

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

*Basic Financial Statements*

*For the Fiscal Year Ended  
June 30, 2009*





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Norwalk City School District, Huron County, prepared by Rea & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. 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 5, 2010

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**NORWALK CITY SCHOOL DISTRICT**  
**HURON COUNTY, OHIO**  
*For the Year Ended June 30, 2009*  
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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

December 15, 2009

The Board of Education  
Norwalk City School District  
134 Benedict Avenue  
Norwalk, OH 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 Norwalk City District (the School District), as of and for the year ended June 30, 2009, 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, 2009, 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 15, 2009, 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 accounting principles generally accepted in the United States of America. 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.

*Rea & Associates, Inc.*

**Norwalk City School District**  
**Huron County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

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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, 2009. 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 2009 are as follows:

- q General Revenues accounted for \$22.2 million in revenue or 81.2% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for approximately \$5.1 million or 18.8% of total revenues of \$27.3 million.
- q Total program expenses were \$29.7 million which is up from \$27.6 million in fiscal year 2008.
- q Total net assets decreased \$2.4 million or 8.3% from fiscal year 2008.
- q Outstanding net bonded debt decreased from \$13.3 million to \$12.9 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 2009. 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, 2009*

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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:

- q 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, 2009*

**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 19.

**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 21.

**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 2009 compared to 2008:

**(Table 1)**  
**Governmental Activities**

	2009	2008
<b>Assets</b>		
Current and Other Assets	\$ 24,260,746	\$ 26,752,094
Capital Assets	25,602,774	26,398,202
Total Assets	49,863,520	53,150,296
<b>Liabilities</b>		
Long-Term Liabilities	14,312,322	14,783,650
Other Liabilities	9,427,280	9,863,822
Total Liabilities	23,739,602	24,647,472
<b>Net Assets</b>		
Invested in Capital		
Assets Net of Debt	13,047,783	13,323,211
Restricted	4,626,162	4,426,369
Unrestricted	8,449,973	10,753,244
Total Net Assets	\$ 26,123,918	\$ 28,502,824

Total assets decreased \$3.3 million, or 6.2%. This decrease is primarily due to decreases in cash and investments and property taxes receivable, as well as the depreciation of capital assets. Other liabilities decreased \$.4 million mainly in deferred tax revenue 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, 2009*

Table 2 shows the changes in net assets for fiscal year 2009 and 2008 and will help further explain the change from the prior year.

**(Table 2)**  
**Governmental Activities**

	2009	2008
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,193,278	\$ 817,130
Operating Grants	3,853,087	3,093,067
Capital Grants	80,599	0
Total Program Revenues	5,126,964	3,910,197
<i>General Revenue:</i>		
Property Taxes	7,541,325	8,306,944
Income Taxes	1,787,089	1,926,029
Grants and Entitlements	12,166,619	13,469,620
Investment Earnings	406,844	723,672
Other	296,613	47,731
Total General Revenues	22,198,490	24,473,996
<i>Total Revenues</i>	27,325,454	28,384,193
<b>Program Expenses</b>		
Instruction	16,741,967	15,719,019
Support Services	6,304,527	5,566,397
Operation and Maintenance and Central	2,921,544	2,640,200
Pupil Transportation	833,486	839,044
Operation of Non-Instructional	1,660,983	1,480,497
Extracurricular Activities	670,529	715,968
Interest and Fiscal Charges	571,324	613,046
<i>Total Expenses</i>	29,704,360	27,574,171
<i>Increase (Decrease) in Net Assets</i>	\$ (2,378,906)	\$ 810,022

Program revenues account for 18.8% 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 56.4% of all governmental expenses. Other programs, which support the instruction process, including pupils and instructional staff, account for 21.2% of governmental expenses. Pupil transportation and maintenance of the School District's facilities also represents a significant expense of 12.6%. Therefore, 90.2% of the School District's expenses are related to the primary functions of providing facilities and delivering education. The dependence upon tax revenues and unrestricted state entitlements is apparent. 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, 2009*

**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 activities had total revenues of \$27.3 million and expenses of \$29.7 million in 2009.

**(Table 3)**  
**Governmental Activities**

	2009		2008	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 16,741,967	\$ 13,942,365	\$ 15,719,019	\$ 14,357,124
Support Services:				
Pupils	1,087,764	668,173	1,121,723	1,009,409
Instructional Staff	2,255,424	2,151,504	1,816,703	1,703,619
Board of Education	176,844	176,844	51,968	51,968
Administration	2,251,367	2,242,306	2,127,136	1,678,697
Fiscal	460,676	460,676	392,893	392,893
Business	72,452	72,452	55,974	55,974
Operation and Maintenance of Plant	2,820,766	2,768,158	2,543,777	2,523,084
Pupil Transportation	833,486	805,495	839,044	839,044
Central	100,778	100,778	96,423	96,423
Operation of Non-Instructional	1,660,983	169,640	1,480,497	(57,877)
Extracurricular Activities	670,529	447,681	715,968	400,573
Interest and Fiscal Charges	571,324	571,324	613,046	613,046
<b>Total Expenses</b>	<b>\$ 29,704,360</b>	<b>\$ 24,577,396</b>	<b>\$ 27,574,171</b>	<b>\$ 23,663,977</b>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 83.3% of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 82.7%. 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, 2009*

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**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 \$14.2 million, which is \$2 million under last year's balance of \$16.2 million. The most significant change within the School District's funds was reported in the General fund with a decrease in fund balance of \$2.1 million.

