



Dave Yost • Auditor of State



**NORTON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Norton City School District  
Summit County  
4128 South Cleveland-Massillon Road  
Norton, Ohio 44203

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norton City School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Norton City School District, Summit County, Ohio, as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 18 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### *Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Awards Receipts and Expenditures Schedule (Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 21, 2014

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## ***Norton City School District***

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

This discussion and analysis of Norton City School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for 2013 are as follows:

- Net position of governmental activities decreased \$1,114,724, representing a 10.8% decrease from fiscal year 2012.
- General revenues accounted for \$16,332,387 in revenue or 72.3% of all revenues. Program specific revenues in the form of charges for services, and operating grants, contributions and interest accounted for \$6,268,169 or 27.7% of total revenues of \$22,600,556.
- The School District had \$23,715,280 in expenses related to governmental activities; only \$6,268,169 of these expenses was offset by program specific revenues that include charges for services, operating grants, contributions and interest. General revenues of \$16,332,387 contributed but were not able to cover these programs.
- The School District had two major governmental funds, the general fund and the permanent improvement capital projects fund. The general fund's balance decreased \$1,242,143 from \$3,224,601 at June 30, 2012 to \$1,982,458 at June 30, 2013. The permanent improvement capital projects fund balance decreased \$1,227,930 from \$3,038,359 at June 30, 2012 to \$1,810,429 at June 30, 2013.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Norton City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund and the permanent improvement capital projects fund are by far the most significant funds.

## **Reporting the School District as a Whole**

### *Statement of Net Position and the Statement of Activities*

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2013?" These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis, of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in those assets. This change in net position is important because it tells the reader that, for the School District as a whole the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's current property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the School District's activities are considered to be all Governmental Activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and food service operations.

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

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental funds are the general fund and the permanent improvement capital projects fund.

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

**Norton City School District**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2013  
 Unaudited

**The School District as a Whole**

Recall that the statement of net position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for 2013 compared to 2012:

		Table 1 Net Position	
		<u>Governmental Activities</u>	
		<u>2013</u>	<u>2012</u>
<b>Assets</b>			
Current and other assets	\$	16,098,021	\$ 17,533,452
Capital assets, net of depreciation		<u>4,691,363</u>	<u>3,139,323</u>
Total assets		<u>20,789,384</u>	<u>20,672,775</u>
<b>Liabilities</b>			
Current and other liabilities		2,207,130	2,081,559
Long-term liabilities:			
Due within one year		129,340	138,517
Due in more than one year		<u>838,363</u>	<u>749,185</u>
Total liabilities		<u>3,174,833</u>	<u>2,969,261</u>
<b>Deferred inflows of resources</b>			
Property taxes		<u>8,404,055</u>	<u>7,378,294</u>
<b>Net Position</b>			
Net investment in capital assets		4,588,455	3,119,304
Restricted		2,588,165	3,751,997
Unrestricted		<u>2,033,876</u>	<u>3,453,919</u>
Total net position	\$	<u>9,210,496</u>	\$ <u>10,325,220</u>

Over time, net position can serve as a useful indicator of a government's financial position. During fiscal year 2013, the School District had a decrease in net position of \$1,114,724.

Net investment in capital assets, reported on the government-wide statements represents a large component of net position. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles, all of which are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$2,588,165, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net position, \$744,244 is restricted for food services, \$1,833,140 is restricted for capital projects, and \$10,781 is restricted for other purposes. The remaining balance of net position of \$2,033,876 is unrestricted.

**Norton City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

Table 2 shows changes in net position for fiscal year 2013 compared to fiscal year 2012.

