

Norwayne Local School District

Single Audit

July 1, 2009 through June 30, 2010

Year Audited Under GAGAS: 2010



**Balestra, Harr & Scherer, CPAs, Inc.**

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# Dave Yost • Auditor of State

Board of Education  
Norwayne Local School District  
350 South Main Street  
Creston, Ohio 44217

We have reviewed the *Independent Auditor's Report* of the Norwayne Local School District, Wayne County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 Norwayne Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 7, 2011

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Norwayne Local School District  
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For the Fiscal Year Ended June 30, 2010

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### Independent Auditor's Report

Norwayne Local School District  
350 South Main Street  
Creston, Ohio 44217

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Norwayne Local School District (the School District), Wayne County, Ohio, as of and for the year ended June 30, 2010, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

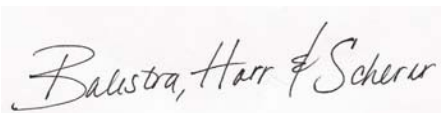
Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Norwayne Local School District, Wayne County, as of June 30, 2010, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 1, 2010

**Norwayne Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
Unaudited

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The discussion and analysis of Norwayne Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

## **HIGHLIGHTS**

### **Key financial highlights for the fiscal year 2010 are as follows:**

- Net assets of governmental activities decreased \$8,317,189.
- General cash receipts accounted for \$15,137,603 or 82% of all cash receipts. Program cash receipts in the form of charges for services and sales, grants, and contributions, accounted for \$3,318,395 or 18% of total cash receipts of \$18,455,998.
- The School District had \$26,773,187 in cash disbursements related to governmental activities; which \$8,003,716 of these cash disbursements were offset by program specific charges for services and sales, grants, and contributions.
- The District's major governmental funds are the General Fund, Debt Service Fund and OSFC Projects Fund. The General Fund had \$10,417,086 in receipts and other financing receipts and \$10,358,261 in disbursements and other financing disbursements. During fiscal year 2010, the General Fund's fund balance increased \$58,825 from \$4,066,300 to \$4,125,125.
- Another District major governmental fund is the Debt Service Fund. The Debt Service Fund had \$768,251 in receipts and \$733,950 in disbursements, to pay for bonds issued in 2007. During fiscal year 2010, the Debt Service Fund's fund balance increased \$34,301 from \$235,897 to \$270,198.
- The last of the District's major governmental funds is the OSFC Projects capital projects fund. The OSFC Projects capital projects fund had \$5,281,619 in receipts and \$13,534,767 in disbursements. During fiscal year 2010, the OSFC Projects capital projects fund's fund balance decreased \$8,253,148 from \$15,377,075 to \$7,123,927.

## **USING THE BASIC FINANCIAL STATEMENTS**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the School District's cash basis of accounting.

## **REPORT COMPONENTS**

The *Statement of Net Assets* and *Statement of Activities* provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specific purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.



**Norwayne Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
Unaudited

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**BASIS OF ACCOUNTING**

The basis of accounting is a set of guidelines that determines when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**REPORTING THE 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 District did financially during 2010, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other non-financial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

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

*Fund Financial Statements*

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District had three major funds in 2010: the General Fund, the Debt Service Fund and the OSFC Projects capital projects Fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the District is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the Fund Financial Statements to the Statement of Activities due to transfers netted on the Statement of Activities. See Note 2 to the basic financial statements in the section entitled *Government-Wide Financial Statements*.

**Norwayne Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010  
Unaudited

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***Fiduciary Funds***

The District only has agency funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets – Cash Basis. We excluded these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal net assets – cash basis) and do not involve measurement of results of operations. Fiduciary funds use the cash basis of accounting.

**THE DISTRICT AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the District as a whole on a cash basis of accounting. Table 1 provides a summary of the District's net assets for 2010 compared to 2009.

	Governmental Activities 2010	2009	Increase/ (Decrease)
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$13,688,874	\$22,006,063	\$ (8,317,189)
Total Assets	13,688,874	22,006,063	(8,317,189)
<b>Net Assets</b>			
Restricted for Debt Services	270,198	235,897	34,301
Restricted for Capital Outlay	8,849,516	17,271,923	(8,422,407)
Restricted for Other Purposes	409,914	397,911	12,003
Restricted for Permanent Fund			
Expendable	15,947	15,986	(39)
Nonexpendable	18,174	18,046	128
Unrestricted	4,125,125	4,066,300	58,825
Total Net Assets	\$13,688,874	\$22,006,063	(8,317,189)

Total assets of the District, as a whole, decreased \$8,317,189. The decrease in total assets is primarily due to the District utilizing existing cash for the Ohio School Facilities Commission construction project.

**Norwayne Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
 Unaudited

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Table 2 shows the changes in net assets for the fiscal year ended June 30, 2010.