***Major Fund***

The general fund is the main operating fund of the School District. At the end of fiscal year 2009, the fund balance in the general fund was \$11.1 million, which is a decrease of 15.8% from 2008 that can be partially attributed to a decrease in investment income and an overall increase in expenditures.

***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 \$.3 million between the budget basis revenue of \$22.7 million and the actual revenue of \$22.4 million. The School District received less property taxes and intergovernmental revenue than expected. The final budget expenditures of \$27 million were \$2.2 million more than the actual expenditures of \$24.8 million. The regular instruction and support service expenditures were less than anticipated. Original budget expenditures were \$.9 million under final budget, individually insignificant items caused this decrease.

**Norwalk City School District**  
**Huron County**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ended June 30, 2009*

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2009, the School District governmental activities had \$25.6 million invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Table 4 shows fiscal year 2009 balances compared with 2008.

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

	Governmental Activities	
	2009	2008
Land	\$ 2,211,532	\$ 2,196,532
Land Improvements	891,876	933,913
Buildings and Improvements	21,117,886	21,791,612
Furniture and Equipment	832,437	820,468
Vehicles	548,045	652,684
Textbooks	998	2,993
Totals	\$ 25,602,774	\$ 26,398,202

The \$.8 million net decrease in capital assets can be attributed to depreciation. For additional information regarding the capital assets of the School District, see Note 8.

***Debt***

At June 30, 2009, the School District had \$12.9 million in net bonds outstanding with \$.5 million due within one year. During fiscal year 2009, \$.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, 2009*

**(Table 5)**  
**Outstanding Debt, at June 30**

	Governmental Activities	
	2009	2008
<i>General Obligation Bonds:</i>		
1998 High School Bonds		
Serial Bonds	\$ 3,305,000	\$ 3,760,000
2006 Capital Improvement (Refunding)		
Serial Bonds	8,895,000	8,960,000
Capital Appreciation Bonds	354,989	354,989
Accretion on Capital Appreciation Bonds	178,929	117,377
Unamortized Bond Premiums	408,735	431,442
Loss on Refunding	(272,645)	(287,792)
Totals	\$ 12,870,008	\$ 13,336,016

For additional information regarding long-term debt, see Note 13.

***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 District's five-year forecast reflects the current state biennial budget and trends. The Norwalk City Schools' 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.

In August and September 2008 the School District settled contract negotiations with its two employment unions. The Norwalk Teacher's Association (OEA), and OAPSE Local #269. The medical insurance package was updated to reflect current trends and pay raises of 3.5% were granted to certified staff, while a 4% increase was given to the classified employees for the contract periods July 1, 2008 through June 30, 2011.

In the spring of fiscal year 2009, Superintendent Dr. Wayne Babcanec and Assistant Superintendent Michael P. Gordon announced their intentions to retire as of July 31, 2009. A Superintendent search was conducted by the Norwalk City Schools Board of Education with assistance from Ohio School Boards Association. Mr. Dennis J. Doughty was named Superintendent and Mr. Douglass Crooks was named Assistant Superintendent with employment contracts beginning August 1, 2009.

**Norwalk City School District**  
**Huron County**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ended June 30, 2009*

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***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, 2009*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 15,661,392
Receivables:	
Property Taxes	7,470,979
Income Tax	782,006
Intergovernmental	209,874
Accounts	407
Deferred Charge - Issuance Costs	136,088
Nondepreciable Capital Assets	2,211,532
Depreciable Capital Assets (Net)	23,391,242
 <i>Total Assets</i>	 49,863,520
<b>Liabilities</b>	
Accounts Payable	101,031
Accrued Wages and Benefits	2,147,514
Matured Compensated Absences	285,403
Intergovernmental Payable	637,310
Accrued Interest Payable	37,208
Deferred Revenue	6,218,814
Long Term Liabilities:	
Due Within One Year	839,112
Due in More Than One Year	13,473,210
 <i>Total Liabilities</i>	 23,739,602
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	13,047,783
Restricted for:	
Capital Projects	1,023,444
Debt Service	1,306,946
Other Purposes	561,363
Set Asides	1,734,409
Unrestricted	8,449,973
 <i>Total Net Assets</i>	 \$ 26,123,918

See accompanying notes to the basic financial statements.