Table 2  
Changes in Net Position

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 4,838,110	\$ 4,864,762
Operating grants, contributions and interest	1,430,059	2,014,229
General revenues:		
Property taxes	8,140,731	8,012,464
Grants and entitlements	8,143,285	8,361,228
Investment earnings	11,621	12,262
Miscellaneous	36,750	38,460
Total revenues	<u>22,600,556</u>	<u>23,303,405</u>
<b>Program Expenses</b>		
Instruction:		
Regular	10,596,042	10,789,154
Special	2,509,414	2,027,798
Vocational	618,626	629,414
Adult/continuing	4,259	5,485
Student intervention services	415,283	403,966
Support services:		
Pupils	738,679	717,737
Instructional staff	1,223,918	1,190,789
Board of education	27,581	45,677
Administration	1,560,287	1,633,282
Fiscal	642,870	571,635
Business	250,688	233,743
Operation and maintenance of plant	1,899,090	1,755,455
Pupil transportation	1,688,542	1,563,633
Central	72,117	113,405
Operation non-instructional services	3,725	11,492
Operation of food services	917,041	882,585
Extracurricular activities	542,717	486,769
Interest and fiscal charges	4,401	2,047
Total expenses	<u>23,715,280</u>	<u>23,064,066</u>
Change in net position	(1,114,724)	239,339
Net position beginning of year	<u>10,325,220</u>	<u>10,085,881</u>
Net position end of year	<u>\$ 9,210,496</u>	<u>\$ 10,325,220</u>

## ***Norton City School District***

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

### ***Governmental Activities***

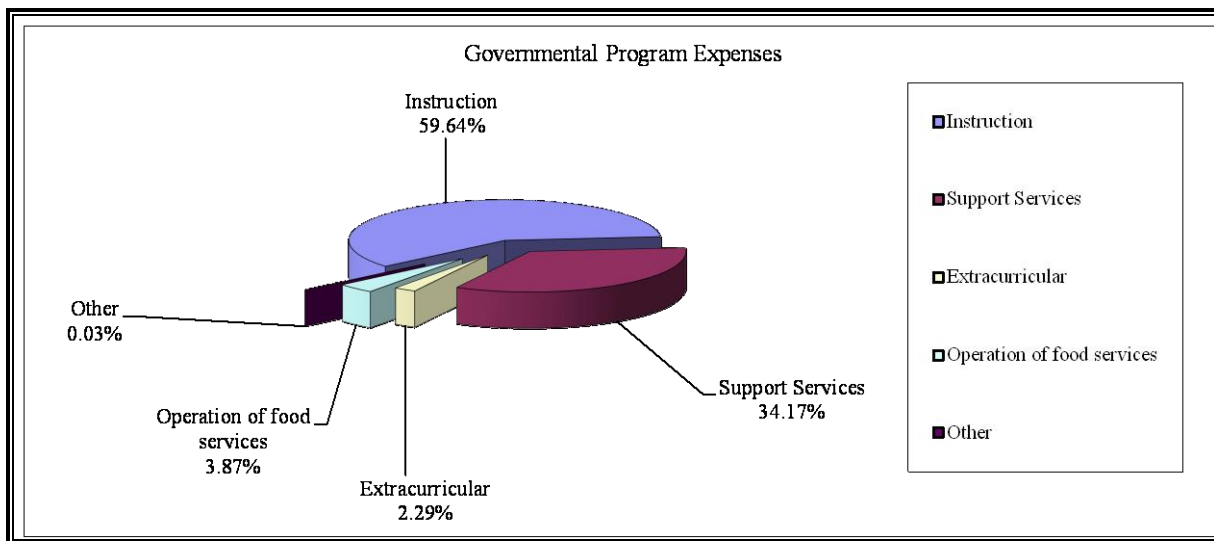
Norton City School District depends on both property taxes and State funding.

Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated over \$8.1 million in 2013. The increase in property tax revenue from 2012 to 2013 is due to fluctuations in the amount available for advance at year-end, which can vary based on when the tax bills are sent. General revenues from grants and entitlements, such as the school foundation program, generated over \$8.1 million. Due to the combination of taxes and intergovernmental funding representing nearly 72.1% of all revenues, the School District monitors both of these sources very closely for fluctuations.

A review of Table 2 reflects that the total cost of instructional services was \$14,143,624, or 59.6% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. As compared to the prior year, these expenses increased \$287,807, or 2.1%. The reason for this increase was due to increased costs related to special instruction compared to the prior year.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching pupils. These expenses represent \$1,962,597 of the total governmental program expenses, or 8.3%. These expenses increased over the prior year in the amount of \$54,071, or 2.8% due to an increase in related costs as compared to the prior year.

Below is a graphical display of the program expenses in a more aggregate total than the table above.



Board of Education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost was \$2,481,426, or 10.5% of governmental program expenses. Expenses of these programs decreased \$2,911, or 0.1%, as compared to fiscal year 2012, driven mostly by decreases in administration expenses.