Table 2  
 Change in Net Assets

	Governmental Activities 2010	Governmental Activities 2009
<b>Cash Receipts</b>		
Program Cash Receipts		
Charges for Services and Sales	\$ 1,185,425	\$ 1,123,585
Operating Grants and Contributions	2,132,970	1,537,214
Total Program Cash Receipts	3,318,395	2,660,799
General Cash Receipts		
Property Taxes	3,850,417	3,767,798
Grants and Entitlements Not Restricted to Specific Programs	5,668,245	5,063,256
Grants from Ohio School Facilities Commission	5,165,024	7,369,965
Investment Earnings	226,067	390,574
Proceeds from Sale of Assets	64,907	-
Miscellaneous	162,943	93,756
Total General Cash Receipts	15,137,603	16,685,349
Total Cash Receipts	\$ 18,455,998	\$ 19,346,148

**Norwayne Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010  
Unaudited

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Table 2  
Change in Net Assets (Continued)

	Governmental Activities	Governmental Activities
	<u>2010</u>	<u>2009</u>
<b>Program Cash Disbursements</b>		
Instruction:		
Regular	\$ 6,445,275	\$ 5,174,451
Special	1,148,064	1,492,092
Vocational	166,320	191,151
Other	580,127	614,726
Support Services:		
Pupil	456,510	560,373
Instructional Staff	716,640	461,949
Board of Education	28,256	27,902
School Administration	996,282	926,666
Fiscal	314,741	302,355
Operation and Maintenance of Plant	723,612	724,290
Pupil Transportation	854,441	775,195
Central	22,561	25,712
Operation of Food Service	615,900	490,550
Extracurricular Activities	545,757	507,171
Capital Outlay	12,437,433	7,452,104
Debt Service:		
Principal	300,000	270,000
Interest and Fiscal Charges	421,268	432,668
Total Cash Disbursements	<u>\$ 26,773,187</u>	<u>\$ 20,429,355</u>
Change in Net Assets	(8,317,189)	(84,655)
Net Assets, Beginning of Year	<u>22,006,063</u>	<u>22,090,718</u>
Net Assets, End of Year	<u>\$ 13,688,874</u>	<u>\$ 22,006,063</u>

Program cash receipts of \$8,003,716, which are primarily represented by restricted grants and charges for services and sales, made up 43.4% of total cash receipts. General cash receipts of \$10,452,282 which are primarily represented by property taxes and unrestricted grants and entitlements, made up 56.6% of total cash receipts.

OSFC Project represents the largest of the District's cash disbursements; 46.5% for fiscal year 2010 with the District's instruction costs consuming 31.1%. Other programs which support the instruction process, include pupils, instructional staff, and pupil transportation, account for 7.6% of program cash disbursements.

Other significant areas include administration and operation and maintenance of plant which account for 3.7% and 2.7%, respectively of program cash disbursements.

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

**Norwayne Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010  
Unaudited

Table 3  
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2010	2010	2009	2009
Program Cash Disbursements				
Instruction:				
Regular	\$ 6,445,275	\$ 5,552,204	\$ 5,174,451	\$ 4,830,310
Special	1,148,064	467,670	1,492,092	807,654
Vocational	166,320	157,386	191,151	182,491
Other	580,127	515,497	614,726	553,410
Support Services:				
Pupil	456,510	369,292	560,373	465,710
Instructional Staff	716,640	440,597	461,949	231,039
Board of Education	28,256	26,738	27,902	26,638
Administration	996,282	944,588	926,666	859,655
Fiscal	314,741	262,589	302,355	252,331
Operation and Maintenance of Plant	723,612	687,212	724,290	689,350
Pupil Transportation	854,441	463,994	775,195	395,220
Central	22,561	5,109	25,712	8,317
Operation of Food Service	615,900	131,952	490,550	72,532
Extracurricular Activities	545,757	271,263	507,171	239,127
Capital Outlay	12,437,433	12,437,433	7,452,104	6,549,148
Debt Service:				
Principal	300,000	300,000	270,000	233,267
Interest and Fiscal Charges	421,268	421,268	432,668	373,805
Total	<u>\$26,773,187</u>	<u>\$23,454,792</u>	<u>\$20,429,355</u>	<u>\$16,770,004</u>

The dependence upon tax revenues and unrestricted state entitlements is apparent as program receipts only provided for \$3,318,395 of the total program cash disbursements of \$26,773,187 for 2010.

**THE DISTRICT FUNDS**

The District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing receipts of \$18,468,998 and cash disbursements and other financing disbursements of \$26,786,187.

**General Fund** - The District's General Fund cash fund balance increased by \$58,825 due to an decrease in purchase services of \$400,000 and a increase in other revenue receipts of approximately \$80,000 and an increase in tax revenue of approximately \$118,000.

**Debt Service Fund** - Another District major governmental fund is the debt service fund. The debt service fund had \$733,950 in disbursements. During fiscal year 2010, the debt service fund's fund balance increased \$34,301 from \$235,897 to \$270,198.

**Norwayne Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
 Unaudited

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**OSFC Projects Capital Projects Fund** - The last of the District's major governmental funds is the classroom facilities fund. The OSFC Projects Capital Projects fund had \$5,281,619 in receipts and \$13,534,767 in disbursements. During fiscal year 2010, the OSFC Projects Capital Projects fund's fund balance decreased \$8,253,148 from \$15,377,075 to \$7,123,927.

**General Fund Budgeting Highlights**

The 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. During 2010, no revisions were made to the General Fund estimated receipts and appropriations from the original budget to the final budget. The General Fund's ending unobligated cash balance was \$4,122,947.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The District had capital outlay disbursements of \$12,437,433 during fiscal year 2010.