**Norwalk City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2009

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental Activities</b>					
Current:					
Instruction:					
Regular	\$ 11,833,815	\$ 670,276	\$ 188,787	\$ 0	\$ (10,974,752)
Special	3,766,240	0	1,858,383	0	(1,907,857)
Vocational	206,860	0	31,896	0	(174,964)
Adult continuing	73,547	0	50,260	0	(23,287)
Student Intervention Services	21,026	0	0	0	(21,026)
Other	840,479	0	0	0	(840,479)
Support services:					
Pupils	1,087,764	0	419,591	0	(668,173)
Instructional staff	2,255,424	0	103,920	0	(2,151,504)
Board of education	176,844	0	0	0	(176,844)
Administration	2,251,367	0	9,061	0	(2,242,306)
Fiscal	460,676	0	0	0	(460,676)
Business	72,452	0	0	0	(72,452)
Operation and maintenance of plant	2,820,766	0	0	52,608	(2,768,158)
Pupil transportation	833,486	0	0	27,991	(805,495)
Central	100,778	0	0	0	(100,778)
Operation of non-instructional services:					
Community Services	604,528	0	452,962	0	(151,566)
Food Service Operations	1,056,455	350,511	687,870	0	(18,074)
Extracurricular activities	670,529	172,491	50,357	0	(447,681)
Interest and fiscal charges	571,324	0	0	0	(571,324)
<b>Total Governmental Activities</b>	<b>\$ 29,704,360</b>	<b>\$ 1,193,278</b>	<b>\$ 3,853,087</b>	<b>\$ 80,599</b>	<b>(24,577,396)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
					6,147,258
					987,797
					406,270
					1,787,089
Grants and Entitlements not Restricted					
					12,166,619
					406,844
					296,613
					<u>22,198,490</u>
					(2,378,906)
					<u>28,502,824</u>
					<u>\$ 26,123,918</u>

See accompanying notes to the basic financial statements.

**Norwalk City School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2009*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 10,757,389	\$ 3,169,594	\$ 13,926,983
Restricted Cash and Cash Equivalents	1,734,409	0	1,734,409
Receivables:			
Property Taxes	6,071,686	1,399,293	7,470,979
Income Taxes	782,006	0	782,006
Accounts	407	0	407
Interfund	8,377	0	8,377
Intergovernmental	12,496	197,378	209,874
<i>Total Assets</i>	<u>\$ 19,366,770</u>	<u>\$ 4,766,265</u>	<u>\$ 24,133,035</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 65,612	\$ 35,419	\$ 101,031
Accrued Wages and Benefits	1,877,677	269,837	2,147,514
Intergovernmental Payable	605,794	31,516	637,310
Interfund Payable	0	8,377	8,377
Deferred Revenue	5,477,768	1,228,541	6,706,309
Matured Compensated Absences	285,403	0	285,403
<i>Total Liabilities</i>	8,312,254	1,573,690	9,885,944
<b>Fund Balances</b>			
Fund Balance:			
Reserved for Encumbrances	694,284	194,346	888,630
Reserved for Tax Revenue Unavailable for Appropriation	742,029	170,752	912,781
Reserved for Textbook and Instructional Materials	914,539	0	914,539
Reserved for Capital Improvements	177,127	0	177,127
Reserved for BWC	642,743	0	642,743
Unreserved, Undesignated, Reported in:			
General Fund	7,883,794	0	7,883,794
Special Revenue Funds	0	620,421	620,421
Debt Service Fund	0	1,289,460	1,289,460
Capital Projects Funds	0	917,596	917,596
<i>Total Fund Balances</i>	<u>11,054,516</u>	<u>3,192,575</u>	<u>14,247,091</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 19,366,770</u>	<u>\$ 4,766,265</u>	<u>\$ 24,133,035</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, 2009*

Total Governmental Fund Balances	\$	14,247,091
 <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		25,602,774
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Excess Cost	\$ 12,496	
Property Taxes	339,384	
Income Tax	135,615	
Bond Issuance Costs	136,088	623,583
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	(12,200,000)	
Capital Appreciation Bonds	(354,989)	
Bond Premium	(408,735)	
Loss on Refunding	272,645	
Bond Accretion	(178,929)	
Compensated Absences	(1,442,314)	
Accrued Interest	(37,208)	(14,349,530)
 Net Assets of Governmental Activities	 \$	 <u>26,123,918</u>