**Norton City School District**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

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Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District's operations. The total cost for the operation and maintenance services was \$1,899,090, or 8% of the governmental program expenses. Expenses for providing this program increased \$143,635, or 8.2% as compared to the prior year. The primary cause of this increase was due to an increase in operating expenses.

Pupil transportation expenses are expenses related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. Total transportation cost was \$1,688,542, or 7.1% of the total governmental program expenses. Expenses for providing this program increased \$124,909, or 8% as compared to the prior year.

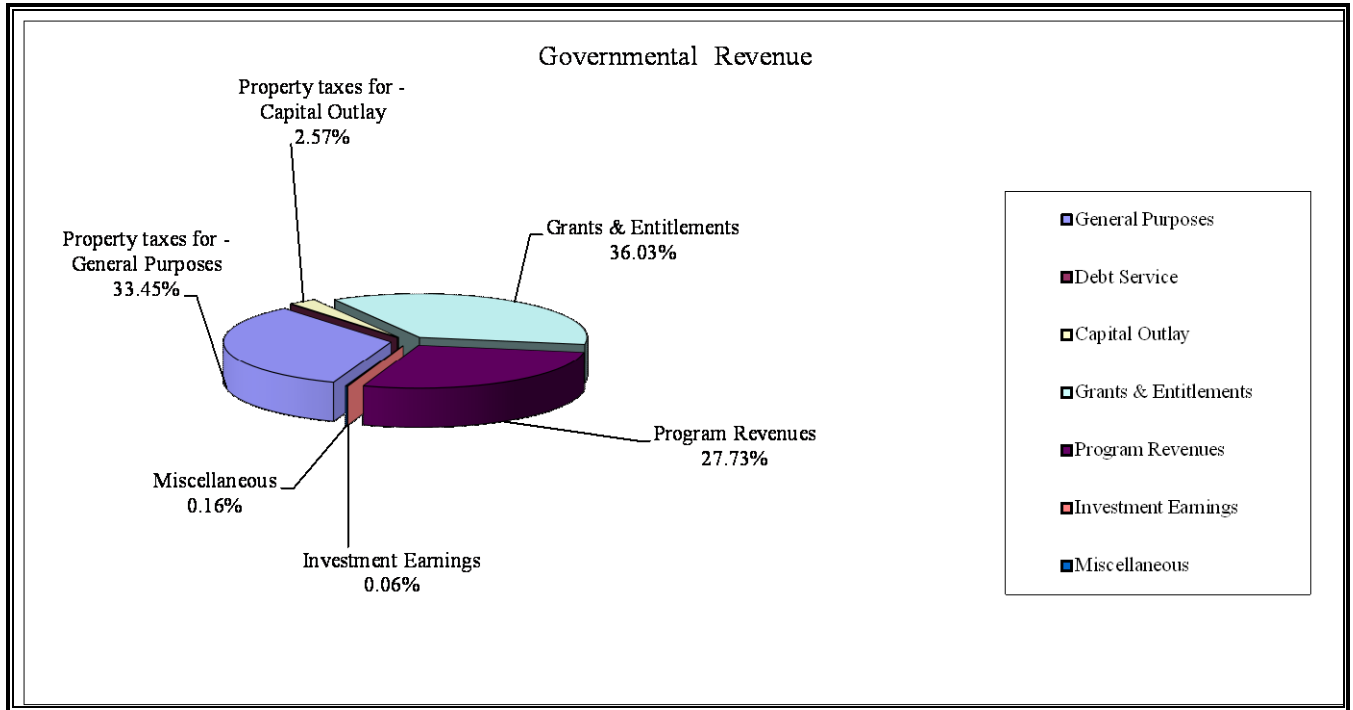
Overall, the School District's fiscal year expenses exceeded revenues by \$1,114,724. This is mainly due to decrease in grant revenue.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services as compared to fiscal year 2012. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3  
Governmental Activities