**Debt**

Under the cash basis of accounting the District does not report bonds, long-term notes or short-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds, long-term notes and short-term notes. At June 30, 2010, the District had \$10,668,167 in bonds for Governmental Activities. For additional information regarding debt, please see note 6 of the notes to the basic financial statements.

Table 4 summarizes bonds outstanding for Governmental Activities for the past two years:

Table 4  
 Outstanding Debt at June 30  
 Governmental Activities

	2010	2009
Various Purposes Bonds 3.8 - 4.15%	1,448,170	1,493,170
2007 Classroom Facilities Bond 4.3%	9,219,997	9,474,997
Totals long term bonds	\$10,668,167	\$10,968,167

**CURRENT ISSUES**

State law fixes the amount of tax revenue, forcing it to remain constant except for new valuations in the District. Management must plan expenses accordingly, staying within the District's five-year plan. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decisions are unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "the Ohio General assembly to enact a school-funding scheme that is thorough and efficient..." The District is currently unable to determine what effect, if any this decision will have on its future State funding and on its financial operations. Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

**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 District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Robert Rinehart, Treasurer at Norwayne Local School District, 161 South Main Street, Creston, Ohio 44217.

**NORWAYNE LOCAL SCHOOL DISTRICT  
WAYNE COUNTY  
STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2010**

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
Equity in Pooled Cash and Investments	\$ 13,688,874
<i>Total Assets</i>	13,688,874
<b>NET ASSETS:</b>	
Restricted for Debt Service	270,198
Restricted for Capital Outlay	8,849,516
Restricted for Other Purposes	409,914
Restricted for Permanent Fund	
Expendable	15,947
Nonexpendable	18,174
Unrestricted	4,125,125
<i>Total Net Assets</i>	\$ 13,688,874

The notes to the basic financial statements are an integral part of this statement.

**NORWAYNE LOCAL SCHOOL DISTRICT  
WAYNE COUNTY  
STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Program Cash Receipts</u>			<b>Net (Cash Disbursements) Cash Receipts and Changes in Net Assets</b>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Total Governmental Total</u>
Governmental Activities:				
Instruction:				
Regular	\$ 6,445,275	\$ 327,254	\$ 565,817	\$ (5,552,204)
Special	1,148,064	48,069	632,325	(467,670)
Vocational	166,320	8,934	-	(157,386)
Other	580,127	31,162	33,468	(515,497)
Support Services:				
Pupils	456,510	68,768	18,450	(369,292)
Instructional Staff	716,640	14,015	262,028	(440,597)
Board of Education	28,256	1,518	-	(26,738)
School Administration	996,282	51,694	-	(944,588)
Fiscal	314,741	16,067	36,085	(262,589)
Operation and Maintenance of Plant	723,612	36,400	-	(687,212)
Pupil Transportation	854,441	46,205	344,242	(463,994)
Central	22,561	452	17,000	(5,109)
Operation of Food Service	615,900	260,393	223,555	(131,952)
Extracurricular Activities	545,757	274,494	-	(271,263)
Capital Outlay	12,437,433	-	-	(12,437,433)
Debt Service:				
Principal	300,000	-	-	(300,000)
Interest	421,268	-	-	(421,268)
<b>Total Governmental Activities</b>	<b>\$ 26,773,187</b>	<b>\$ 1,185,425</b>	<b>\$ 2,132,970</b>	<b>\$ (23,454,792)</b>

**General Receipts:**

Property Taxes Levied for:

General Purposes	3,016,084
Debt Service	669,251
Other Purposes	165,082
Grants and Entitlements not Restricted to Specific Programs	5,668,245
Grants from Ohio School Facilities Commission	5,165,024
Proceeds from Sale of Assets	64,907
Investment Earnings	226,067
Miscellaneous	162,943
<b>Total General Receipts</b>	<b>15,137,603</b>
Change in Net Assets	(8,317,189)
<i>Net Assets at Beginning of Year</i>	<u>22,006,063</u>
<i>Net Assets at End of Year</i>	<u><b>\$ 13,688,874</b></u>

The notes to the basic financial statements are an integral part of this statement.



**NORWAYNE LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY**  
**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	<u>General</u>	<u>Debt Service</u>	<u>OSFC Projects</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Equity in Pooled Cash and Investments	\$ 4,125,125	\$ 270,198	\$ 7,123,927	\$ 2,169,624	\$ 13,688,874
<i>Total Assets</i>	<u>4,125,125</u>	<u>270,198</u>	<u>7,123,927</u>	<u>2,169,624</u>	<u>13,688,874</u>
<b>FUND BALANCES:</b>					
Reserved:					
Reserved for Encumbrances	2,178	-	6,848,397	645,283	7,495,858
Reserved for Endowment	-	-	-	18,174	18,174
Reserved for Debt Service	-	270,198	-	-	270,198
Unreserved, Undesignated, Reported in:					
General Fund	4,122,947	-	-	-	4,122,947
Special Revenue Funds	-	-	-	444,232	444,232
Capital Projects Funds	-	-	275,530	1,045,988	1,321,518
Permanent Fund	-	-	-	15,947	15,947
<i>Total Fund Balances</i>	<u>\$ 4,125,125</u>	<u>\$ 270,198</u>	<u>\$ 7,123,927</u>	<u>\$ 2,169,624</u>	<u>\$ 13,688,874</u>

The notes to the basic financial statements are an integral part of this statement.