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, 2009*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property Taxes	\$ 6,102,266	\$ 1,383,727	\$ 7,485,993
Income Taxes	1,782,939	0	1,782,939
Intergovernmental	13,053,038	3,097,958	16,150,996
Investment income	406,844	24,302	431,146
Tuition and fees	597,170	835	598,005
Extracurricular activities	29,863	142,629	172,492
Rentals	9,205	0	9,205
Charges for services	63,065	350,511	413,576
Gifts and Donations	8,541	110,501	119,042
Miscellaneous	161,467	135,146	296,613
<i>Total Revenues</i>	<u>22,214,398</u>	<u>5,245,609</u>	<u>27,460,007</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	10,837,082	198,633	11,035,715
Special	3,003,982	715,663	3,719,645
Vocational	202,699	0	202,699
Adult continuing	17,828	55,719	73,547
Student Intervention Services	0	21,026	21,026
Other	840,479	0	840,479
Support services:			
Pupils	769,148	396,086	1,165,234
Instructional staff	1,936,400	198,040	2,134,440
Board of education	175,802	0	175,802
Administration	2,024,986	178,171	2,203,157
Fiscal	421,609	35,045	456,654
Business	72,452	0	72,452
Operation and maintenance of plant	2,622,624	18,447	2,641,071
Pupil transportation	713,857	0	713,857
Central	99,724	1,054	100,778
Operation of non-instructional services:			
Community services	25,090	584,910	610,000
Food service operations	0	1,039,758	1,039,758
Extracurricular activities	480,695	207,550	688,245
Capital outlay	42,670	405,699	448,369
Debt service:			
Principal retirement	0	520,000	520,000
Interest and fiscal charges	0	511,670	511,670
<i>Total Expenditures</i>	<u>24,287,127</u>	<u>5,087,471</u>	<u>29,374,598</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(2,072,729)	158,138	(1,914,591)
<b>Other Financing Sources (Uses):</b>			
Transfers in	0	100,000	100,000
Transfers out	0	(100,000)	(100,000)
<i>Total Financing Sources and (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(2,072,729)	158,138	(1,914,591)
<i>Fund balance (deficit) at beginning of year</i>	<u>13,127,245</u>	<u>3,034,437</u>	<u>16,161,682</u>
<i>Fund balance (deficit) at end of year</i>	<u>\$ 11,054,516</u>	<u>\$ 3,192,575</u>	<u>\$ 14,247,091</u>

See accompanying notes to the basic financial statements

**Norwalk City School District**  
*Reconciliation of Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2009*

Net Change in Fund Balances - Total Governmental Funds	\$	(1,914,591)
 <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	\$ 449,799	
Current Year Depreciation	<u>(1,245,227)</u>	(795,428)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Excess Cost	12,496	
Grants	(206,531)	
Delinquent Property Taxes	55,332	
Income Tax	<u>4,150</u>	(134,553)
 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		520,000
 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.		
Amortization of Bond Issuance Costs	(7,560)	
Amortization of Bond Premium	22,707	
Amortization of Loss on Refunding	(15,147)	
Bond Accretion	(61,552)	
(Increase) Decrease in Compensated Absences	5,320	
(Increase) Decrease in Accrued Interest	<u>1,898</u>	<u>(54,334)</u>
 Change in Net Assets of Governmental Activities	 \$	 <u><u>(2,378,906)</u></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, 2009*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Property Taxes	\$ 6,515,876	\$ 6,515,876	\$ 6,171,293	\$ (344,583)
Income Taxes	1,803,740	1,803,740	1,859,883	56,143
Intergovernmental	13,595,090	13,595,090	13,053,038	(542,052)
Investment Income	580,000	580,000	396,535	(183,465)
Tuition and Fees	7,000	7,000	597,985	590,985
Rentals	15,000	15,000	19,914	4,914
Extracurricular Activities	30,208	30,208	29,863	(345)
Gifts and Donations	300	300	8,541	8,241
Charges for Services	10,000	10,000	63,065	53,065
Miscellaneous	162,110	162,771	168,780	6,009
<i>Total Revenues</i>	<u>22,719,324</u>	<u>22,719,985</u>	<u>22,368,897</u>	<u>(351,088)</u>
<b>Expenditures:</b>				
<b>Current</b>				
Instruction:				
Regular	10,923,053	11,400,272	10,837,837	562,435
Special	3,051,089	3,095,443	3,059,360	36,083
Vocational	204,561	247,413	219,530	27,883
Adult/continuing	14,500	32,250	17,025	15,225
Other	943,300	946,445	849,399	97,046
Support Services				
Pupils	859,778	910,320	715,238	195,082
Instructional Staff	2,024,705	2,304,461	2,089,934	214,527
Board of Education	79,800	184,671	176,104	8,567
Administration	2,275,153	2,358,446	2,058,239	300,207
Fiscal	485,233	457,737	429,683	28,054
Business	65,000	85,000	76,528	8,472
Operation and Maintenance of Plant	2,867,733	3,293,070	2,902,731	390,339
Pupil Transportation	939,190	975,881	753,962	221,919
Central	109,500	104,715	128,707	(23,992)
Operation of non-instructional services	36,300	39,550	28,208	11,342
Extracurricular Activities	491,670	479,795	466,303	13,492
Capital Outlay	700,000	100,979	36,704	64,275
<i>Total Expenditures</i>	<u>26,070,565</u>	<u>27,016,448</u>	<u>24,845,492</u>	<u>2,170,956</u>
Excess of Revenues Over (Under) Expenditures	(3,351,241)	(4,296,463)	(2,476,595)	1,819,868
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	0	0	38,069	38,069
Transfers Out	(645,743)	(652,013)	0	652,013
<i>Total Other Financing Sources (Uses)</i>	<u>(645,743)</u>	<u>(652,013)</u>	<u>38,069</u>	<u>690,082</u>
<i>Net Change in Fund Balance</i>	(3,996,984)	(4,948,476)	(2,438,526)	2,509,950
<i>Fund Balance (Deficit) at Beginning of Year</i>	13,587,327	13,587,327	13,587,327	0
Prior Year Encumbrances Appropriated	595,691	595,691	595,691	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 10,186,034</u>	<u>\$ 9,234,542</u>	<u>\$ 11,744,492</u>	<u>\$ 2,509,950</u>

See accompanying notes to the basic financial statements.

