.00%</u>	<u>\$ 343,888,000</u>	<u>100.00%</u>
Tax rate per \$1,000 assessed valuation	\$ 44.35		\$ 44.00	

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Cuyahoga and Geauga Counties. The County Auditors periodically advance to the School District their portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied 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 late settlement and the amount available as an advance at June 30 are recognized as revenue.

The amount available as an advance at June 30, 2007, was \$848,239 and is recognized as revenue. \$692,798 was available to the general fund, \$109,752 was available in the capital projects fund and \$45,689 was available to the debt service fund.

B. Income Taxes

The School District has a .5% income tax levy that is collected on earned income. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the general fund.

Note 8 - Receivables

Receivables at June 30, 2007, consisted of property taxes, income taxes, accounts, interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Intergovernmental receivables of \$428,323 consisted of grants receivable in special revenue funds.

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Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance 6/30/06	Additions	Reductions	Balance 6/30/07
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 2,196,532	\$ 0	\$ 0	\$ 2,196,532
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,813,241	26,528	(90,908)	1,748,861
Buildings and Improvements	31,374,805	299,484	(409,072)	31,265,217
Furniture and Equipment	1,761,407	214,590	(82,321)	1,893,676
Vehicles	1,320,566	59,944	0	1,380,510
Textbooks	734,058	0	0	734,058
Total Capital Assets, being depreciated	37,004,077	600,546	(582,301)	37,022,322
Less Accumulated Depreciation:				
Land Improvements	(803,553)	(64,401)	0	(867,954)
Buildings and Improvements	(8,381,201)	(850,065)	9,968	(9,221,298)
Furniture and Equipment	(932,723)	(177,066)	2,602	(1,107,187)
Vehicles	(739,416)	(115,783)	0	(855,199)
Textbooks	(727,075)	(1,995)	0	(729,070)
Total Accumulated Depreciation	(11,583,968)	(1,209,310)	12,570	(12,780,708)
Total Capital Assets being depreciated, net	25,420,109	(608,764)	(569,731)	24,241,614
Governmental Activities Capital Assets, Net	<u>\$ 27,616,641</u>	<u>\$ (608,764)</u>	<u>\$ (569,731)</u>	<u>\$ 26,438,146</u>

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Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	888,052
Special		198
Vocational		1,871
Support Services:		
Instructional Staff		39,766
Board of Education		1,042
Administration		5,121
Business		77,337
Fiscal		681
Operation and Maintenance of Plant		49,745
Pupil Transportaion		106,301
Operation of Non-Instructional Services		6,511
Food Service Operations		15,087
Extracurricular Activities		17,598
		<u>17,598</u>
Total Depreciation	\$	<u>1,209,310</u>

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In October 1981, the School 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 School District pays an annual premium to the pool for its general insurance coverage. The risk of loss transfers entirely from the School 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.

B. Workers' Compensation

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

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The intent of the Program is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund."

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Program. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the Program.

Note 11 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent, Treasurer, and High School Principal.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 195 days for certified employees, 12 days beyond contract year for administrators, and 205 days for classified employees. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 38 days. There is now no maximum accumulation on sick leave for any of the groups. Maximum on severance pay is 80 days.

Note 12 - Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 222-5853. It is also posted on SERS' website, www.ohsers.org, under forms and publications.

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Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$330,802, \$315,562, and \$313,638, respectively; 51 percent has been contributed for fiscal year 2007 and 100 percent for the fiscal years 2006 and 2005. \$167,093 represents the unpaid contribution for fiscal year 2007, and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,437,133, \$1,378,598, and \$1,297,810, respectively. Contributions to the DC and Combined Plans for fiscal year 2007 were \$12,940 made by the School District and \$28,194 made by the plan members; 82 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$252,888 represents the unpaid contribution for fiscal year 2007, and is recorded as a liability within the respective funds.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2007, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory 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 a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$106,676 during the 2007 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2006 (the latest information available), the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, the health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

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For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2007, employer contributions to fund health care benefits were 3.42% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay has been established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$127,578.

Net health care costs for the year ending June 30, 2006 (the latest information available) were \$158,751,207. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits is 59,492.

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Note 14 - Long - Term Obligations

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

	Restated Outstanding 6/30/06	Additions	Reductions	Outstanding 6/30/07	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
1998 High School Bonds	\$ 3,760,000	\$ 0	\$ 0	\$ 3,760,000	\$ 0
Serial Bonds \$9,145,000					
Capital Appreciation Bonds	234,980	0	127,140	107,840	107,840
Accretion of Interest	539,685	63,533	291,962	311,256	311,256
2006 Refunding Bonds					
Serial Bonds \$9,145,000					
at 3.5% - 4.1%	9,145,000	0	120,000	9,025,000	65,000
Capital Appreciation Bonds	354,989	0	0	354,989	0
Accretion of Interest	0	62,921	0	62,921	0
Bond Premium	476,856	0	22,707	454,149	0
Loss on Refunding	(318,086)	15,147	0	(302,939)	0
Total General Obligation Bonds	14,193,424	141,601	561,809	13,773,216	484,096
Compensated Absences	1,535,475	217,085	298,561	1,453,999	258,255
Total Governmental Activities Long-Term Liabilities	\$ 15,728,899	\$ 358,686	\$ 860,370	\$ 15,227,215	\$ 742,351

1998 Additions/Facilities

In 1998, the School District issued general obligation bonds for the construction of a new high school. The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption. The serial bonds mature in December 2015.