**NORWAYNE LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>General</u>	<u>Debt Service</u>	<u>OSFC Projects</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>CASH RECEIPTS</b>					
Taxes	\$ 3,016,084	\$ 669,251	\$ -	\$ 165,082	\$ 3,850,417
Intergovernmental	6,663,152	99,000	5,165,024	1,096,077	13,023,253
Tuition and Fees	554,698	-	-	-	554,698
Investment Earnings	106,976	-	116,595	2,496	226,067
Extracurricular Activities	-	-	-	310,032	310,032
Charges for Services	900	-	-	262,781	263,681
Miscellaneous	74,234	-	-	88,709	162,943
<b>Total Receipts</b>	<b>10,416,044</b>	<b>768,251</b>	<b>5,281,619</b>	<b>1,925,177</b>	<b>18,391,091</b>
<b>CASH DISBURSEMENTS</b>					
Instruction:					
Regular	4,986,461	-	1,339,222	119,592	6,445,275
Special	891,875	-	-	256,189	1,148,064
Vocational	166,320	-	-	-	166,320
Other	580,127	-	-	-	580,127
Support Services:					
Pupils	369,859	-	-	86,651	456,510
Instructional Staff	260,909	-	-	455,731	716,640
Board of Education	28,256	-	-	-	28,256
School Administration	962,367	-	-	33,915	996,282
Fiscal	299,117	12,682	-	2,942	314,741
Operation and Maintenance of Plant	677,646	-	-	45,966	723,612
Pupil Transportation	854,056	-	-	385	854,441
Central	8,416	-	-	14,145	22,561
Operation of Food Service	-	-	172,766	443,134	615,900
Extracurricular Activities	254,888	-	-	290,869	545,757
Capital Outlay	4,964	-	12,022,779	409,690	12,437,433
Debt Service:					
Principal	-	300,000	-	-	300,000
Interest	-	421,268	-	-	421,268
<b>Total Disbursements</b>	<b>10,345,261</b>	<b>733,950</b>	<b>13,534,767</b>	<b>2,159,209</b>	<b>26,773,187</b>
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<b>70,783</b>	<b>34,301</b>	<b>(8,253,148)</b>	<b>(234,032)</b>	<b>(8,382,096)</b>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers-In	-	-	-	13,000	13,000
Proceeds from Sale of Assets	1,042	-	-	63,865	64,907
Transfers-Out	(13,000)	-	-	-	(13,000)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(11,958)</b>	<b>-</b>	<b>-</b>	<b>76,865</b>	<b>64,907</b>
<b>Net Change in Fund Balances</b>	<b>58,825</b>	<b>34,301</b>	<b>(8,253,148)</b>	<b>(157,167)</b>	<b>(8,317,189)</b>
<b>Fund Balances, July 1, 2009</b>	<b>4,066,300</b>	<b>235,897</b>	<b>15,377,075</b>	<b>2,326,791</b>	<b>22,006,063</b>
<b>Fund Balances, June 30, 2010</b>	<b>\$ 4,125,125</b>	<b>\$ 270,198</b>	<b>\$ 7,123,927</b>	<b>\$ 2,169,624</b>	<b>\$ 13,688,874</b>

The notes to the basic financial statements are an integral part of this statement.

**NORWAYNE LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>RECEIPTS</b>				
Taxes	\$ 2,910,000	\$ 2,910,000	\$ 3,016,084	\$ 106,084
Intergovernmental	6,600,500	6,600,500	6,663,152	62,652
Interest	140,000	140,000	106,976	(33,024)
Tuition and Fees	508,200	508,200	554,698	46,498
Charges for Services	1,500	1,500	900	(600)
Miscellaneous	52,000	52,000	74,234	22,234
<b>Total Receipts</b>	<u>10,212,200</u>	<u>10,212,200</u>	<u>10,416,044</u>	<u>203,844</u>
<b>DISBURSEMENTS</b>				
Current:				
Instruction:				
Regular	5,312,392	5,312,392	4,988,639	323,753
Special	1,242,400	1,242,400	891,875	350,525
Vocational	197,700	197,700	166,320	31,380
Other	707,700	707,700	580,127	127,573
Support Services:				
Pupils	442,665	442,665	369,859	72,806
Instructional Staff	321,591	321,591	260,909	60,682
Board of Education	42,050	42,050	28,256	13,794
School Administration	1,007,100	1,007,100	962,367	44,733
Fiscal	327,450	327,450	299,117	28,333
Operation and Maintenance of Plant	874,393	874,393	677,646	196,747
Pupil Transportation	979,500	979,500	854,056	125,444
Central	39,300	39,300	8,416	30,884
Extracurricular Activities	268,000	268,000	254,888	13,112
Capital Outlay	125,000	125,000	4,964	120,036
<b>Total Disbursements</b>	<u>11,887,241</u>	<u>11,887,241</u>	<u>10,347,439</u>	<u>1,539,802</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,675,041)</u>	<u>(1,675,041)</u>	<u>68,605</u>	<u>1,743,646</u>
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS)</b>				
Proceeds from the Sale of Assets	-	-	1,042	1,042
Transfers Out	(40,000)	(40,000)	(13,000)	27,000
<b>Total Other Financing Receipts (Disbursements)</b>	<u>(40,000)</u>	<u>(40,000)</u>	<u>(11,958)</u>	<u>28,042</u>
Net Change in Fund Balance	(1,715,041)	(1,715,041)	56,647	1,771,688
Fund Balance at Beginning of Year	4,055,495	4,055,495	4,055,495	-
Prior Year Encumbrances Appropriated	10,805	10,805	10,805	-
<b>Fund Balance at End of Year</b>	<u>\$ 2,351,259</u>	<u>\$ 2,351,259</u>	<u>\$ 4,122,947</u>	<u>\$ 1,771,688</u>

The notes to the basic financial statements are an integral part of this statement.