**Norwalk City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2009*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 65,249	\$ 43,566
<b>Liabilities</b>		
Due to Students	\$ 0	\$ 43,566
<b>Net Assets</b>		
Held in Trust for Scholarships	65,249	
<i>Total Net Assets</i>	\$ 65,249	

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, 2009*

	Private Purpose Trust
	Scholarship
<b>Additions:</b>	
Gifts and Contributions	\$ 841
Interest	2,909
Total Additions	3,750
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	3,750
<i>Change in Net Assets</i>	0
<i>Net Assets Beginning of Year</i>	65,249
<i>Net Assets End of Year</i>	\$ 65,249

See accompanying notes to the basic financial statements.

**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**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 2008, was 2,964. The School District employs 200 certificated and 114 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 two insurance purchasing pools. These organizations are the Bay Area Council of Governments, the Northern Ohio Educational Computer Association, the Huron-Erie School Employees Insurance Association (HESEIA) and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 9 and 14 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 Fiscal Year Ended June 30, 2009*

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**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 Fiscal Year Ended June 30, 2009*

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**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 Fiscal Year Ended June 30, 2009*

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***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 6). 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, 2009, but which were levied to finance fiscal year 2010 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.

**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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***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 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 2009.

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 Investments***

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 investments" on the balance sheet.

During fiscal year 2009, investments were limited to marketable securities, a money market account, commercial paper 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.

**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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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 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, 2009. 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 2009 amounted to \$406,844, which includes \$58,308 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 presented on the financial statements as "equity in pooled cash and investments". 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, capital improvements and the reserve for BWC. See Note 18 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 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 Fiscal Year Ended June 30, 2009*

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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 Fiscal Year Ended June 30, 2009*

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***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. There were no net assets restricted by enabling legislation.

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, capital maintenance 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 2009.

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***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.

***Q. Implementation of New Accounting Principles***

For the year ended June 30, 2009, the School District has implemented GASB Statement No. 52, “*Land and Other Real Estate Held as Investments by Endowments*,” GASB Statement No. 55, “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*,” and GASB Statement No. 56, “*Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.”

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

**Note 3 - Accountability**

Fund balances at June 30, 2009 included the following individual fund deficits:

	<u>Fund Balance</u>
Nonmajor Governmental Funds:	
Public Preschool	\$ (1,541)
Title III	(302)
Drug Free Grant	(89)
Preschool Grant	(182)

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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.

**Note 4 - 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).

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	\$ (2,072,729)
Net Adjustment for Revenue Accruals	192,568
Net Adjustment for Expenditure Accruals	191,574
Adjustment for Encumbrances	<u>(749,939)</u>
Budget Basis	<u>\$ (2,438,526)</u>

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**Note 5 - Deposits and Investments**

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

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

Inactive deposits are public deposits that the Board 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;

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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);
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 25% 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% 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 \$6,750 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and investments.

***Deposits:*** The carrying value of the School District's deposits totaled \$2,591,138 and the bank balances of the deposits totaled \$2,655,387. \$1,690,227 of the bank balance was covered by federal depository insurance and \$965,160 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.

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**Investments**

Investments are reported at fair value. As of June 30, 2009, the district had the following investments:

Standard & Poors Rating		Fair Value	Investment Maturities (in months)				% Investments
			0 - 6	6 - 12	12 - 24	24 - 36	
AAAm	STAROhio	\$ 850,189	\$ 850,189	\$ 0	\$ 0	\$ 0	6.46%
AAAm	Fifth Third Money Market	13,742	13,742	0	0	0	0.11%
A-2	Commercial Paper - American Express Credit Co.	498,946	0	498,946	0	0	3.79%
A-1+	Commercial Paper - Toyota Motor Credit Co.	501,802	0	501,802	0	0	3.81%
AAA	Federal Home Loan Mortgage Corporation	757,984	0	0	757,984	0	5.75%
AAA	Federal Home Loan Mortgage Corporation	1,008,700	0	0	0	1,008,700	7.66%
AAA	Federal Home Loan Mortgage Corporation	802,400	0	0	0	802,400	6.09%
AAA	Federal Home Loan Mortgage Corporation	1,006,250	0	0	0	1,006,250	7.64%
AAA	Federal Home Loan Bank	1,070,111	0	0	1,070,111	0	8.12%
AAA	Federal Home Loan Bank	537,086	0	537,086	0	0	4.08%
AAA	Federal Home Loan Bank	497,978	0	497,978	0	0	3.78%
AAA	Federal Home Loan Bank	530,371	0	0	530,371	0	4.03%
AAA	Federal Home Loan Bank	534,190	0	0	534,190	0	4.06%
AAA	Federal Home Loan Bank	527,243	0	0	527,243	0	4.00%
AAA	Federal Home Loan Bank	821,031	0	821,031	0	0	6.23%
AAA	Federal Home Loan Bank	530,152	0	0	0	530,152	4.02%
AAA	Federal National Mortgage Association	904,221	0	0	0	904,221	6.86%
AAA	Federal National Mortgage Association	495,187	0	495,187	0	0	3.76%
AAA	Federal National Mortgage Association	781,136	0	0	781,136	0	5.93%
AAA	Federal Farm Credit Bank	503,600	0	0	503,600	0	3.82%
Totals		\$ 13,172,319	\$ 863,931	\$ 3,352,030	\$ 4,704,635	\$ 4,251,723	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, 2009 in Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal Farm Credit Bank are rated AAA by Standard & Poor's. Its investments in STAROhio and Fifth Third Money Markets are rated AAAm by Standard & Poor's. Its investment in American Express Credit Co. commercial paper is rated A-2 by Standard & Poor's and its investment in Toyota Motor Credit Co. commercial paper is rated A-1+ 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% of the School District's investments are in Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage and STAROhio as listed above.

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**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Note 6 - 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 2009 for real and public utility property taxes represents collections of calendar 2008 taxes. Property tax payments received during calendar 2009 for tangible personal property (other than public utility property) is for calendar 2009 taxes.

2009 real property taxes are levied after April 1, 2008, on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% 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% of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after April 1, 2009 and are collected in 2009 with real property taxes.

2009 tangible personal property taxes are levied after April 1, 2008, on the value as of December 31, 2007. Collections are made in 2009. For 2008, tangible personal property is assessed at 6.25% for property including inventory. This percentage will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The assessed values upon which the fiscal year 2009 taxes were collected are:

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	2008 Second Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 312,432,190	92.20%	\$ 316,585,570	97.28%
Public Utility	8,603,060	2.54%	8,844,960	2.72%
Tangible Personal Property	17,834,260	5.26%	0	0.00%
	<u>\$ 338,869,510</u>	<u>100.00%</u>	<u>\$ 325,430,530</u>	<u>100.00%</u>
Tax rate per \$1,000 assessed valuation	\$ 44.00		\$ 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.

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 Huron County. The County Auditor periodically advances to the School District their portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2009, are available to finance fiscal year 2009 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, 2009 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, 2009, was \$912,781 and is recognized as revenue. \$742,029 was available to the general fund, \$47,780 was available in the capital projects fund and \$122,972 was available to the debt service fund.



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***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 7 - Receivables**

Receivables at June 30, 2009, consisted of property taxes, income taxes, accounts, interfund, and intergovernmental. 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 consisted of \$12,496 of excess costs receivable in the general fund and \$197,378 grants receivable in special revenue funds.

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**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance 6/30/08	Additions	Reductions	Balance 6/30/09
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 2,196,532	\$ 15,000	\$ 0	\$ 2,211,532
Total Capital Assets, not being depreciated	2,196,532	15,000	0	2,211,532
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,870,472	29,900	0	1,900,372
Buildings and Improvements	31,868,232	185,015	(105,464)	31,947,783
Furniture and Equipment	2,114,510	196,996	0	2,311,506
Vehicles	1,520,028	22,888	0	1,542,916
Textbooks	734,058	0	0	734,058
Total Capital Assets, being depreciated	38,107,300	434,799	(105,464)	38,436,635
Less Accumulated Depreciation:				
Land Improvements	(936,559)	(71,937)	0	(1,008,496)
Buildings and Improvements	(10,076,620)	(858,741)	105,464	(10,829,897)
Furniture and Equipment	(1,294,042)	(185,027)	0	(1,479,069)
Vehicles	(867,344)	(127,527)	0	(994,871)
Textbooks	(731,065)	(1,995)	0	(733,060)
Total Accumulated Depreciation	(13,905,630)	(1,245,227)	105,464	(15,045,393)
Total Capital Assets being depreciated, net	24,201,670	(810,428)	0	23,391,242
Governmental Activities Capital Assets, Net	\$ 26,398,202	\$ (795,428)	\$ 0	\$ 25,602,774

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Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	854,632
Special		740
Vocational		1,871
Support Services:		
Instructional Staff		71,639
Administration		1,042
Board of Education		664
Fiscal		1,612
Operation and Maintenance of Plant		150,428
Pupil Transportaion		116,919
Food Service Operations		27,520
Extracurricular Activities		<u>18,160</u>
 Total Depreciation	 \$	 <u><u>1,245,227</u></u>

**Note 9 - 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 10 - Other Employee Benefits**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 10 to 25 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. Accumulation of sick leave is unlimited for all groups. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 85 days. Certified and classified employees earn ½ day irrevocable severance if they don't use their 2 days of personal leave in any given year. In addition, classified employees may earn an additional 1-2 days of irrevocable severance days if only 0-6 days of sick leave are used within a year.