The capital appreciation bond matures December 1, 2007. This bond was purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bond is \$455,000.

2006 School Improvement Refunding Bonds

On February 1, 2006, the School District issued \$9,499,989 refunding general obligation bonds. The proceeds of the bonds were used to refund \$9,499,989 of the School District's outstanding Capital Improvement Bonds. The bonds were issued for a 20 year period with final maturity at December 1, 2026. At the date of the refunding, \$9,818,075 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bonds. As of June 30, 2006, \$9,499,989 of these bonds are considered defeased.

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For the Year Ended June 30, 2007

These refunding bonds were issued with a premium of \$476,856, which is reported as an increase to bonds payable. The amounts are being amortized to interest expenses over the life of the bonds using the straight-line method. The issuance costs have been reported as deferred charges and will be amortized over the life of the bonds. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$1,085,728. The issuance resulted in an economic gain of \$734,114.

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

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

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the general and food service funds.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2007 are as follows:

Fiscal Year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2008	\$ 65,000	\$ 523,273	\$ 107,840	\$ 347,160	\$ 172,840	\$ 870,433
2009	520,000	511,670	0	0	520,000	511,670
2010	545,000	490,124	0	0	545,000	490,124
2011	565,000	467,300	0	0	565,000	467,300
2012	590,000	442,913	0	0	590,000	442,913
2013 - 2017	2,055,000	1,845,330	354,989	910,011	2,409,989	2,755,341
2018 - 2022	3,805,000	1,321,435	0	0	3,805,000	1,321,435
2023 - 2027	4,640,000	576,624	0	0	4,640,000	576,624
Total	\$ 12,785,000	\$ 6,178,669	\$ 462,829	\$ 1,257,171	\$ 13,247,829	\$ 7,435,840

Note 15 - Jointly Governed Organizations

A. Bay Area Council of Governments

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

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

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 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 Districts. The degree of control exercised by any participating District is limited to its representation on the Board. In accordance with GASB Statement No. 14, the School District does not have an equity interest in NOECA because the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained by contacting NOECA at 2900 South Columbus Avenue, Sandusky, Ohio 44870. The School District paid \$56,087 to NOECA during fiscal year 2007.

Note 16 - Related Organizations

Norwalk Public Library

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

Note 17 – Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

B. Litigation

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

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Note 18 - Interfund Transfers

Transfers made during fiscal year 2007 were as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 0	\$ 1,303
Other Governmental Funds	1,303	0
Total	\$ 1,303	\$ 1,303

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. The general fund transferred \$1,303 to the public preschool fund and the able grants fund.

Note 19 - Interfund Balances

Interfund balances at June 30, 2007 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 416,926	\$ 0
Nonmajor Governmental Funds	0	416,926
	\$ 416,926	\$ 416,926

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2007, all interfund payables outstanding are anticipated to be repaid in fiscal year 2008.

Norwalk City School District
Huron County, Ohio
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Note 20 - Set-Asides

Substitute House Bill 412, as amended, required the School District to “set aside” certain percentages of defined revenues for (1) textbook and instructional materials purchases, and (2) capital and maintenance expenditures. As of April 10, 2001, any money on hand in a School District’s budget reserve set-aside account may at the discretion of the Board be returned to the School District’s general fund or may be left in the account and used by the Board to offset any budget deficit the School District may experience in future years. The amendment places special conditions on any refunds or rebates from the Bureau of Workers’ Compensation. These monies are to be used to offset a budget deficit for school facility construction, renovation or repair, for the textbooks or instructional materials; for purchase of school buses; or for teachers’ professional development. It also required five year budget projections, amended the fiscal watch and fiscal emergency statutes, created a school district solvency fund, and amended “spending reserve” provisions. During the fiscal year ended June 30, 2007, the reserve activity (cash basis) was as follows:

	Budget Reserve	Capital Improvement Reserve	Textbook Instructional Materials Reserve
Set-Aside Cash Balance as of June 30, 2006	\$ 642,743	\$ 65,392	\$ 563,260
Set-Aside Carryover Balance as of June 30, 2006	0	0	0
Current Year Set-Aside Requirement	0	469,382	469,382
Qualifying Disbursements	0	(799,301)	(149,186)
Total	\$ 642,743	\$ (264,527)	\$ 883,456
Balance Carried Forward FY 2008	\$ 642,743	\$ 0	\$ 883,456
Amount to Restrict			\$ 1,526,199

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital improvement set-aside, this amount may not be used to reduce the set-aside requirement for future years.