**NORWAYNE LOCAL SCHOOL DISTRICT  
WAYNE COUNTY  
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUND  
JUNE 30, 2010**

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	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash and Investments	\$ 34,783
<i>Total Assets</i>	<u>34,783</u>
NET ASSETS:	
Unrestricted	34,783
<i>Total Net Assets</i>	<u>\$ 34,783</u>

The notes to the basic financial statements are an integral part of this statement.

Norwayne Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**1. SUMMARY OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

**Description of the Entity**

Norwayne Local School District (the District), formerly known as North Central Local School District, is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services to approximately 1,500 students and community members as authorized by state statute and/or federal guidelines. The District was established in **1952** through the consolidation of existing school districts. The District serves an area of approximately 79 square miles, is located in Medina and Wayne County, and includes all of the Villages of Burbank, Creston, and Sterling.

**Reporting Entity**

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

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

The District is associated with a jointly governed organization and a public entity risk pool. These organizations are the Tri-County Computer Services Association (TCCSA) and the Wayne County Schools Council for Health Care Benefit Program. These organizations are presented in Notes 10 and 11.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

The District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as fund balance. The following are the District's major governmental funds:

Norwayne Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*General Fund*

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

*Debt Service Fund*

The Debt Service Fund is provided for the retirement of long-term debt. This fund receives tax monies for the repayment of such debt.

*OSFC Projects Capital Projects Fund*

The OSFC Projects Capital Projects Fund is provided to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

The other governmental funds of the District account for grants and other resources, debt service, and capital projects, whose use is 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. The District's only fiduciary funds are agency funds.

*Agency Funds*

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The District's agency funds are used to account for student-managed activities.

**Basis of Presentation**

The District uses the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. The 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 that provide a more detailed level of financial information.

Norwayne Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Government-wide Financial Statements***

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

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

***Fund Financial Statements***

During the year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. The District's major funds are presented in separate columns. Non-major funds are aggregated and presented in a single column.

**Basis of Accounting**

Although required by the Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**Cash Receipts – Exchange and Non-exchange Transactions**

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the year in which the resources are received.

Norwayne Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On a cash basis, receipts from property taxes are recognized in the year in which the taxes are received. Receipts from grants, entitlements and donations are recognized in the year in which the monies have been received.

**Cash Disbursements**

On the cash basis of accounting, disbursements are recognized at the time payments are made.

**Budgetary Process**

**Budget**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Medina and Wayne County Budget Commissions for rate determination.

**Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. Budget receipts as shown in the accompanying financial statements do not include July 1, 2010 unencumbered fund balances. However, those fund balances were available for appropriation.

The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts reflect the amounts in the amended certificate in effect when the final appropriations for the fiscal year were passed.



Norwayne Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriate resolutions, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire year, including amounts carried over from prior years. The budget figures that appear as the final budget, in the statement of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**Cash and Cash Equivalents and Investments**

Cash and cash equivalents consist of the total of fund cash balances of all funds as of June 30, 2010. To improve cash management, cash received by the District is pooled. Individual fund integrity is maintained throughout the District's records. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as part of "equity in pooled cash and investments". All interest receipts are reported in the General Fund except those specifically related to those funds deemed appropriate according to School Board policy. For fiscal year 2010, interest receipts amounted to \$226,067 of which \$106,976 was recorded in the General Fund, \$116,595 was recorded in the OSFC Project Major Fund and \$2,496 was recorded in other Governmental Funds.

During fiscal year 2010, investments were limited to STAR Ohio, Fifth Third U.S. Treasury money market accounts, Federal Home Loan Bank Securities, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Discount Notes, and Federal National Mortgage Corporation Bonds. Investments are reported at cost.

Norwayne Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets**

Property, plant, and equipment acquired or constructed by the District are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting as described in Note 1, capital assets and the related depreciation are not reported separately on the financial statements.

**Compensated Absences**

Accumulated unpaid vacation leave, sick leave, and personal leave are not accrued under the cash basis of accounting as described in Note 1. All leave will either be utilized by time off from work or, within certain limitations, be paid to employees

**Long-Term Obligations**

In general, bonds, long-term loans, and capital leases are recorded as cash disbursements in the basic financial statements when paid and are not accrued under the cash basis of accounting as previously described in Note 2.

**Net Assets**

Net assets represent the difference between assets and liabilities. On the cash basis of accounting net assets equal assets since liabilities are not recorded. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted for Other Purposes is comprised of net assets restricted for grants. The District applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net assets are available. The District has no net assets restricted by enabling legislation.

**Interfund Transactions**

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements 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 cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide financial statements transfers within governmental activities are eliminated.