**Note 11 - Pension Plans**

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

Plan Description - 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 toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Employers/Audit Resources.

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Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. 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 contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2008 the amount was 9.16% and for fiscal year 2007 the amount was 10%. The contributions to SERS for pension obligations for the fiscal years ended June 30, 2009, 2008, and 2007 were \$276,514, \$255,398 and \$282,111, respectively; 41% has been contributed for fiscal year 2009 and 100% for the fiscal years 2008 and 2007.

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

Plan Description - 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](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5% of earned compensation among various investment accounts. 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 DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of 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.

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Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,517,590, \$1,474,393, and \$1,408,873, respectively; 83% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2008 were \$12,990 made by the School District and \$32,066 made by the plan members.

**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, 2009, one member of the Board of Education has elected Social Security. The Board's liability is 6.2% of wages paid.

**Note 12 - Postemployment Benefits**

**A. School Employees Retirement System**

Plan Description - The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by SERS for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan included hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16% of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$126,545, \$116,546 and \$93,661, respectively; 41% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation was .75% and for fiscal year 2008 the required allocation was .66%. The School District contributions for the fiscal years 2009 and 2008 were \$22,815 and \$18,402, respectively; 41% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

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

Plan Description - The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS Ohio based on authority granted by State statute. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorized STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund for the years ended June 30, 2009, 2008 and 2007. The School District's contributions for health care for fiscal years ended June 30, 2009, 2008 and 2007 were \$116,738, \$113,415 and \$108,375, respectively; 41% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**Note 13 - Long - Term Obligations**

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

	Outstanding 6/30/08	Additions	Reductions	Outstanding 6/30/09	Amounts Due in One Year
<b>Governmental Activities:</b>					
General Obligation Bonds:					
1998 High School Bonds	\$ 3,760,000	\$ 0	\$ 455,000	\$ 3,305,000	\$ 475,000
2006 Refunding Bonds					
Serial Bonds \$9,145,000 at 3.5% - 4.1%	8,960,000	0	65,000	8,895,000	70,000
Capital Appreciation Bonds	354,989	0	0	354,989	0
Accretion of Interest	117,377	61,552	0	178,929	0
Bond Premium	431,442	0	22,707	408,735	0
Loss on Refunding	(287,792)	15,147	0	(272,645)	0
<b>Total General Obligation Bonds</b>	<b>13,336,016</b>	<b>76,699</b>	<b>542,707</b>	<b>12,870,008</b>	<b>545,000</b>
Compensated Absences	1,447,634	383,540	388,860	1,442,314	294,112
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$ 14,783,650</b>	<b>\$ 460,239</b>	<b>\$ 931,567</b>	<b>\$ 14,312,322</b>	<b>\$ 839,112</b>

*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.

*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.

These refunding bonds were issued with a premium of \$476,856, which is reported as an increase to long-term obligations. 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.



**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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, 2009 are as follows:

Fiscal Year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
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	610,000	416,920	0	0	610,000	416,920
2014	640,000	389,290	0	0	640,000	389,290
2015 - 2019	2,240,000	1,658,191	354,989	910,011	2,594,989	2,568,202
2020 - 2024	4,115,000	1,006,475	0	0	4,115,000	1,006,475
2025 - 2027	2,895,000	179,211	0	0	2,895,000	179,211
<b>Total</b>	<b>\$ 12,200,000</b>	<b>\$ 5,050,424</b>	<b>\$ 354,989</b>	<b>\$ 910,011</b>	<b>\$ 12,554,989</b>	<b>\$ 5,960,435</b>

**Note 14 - 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.)

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.

**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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***B. Northern Ohio Educational Computer Association (NOECA)***

NOECA is a joint venture among 43 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 \$62,943 to NOECA during fiscal year 2009.

**Note 15 - 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 16 – 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, 2009.

***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 Fiscal Year Ended June 30, 2009*

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**Note 17 - Interfund Activity**

**A. Interfund Balances**

Interfund balances at June 30, 2009 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 8,377	\$ 0
Nonmajor Governmental Funds	0	8,377
	\$ 8,377	\$ 8,377

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, 2009, all interfund payables outstanding are anticipated to be repaid in fiscal year 2010.

**B. Interfund Transfers**

During the fiscal year, the Permanent Improvement fund transferred \$100,000 to the Building Fund for the local share of building improvements.