December 22, 2007

To the Board of Education
Norwalk City School District
Norwalk, Ohio 44857

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norwalk City School District as of and for the year ended June 30, 2007, which collectively comprise Norwalk City School District's basic financial statements and have issued our report thereon dated December 22, 2007.

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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Norwalk City School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Norwalk City School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Norwalk City School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiency described in Finding 2007-01 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness. The results of our testing also noted certain internal control matters that we have reported to the management of Norwalk City School District in a separate letter dated December 22, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Norwalk City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to the management of Norwalk City School District in a separate letter dated December 22, 2007.

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

Kea & Associates, Inc.

Medina, Ohio



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 22, 2007

To the Board of Education
Norwalk City School District
Norwalk, Ohio 44857

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

Compliance

We have audited the compliance of Norwalk City School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. Norwalk City School District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Norwalk City School District's management. Our responsibility is to express an opinion on Norwalk City School District's compliance based on our audit.

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

In our opinion, Norwalk City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Norwalk City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Norwalk City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Norwalk City School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

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

Schedule of Expenditures of Federal Awards - Cash Basis

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norwalk City School District, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 22, 2007. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of Norwalk City School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Rea & Associates, Inc.

Medina, Ohio

NORWALK CITY SCHOOL DISTRICT
HURON COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Expenditures
U. S. Department of Education					
(Passed through the Ohio Department of Education):					
Adult Basic Literacy Education	84.002	ABS1-2007	\$ 69,618	\$ 76,901	\$ 0
Adult Basic Literacy Education	84.002	ABS1-2006	911	4,692	0
Total Adult Basic Literacy Education			70,529	81,593	0
Title I	84.010	C1S1-2007	378,846	405,337	0
Title I	84.010	C1S1-2006	44,200	68,914	0
Total Title I			423,046	474,251	0
IDEA-B Access	84.027	6BSD-2006	23,839	28,412	0
IDEA-B	84.027	6BSF-2007	662,448	711,430	0
IDEA-B	84.027	6BSF-2006	161,585	64,699	0
ECSE IDEA	84.173	PGS1-2007	27,612	30,795	0
ECSE IDEA	84.173	PGS1-2006	5,722	4,159	0
Total Special Education Cluster			881,206	839,495	0
Title IV-A: Safe and Drug-Free Schools	84.186	DRS1-2007	10,495	12,003	0
Title IV-A: Safe and Drug-Free Schools	84.186	DRS1-2006	751	1,123	0
Total Title IV-A: Safe and Drug-Free Schools			11,246	13,126	0
Title V: Innovative Programs	84.298	C2S1-2007	5,166	14,072	0
Title V: Innovative Programs	84.298	C2S1-2006	889	416	0
Total Title V: Innovative Programs			6,055	14,488	0
Title II-D: Technology	84.318	TJS1-2007	4,889	4,665	0
Title II-D: Technology	84.318	TJS1-2006	1,069	100	0
Total Title II-D			5,958	4,765	0
Title II-A: Improving Teacher Quality	84.367	TRS1-2007	78,866	79,664	0
Title II-A: Improving Teacher Quality	84.367	TRS1-2006	24,293	14,331	0
Total Title II-A: Improving Teacher Quality			103,159	93,995	0
Total U.S. Department of Education			1,501,199	1,521,713	0
U. S. Department of Agriculture					
(Passed Through Ohio Department of Education):					
School Breakfast Program (B)	10.553	05PU-2007	43,204	43,204	0
School Breakfast Program (B)	10.553	05PU-2006	15,638	15,638	0
National School Lunch Program (B)	10.555	LLP4-2007	306,849	306,849	0
National School Lunch Program (B)	10.555	LLP4-2006	113,052	113,052	0
Total Child Nutrition Cluster			478,743	478,743	0
Food Distribution Program (A) (B)	10.550	N/A	197,136	0	197,136
Total U.S. Department of Agriculture			675,879	478,743	197,136
Total Federal Assistance			\$ 2,177,078	\$ 2,000,456	\$ 197,136

(A) Government commodities are reported at the fair market value of the commodities received and disbursed.

(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

**NORWALK CITY SCHOOL DISTRICT
HURON COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2007-01

Significant Deficiency in Internal Control Over Financial Reporting: A restatement of the prior period's net assets was necessary to properly account for the accretion of interest expense on capital appreciation bonds. Because of this restatement, total net assets at June 30, 2006 decreased by \$539,685.

Recommendation: We recommend that the Treasurer monitor the accounting treatment and how it relates to capital appreciation bonded debt reported within the basic financial statements.

Management's Response: The Treasurer will monitor the interest on capital appreciation bonds more closely to ensure that all necessary expense accruals relating to long-term debt will be recorded in accordance with accounting principles generally accepted in the United States (GAAP).

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted.



Mary Taylor, CPA
Auditor of State

NORWALK CITY SCHOOL DISTRICT

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 31, 2008**