Norwayne Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**3. DEPOSITS AND INVESTMENTS**

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

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

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

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

Interim monies are permitted 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by a 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 or its political subdivisions, provided that such political subdivisions are located wholly or partly within the District;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to passbook accounts;
6. 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;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;

Norwayne Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**3. DEPOSITS AND INVESTMENTS (Continued)**

9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by the least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

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

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 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.

**Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

At June 30, 2010, the District's deposits of \$2,489,795 was either cover by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above

Norwayne Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**3. DEPOSITS AND INVESTMENTS (Continued)**

**Investments:**

As of June 30, 2010, the District had the following investments and maturities:

	Carrying Value	Investment Maturities (in years)		Concentration of Credit Risk
		Less than 1	1-2	
STAR Ohio	\$ 2,107,776	\$ 2,107,776	\$ -	18.2%
Federal Home Loan Mortgage Corporation Discount Notes	602,357	401,085	201,272	5.2%
Federal Home Loan Bank Bonds	1,426,830	300,705	1,126,125	12.3%
Federal National Mortgage Corporation Bonds	3,529,879	1,010,995	2,518,884	30.4%
Federal Farm Credit Bank Notes	104,612	-	104,612	0.9%
Fifth Third U.S. Treasury Money Market Fund	3,825,890	3,825,890	-	33.0%
<b>Total</b>	<b>\$ 11,597,344</b>	<b>\$ 7,646,451</b>	<b>\$ 3,950,893</b>	

Interest rate risk – As a means of limiting its exposure to fair value losses caused by rising interest rates, the District attempts, to the extent possible, to match investments with anticipated cash flow requirements. Unless matched to a specific obligation or debt of the District, the District will not directly invest in securities maturing more than five years from the date of investment.

Credit risk – Investments in STAR Ohio and the Fifth Third U.S. Treasury Money Market Fund were rated AAAM by Standard & Poor's. The Federal Home Loan Mortgage Corporation Discount Notes are all short term securities rated A-1+ by Standard & Poor's and Prime-1 by Moody's. The Federal Home Loan Bank Bond long term securities are rated AAA by Standard & Poor's and Aaa by Moody's. The Federal National Mortgage Corporation Bond long term securities are rated AAA by Standard & Poor's and Aaa by Moody's. The Federal Farm Credit Bank Notes are rated AAA by Standard & Poor's and Aaa by Moody's. The District limits their investments to those authorized by state statute.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of credit risk – The District places no limit on the amount it may invest in any one issuer. See above for the concentration of credit risk for the District's investments. The investments in STAR Ohio and the money market fund have investment maturities of 0 days.

Norwayne Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**4. BUDGETARY BASIS FUND BALANCES**

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances. The Table below presents those differences for the District's Major Fund:

	General Fund
Budgetary Basis Fund Balance	\$4,122,947
Encumbrances	2,178
Fund Cash Balance	\$4,125,125

**5. PROPERTY TAX**

Real property taxes are levied on assessed values, which equal 35% of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last reappraisal was completed for tax year 2006.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the tax (calendar) year 2009 was \$36.00 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$27.85 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$28.06 per \$1,000 of assessed valuation for all other real property.

Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the tax (calendar) year 2009 was \$36.00 per \$1,000 of assessed valuation.

The Wayne County Treasurer collects property tax on behalf of all taxing districts within the county. The Wayne County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Norwayne Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**6. LONG-TERM DEBT**

Under the cash basis of accounting as described in Note 2, the District does not record debt in the accompanying basic financial statements.

The changes in the District's long-term obligations during fiscal year 2010 were as follows:

	Interest Rate	Principal Outstanding 7/1/09	Additions	Reductions	Principal Outstanding 6/30/10	Amount Due Within One Year
General Obligation Bonds:						
2007 Classroom Facility Improvement Bonds						
	4.30%	\$ 9,474,997	\$ -	\$ 255,000	\$ 9,219,997	\$ 265,000
	3.8 -					
2007 Various Purpose Bonds	4.15%	1,493,170	-	45,000	1,448,170	45,000
<b>Total General Obligation Bonds</b>		<b>\$ 10,968,167</b>	<b>\$ -</b>	<b>\$ 300,000</b>	<b>\$ 10,668,167</b>	<b>\$ 310,000</b>

The 2007 Classroom Facility Improvement Bonds were approved by the voters on November 7, 2006 and issued in 2007 for \$9,799,997 in general obligation bonds. The bonds were used to redeem the bond anticipation notes issued by the District to provide for its share of the Ohio School Facility Commission classroom construction grant. The bonds were issued for a 27 year period with final maturity of December 1, 2033. The bonds will be retired from the debt service fund.