**Note 18 - 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 improvement 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, 2009, the reserve activity (cash basis) was as follows:

**Norwalk City School District**  
**Huron County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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	Budget Reserve	Capital Improvement Reserve	Textbook Instructional Materials Reserve
Set-Aside Cash Balance as of June 30, 2008	\$ 642,743	\$ 32,139	\$ 848,932
Current Year Set-Aside Requirement	0	495,743	495,743
Qualifying Disbursements	0	(350,755)	(430,136)
Total	\$ 642,743	\$ 177,127	\$ 914,539
Balance Carried Forward FY 2010	\$ 642,743	\$ 177,127	\$ 914,539
Amount to Restrict			\$ 1,734,409

The School District may use any negative amount in the textbooks set-aside to reduce set-aside requirements of future fiscal years. Amounts remaining at the fiscal year-end are represented by a reserve fund balance presented on the balance sheet and restricted net assets on the statement of net assets.



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### **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**

December 15, 2009

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

We have audited the financial statements of Norwalk City School District, Huron County, Ohio, (the School District) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 15, 2009. 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 the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting

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.

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.

Norwalk City School District  
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*  
Page 2

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted certain control deficiencies that we have reported to the management of the School District in a separate letter dated December 15, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 certain matters that we reported to the management of the School District in a separate letter dated December 15, 2009.

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

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### **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**

December 15, 2009

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

#### Compliance

We have audited the compliance of Norwalk City School District, Huron County, Ohio, (the School District) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of School District's management. Our responsibility is to express an opinion on the 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 the 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 the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of the 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 the 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 the 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 material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Norwalk City School District, Huron County, Ohio, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 15, 2009. 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. 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 management, Board of Education, 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.*



**NORWALK CITY SCHOOL DISTRICT  
HURON COUNTY, OHIO  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Year	Federal Receipts	Federal Disbursements
<b>U. S. Department of Education (Passed through the Ohio Department of Education):</b>				
Adult Basic Literacy Education	84.002	2009	\$ 80,600	\$ 73,927
Adult Basic Literacy Education	84.002	2008	3,659	3,357
Total Adult Basic Literacy Education			<u>84,259</u>	<u>77,284</u>
Title I	84.010	2009	387,706	350,726
Title I	84.010	2008	71,769	99,860
Total Title I			<u>459,475</u>	<u>450,586</u>
<i>Special Education Cluster:</i>				
IDEA Part B	84.027	2009	614,473	565,331
IDEA Part B	84.027	2008	101,290	147,021
Total IDEA Part B			<u>715,763</u>	<u>712,352</u>
Early Childhood Special Education	84.173	2009	26,438	26,140
Early Childhood Special Education	84.173	2008	4,738	5,561
Total Early Childhood Special Education			<u>31,176</u>	<u>31,701</u>
Total Special Education Cluster			<u>746,939</u>	<u>744,053</u>
Title IV-A: Safe and Drug-Free Schools	84.186	2009	11,219	11,318
Title IV-A: Safe and Drug-Free Schools	84.186	2008	2,438	4,000
Total Title IV-A: Safe and Drug-Free Schools			<u>13,657</u>	<u>15,318</u>
Title V: Innovative Programs	84.298	2009	2,693	2,714
Title V: Innovative Programs	84.298	2008	4,192	7,848
Total Title V: Innovative Programs			<u>6,885</u>	<u>10,562</u>
Title II-D: Technology	84.318	2009	4,558	4,558
Title II-D: Technology	84.318	2008	501	109
Total Title II-D			<u>5,059</u>	<u>4,667</u>
Title II-A: Improving Teacher Quality	84.367	2009	99,612	104,952
Title II-A: Improving Teacher Quality	84.367	2008	21,292	13,612
Total Title II-A: Improving Teacher Quality			<u>120,904</u>	<u>118,564</u>
Title III: LEP	84.365	2009	9,843	10,867
Total U.S. Department of Education			<u>1,447,021</u>	<u>1,431,901</u>
<b>U. S. Department of Agriculture (Passed Through Ohio Department of Education):</b>				
<i>Child Nutrition Cluster:</i>				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program (Food Distribution) (A) (B)	10.555	2009	64,192	64,192
<i>Cash Assistance:</i>				
School Breakfast Program (B)	10.553	2009	83,716	83,716
National School Lunch Program (B)	10.555	2009	510,734	510,734
<i>Cash Assistance Subtotal</i>			<u>594,450</u>	<u>594,450</u>
<i>Total Child Nutrition Cluster</i>			<u>658,642</u>	<u>658,642</u>
Total U.S. Department of Agriculture			<u>658,642</u>	<u>658,642</u>
Total Federal Assistance			<u>\$ 2,105,663</u>	<u>\$ 2,090,543</u>

- (A) Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).
- (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  
OMB CIRCULAR A-133 , SECTION .505  
JUNE 30, 2009**

**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)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other 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 #'s 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**

None were noted.

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

None were noted.



**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

December 15, 2009

Norwalk City School District  
134 Benedict Avenue  
Norwalk, Ohio 44857

To the Board of Education:

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Norwalk City School District has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on May 8, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B), except 2(1) and 2(5):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events was not properly included in the policy;
  - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;

- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident, was not included in the policy;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Hea & Associates, Inc.*



**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  
FEBRUARY 16, 2010**