The 2007 Various Purpose Bonds were approved by the voters on November 7, 2006 and issued in 2007 for a total of \$1,598,170 in general obligation bonds. The bonds were used to redeem the bond anticipation notes issued by the District to provide for its share of the Ohio School Facility Commission classroom construction grant. The bonds were issued for a 27 year period with final maturity of December 1, 2033. The bonds will be retired from the debt service fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010 are as follows:

Fiscal Year Ending June 30	Classroom Facility Bonds			Various Improvement Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 265,000	\$ 354,900	\$ 619,900	\$ 45,000	\$ 54,168	\$ 99,168
2012	275,000	344,100	619,100	50,000	52,268	102,268
2013	285,000	332,900	617,900	50,000	50,268	100,268
2014	295,000	321,300	616,300	25,910	78,358	104,268
2015	305,000	309,300	614,300	23,142	81,126	104,268
2016-2020	1,214,997	1,882,014	3,097,011	199,118	307,808	506,926
2021-2025	1,950,000	1,127,000	3,077,000	315,000	183,438	498,438
2026-2030	2,370,000	696,000	3,066,000	375,000	114,978	489,978
2031-2033	2,260,000	185,400	2,445,400	365,000	31,426	396,426
<b>Total</b>	<b>\$ 9,219,997</b>	<b>\$ 5,552,914</b>	<b>\$ 14,772,911</b>	<b>\$ 1,448,170</b>	<b>\$ 953,838</b>	<b>\$ 2,402,008</b>

Norwayne Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**7. RISK MANAGEMENT**

The District maintains comprehensive insurance coverage with Ohio School Risk Sharing Authority for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and building contents are 100% coinsured. Settled claims have not exceeded this coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. Gates McDonald, provides administrative, cost control and actuarial services to the GRP.

The District also participates in the Medina and Wayne County Health Trust in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

**8. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS**

**A. DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 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*.

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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among the four funds (Pension trust fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the system. For fiscal year 2010, the allocation to the pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare Part B fund. 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$205,632, \$192,648 and \$172,344, respectively, which represents the required annual contribution each year.



Norwayne Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**8. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**A. DEFINED BENEFIT PENSION PLANS (Continued)**

**State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported in whole or in part, by the state or any political subdivision thereof.

**Plan Options** - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

Norwayne Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**8. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**A. DEFINED BENEFIT PENSION PLANS (Continued)**

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

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

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. 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 employers.

For the fiscal years ended June 30, 2010, 2009, and 2008 plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's required contributions for pension obligations to STRS for the years ended June 30, 2010, 2009, and 2008 were \$728,916, \$695,988 and \$660,168, respectively, which represents the required annual contribution for each year.

STRS Ohio issues a publically available, stand alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the SSTRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

Norwayne Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**8. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**A. DEFINED BENEFIT PENSION PLANS (Continued)**

**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, 2010, none of the members of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**B. POSTEMPLOYMENT BENEFITS**

**State Teachers Retirement System**

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan, a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent comprehensive annual financial report by visiting [www.strsoh.org](http://www.strsoh.org) or by calling toll free at 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009, and 2008. For the District, these amounts equaled \$52,065, \$49,713, and \$47,155 for fiscal years 2010, 2009, and 2008, respectively, which equaled the required allocations for those years.

**School Employees Retirement System**

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers two post employment benefit plans.

Norwayne Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**8. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**B. POSTEMPLOYMENT BENEFITS (Continued)**

**Medicare Part B Plan**

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income; SERS' reimbursement to retirees was \$45.50.

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 years 2010, 2009, and 2008, the actuarially required allocation was 0.76%, 0.75% and 0.66%, respectively. For the School District, contributions for the years ended June 30, 2010, 2009, 2008 were \$11,163, \$2,114, and \$1,271 respectively, which equaled the required contributions for those years.

**Health Care Plan**

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2010, 2009, and 2008, the health care allocations were 0.46 percent, 4.16 percent, and 4.18 percent, respectively. For the District, the amounts contributed to fund health care benefits, including the surcharge, during the 2010, 2009, and 2008 fiscal years equaled \$67,565, \$28,175, and \$24,103, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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*.

Norway Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**9. REQUIRED SET-ASIDES**

The District is required by the state law to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. The following information describes the change in the year-end set-aside amounts for textbooks and capital maintenance.

	Textbooks	Capital Maintenance
Set-Aside Reserve Balance as of June 30, 2009	(\$9,261)	\$0
Current Year Set-Aside Requirement	217,333	217,333
Current Year Offsets	0	(165,082)
Qualifying Disbursements	(208,191)	(306,657)
Totals	(\$119)	(\$254,406)
Set-Aside Balance Carried Forward to Future Fiscal Years	(\$119)	\$0
Set-Aside Reserve Balance as of June 30, 2010	\$0	\$0

The District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the textbook set-aside. This extra amount may be used to reduce the set-aside requirement of future years. Although, the District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance reserve, this amount may not be used to reduce the set aside requirement for future years. This negative balance is, therefore, not presented as being carried forward to future years.

**10. JOINTLY GOVERNED ORGANIZATION**

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 21 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support TCCSA based on a per-pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the treasurer at the Tri-County Educational Service Center which serves as the fiscal agent located in Wooster, Ohio.

Norwayne Local School District  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**11. PUBLIC ENTITY RISK POOL**

The Wayne County Schools Council for Health Care Benefit Program is a shared risk pool created pursuant to state statute for the purpose of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating school district (usually superintendent, treasurer or executive member of governing body). The Council elects officers to serve on the Board of Directors. The assembly exercises control over the operation of the Council. Council revenues are generated from charges for services received from participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

**12. INTERFUND ACTIVITY**

**Interfund Transfers**

Transfers made during the year ended June 30, 2010, were as follows:

Fund:	Transfer To:	Transfer From:
General Fund	\$0	\$13,000
Non-Major Food Service Fund	13,000	0
Total	\$13,000	\$13,000

Transfers were made from the General Fund to the Food Service Fund to subsidize its loss.

**13. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

**B. Litigation**

There are currently no matters in litigation with the District as defendant.

**Norway Local School District  
Wayne County**

**Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2010**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
Child and Adult Care Food Program	3L80	10.558	\$ 10,953	\$ -	\$ 10,953	\$ -
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	40,552	-	40,552	-
National School Lunch Program	3L60	10.555	160,088	60,998	160,088	60,998
Total Nutrition Cluster			<u>200,640</u>	<u>60,998</u>	<u>200,640</u>	<u>60,998</u>
<b>Total United States Department of Agriculture</b>			211,593	60,998	211,593	60,998
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	166,008	-	166,579	-
Title I Grants to Local Educational Agencies, ARRA	3DK0	84.389	81,636	-	80,112	-
Total Title I, Part A Cluster			<u>247,644</u>	<u>-</u>	<u>246,691</u>	<u>-</u>
<i>Special Education Cluster:</i>						
Special Education Grants to States	3M20	84.027	252,257	-	252,257	-
Special Education Grants to States, ARRA	3DJ0	84.391	135,232	-	138,532	-
Total Special Education Cluster			<u>387,489</u>	<u>-</u>	<u>390,789</u>	<u>-</u>
Safe & Drug Free Schools and Communities State Grants	3D10	84.186	3,292	-	3,292	-
Education Technology State Grants	3S20	84.318	1,206	-	1,206	-
Improving Teacher Quality State Grants	3Y60	84.367	48,139	-	48,139	-
State Fiscal Stabilization Fund, ARRA	GRF	84.394	384,802	-	332,912	-
<b>Total United States Department of Education</b>			<u>1,072,572</u>	<u>-</u>	<u>1,023,029</u>	<u>-</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,284,165</u>	<u>\$ 60,998</u>	<u>\$ 1,234,622</u>	<u>\$ 60,998</u>

N/A - Not Available

See accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures

**NORWAYNE LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – FOOD DONATION**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair value.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.





**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Required by *Government Auditing Standards***

Norwayne Local School District  
350 South Main Street  
Creston, Ohio 44217

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Norwayne Local School District, Wayne County (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 1, 2010, wherein we noted that the School District follows the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Governmental Auditing Standards*.

**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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items No. 2010-001 and 2010-002.

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the School District's responses, and accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, members of the Board, federal awarding agencies and pass-through entities and others within the School District. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

December 1, 2010



**Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required By OMB Circular A-133**

Norwayne Local School District  
350 South Main Street  
Creston, Ohio 44217

To the Board of Education:

**Compliance**

We have audited the compliance of the Norwayne Local School District, Wayne County (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 could directly and materially affect each of the School district's major federal programs for the year ended June 30, 2010. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 Norwayne Local School District, Wayne County, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

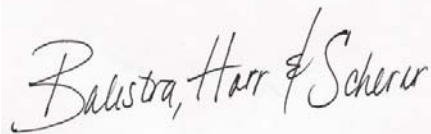
The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Board of Education  
Norwayne Local School District  
Report on Compliance With Requirements Applicable to Each Major Federal Program and  
on Internal Control Over Compliance Required by OMB Circular A - 133  
Page 2

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, 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.

We intend this report solely for the information and use of, management, members of the Board, others within the School District, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 1, 2010

**NORWAYNE LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 SECTION .505  
JUNE 30, 2010**

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

<i>(d)(I)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(I)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(I)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(I)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(I)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(I)(iv)</i>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(I)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(I)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(I)(vii)</i>	<b>Major Programs (list):</b>	Special Education Cluster, CFDA #84.027 and #84.391 and State Fiscal Stabilization Fund Cluster, CFDA #84.394.
<i>(d)(I)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(I)(ix)</i>	<b>Low Risk Auditee?</b>	No

**NORWAYNE LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 SECTION .505  
JUNE 30, 2010**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-001**

**Noncompliance Citation**

**Ohio Revised Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

The District should take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

**Client Response:**

The Norwayne Local School Board does not feel that it is cost effective to produce the financial statements in accordance with GAAP. All of the District’s financial reports are given to the community and Board on a cash basis during the year. We feel that by filing the accepted cash (not GAAP) financial statements serves our district and community in the most cost effective manner.

**NORWAYNE LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 SECTION .505  
JUNE 30, 2010**

**FINDING NUMBER 2010-002**

**Noncompliance Citation**

**Ohio Revised Code § 5705.36(A)(4)** requires a subdivision to obtain a reduced amended certificate of estimated resources when it is known that the available resources will fall below the current level of appropriations.

The School District had appropriations that exceeded final available resources in the Food Service and OSFC Projects funds by \$44,379 and \$2,219,877, respectively at fiscal year end.

The School District should monitor available resources and appropriations and request a reduced amended certificate when available resources fall below the level of appropriations.

**Client Response:**

We did not receive a response from officials to the above finding.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

**NORWAYNE LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 SECTION .315(b)**

**JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2009-001	Ohio Administrative Code Section 117-2-03(B)-Not reporting GAAP	No	Not Corrected. Reissued as finding 2010-001.
2009-002	Ohio Revised Code Section 5705.41(B) – Expenditures exceeding appropriations.	Yes	





# Dave Yost • Auditor of State

**NORWAYNE LOCAL SCHOOL DISTRICT**

**WAYNE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 17, 2011**