	Total Cost of Services <u>2013</u>	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2013</u>	Net Cost of Services <u>2012</u>
<b>Program Expenses:</b>				
Instruction:				
Regular	\$ 10,596,042	\$ 10,789,154	\$ (7,098,262)	\$ (6,353,502)
Special	2,509,414	2,027,798	(1,266,996)	(1,257,743)
Vocational	618,626	629,414	(618,626)	(629,414)
Adult/continuing	4,259	5,485	(4,259)	(5,485)
Student intervention services	415,283	403,966	(415,283)	(403,966)
Support services:				
Pupils	738,679	717,737	(659,914)	(639,327)
Instructional staff	1,223,918	1,190,789	(1,020,077)	(960,411)
Board of education	27,581	45,677	(27,581)	(45,677)
Administration	1,560,287	1,633,282	(1,524,980)	(1,520,192)
Fiscal	642,870	571,635	(642,870)	(571,153)
Business	250,688	233,743	(250,688)	(233,743)
Operation and maintenance of plant	1,899,090	1,755,455	(1,895,437)	(1,751,775)
Pupil transportation	1,688,542	1,563,633	(1,688,542)	(1,440,253)
Central	72,117	113,405	(72,117)	(113,405)
Operation non-instructional services	3,725	11,492	(3,725)	(11,492)
Operation of food services	917,041	882,585	118,389	91,809
Extracurricular activities	542,717	486,769	(371,742)	(337,299)
Interest and fiscal charges	4,401	2,047	(4,401)	(2,047)
Total expenses	<u>\$ 23,715,280</u>	<u>\$ 23,064,066</u>	<u>\$ (17,447,111)</u>	<u>\$ (16,185,075)</u>

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 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2013  
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Program revenues include charges for services, grants, contributions and interest that are program specific. Surrounding schools whose resident students are educated by the Norton City School District pay the School District \$5,704 per pupil under Ohio's open enrollment entitlement.

Property taxes made up 36.02% of total revenues for governmental activities for the Norton City Schools in fiscal year 2013. Program revenues for governmental activities provided 27.7% of governmental revenues with 72.3% of all governmental activities supported through property taxes, grants and entitlement, and other general revenues. The 36.03% provided by the grants and entitlements portion of general revenues includes monies received from the Ohio Department of Education, State Foundation Program and property tax relief such as the homestead exemptions and rollbacks provided by HB 920.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$22,601,420 and total expenditures were \$25,235,184. The net change in fund balance for other governmental funds was a decrease of \$14,609. For the current fiscal year, other governmental funds consist of special revenue funds only.

**Norton City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

Table 4  
Change in Fund Balance

	Fund Balance <u>June 30, 2013</u>	Fund Balance <u>June 30, 2012</u>	Increase (Decrease) <u></u>
General	\$ 1,982,458	\$ 3,224,601	\$ (1,242,143)
Permanent improvement	1,810,429	3,038,359	(1,227,930)
Other governmental	<u>713,996</u>	<u>728,605</u>	<u>(14,609)</u>
Total	<u>\$ 4,506,883</u>	<u>\$ 6,991,565</u>	<u>\$ (2,484,682)</u>

**General Fund**

The School District's general fund balance decreased by \$1,242,143 this was due to several factors. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

Table 5  
General Fund - Change in Revenue

	2013 <u>Amount</u>	2012 <u>Amount</u>	Percent <u>Change</u>
Taxes	\$ 7,659,944	\$ 7,495,538	2.19%
Intergovernmental	8,333,910	8,488,310	-1.82%
Interest	11,081	11,219	-1.23%
Tuition and fees	3,636,659	3,680,351	-1.19%
Extracurricular activities	51,751	44,663	15.87%
Gifts and donations	8,580	9,484	-9.53%
Charges for services	273,455	126,510	116.15%
Rent	3,653	3,680	-0.73%
Miscellaneous	<u>82,392</u>	<u>76,113</u>	8.25%
Total	<u>\$ 20,061,425</u>	<u>\$ 19,935,868</u>	

Overall revenues within the general fund increased \$125,557 for the fiscal year. This is due to an increase in charges for services revenue for the current fiscal year.



***Norton City School District***

Management’s Discussion and Analysis  
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The table that follows assists in illustrating the expenditures of the general fund.

Table 6  
General Fund - Change in Expenditures by Type

<u>Expenditures</u>	2013 <u>Amount</u>	2012 <u>Amount</u>	Percent <u>Change</u>
Instruction	\$ 13,365,719	\$ 12,643,507	5.71%
Support services	7,494,112	7,146,600	4.86%
Extracurricular activities	357,801	336,327	6.38%
Capital outlay	188,684	50,984	0.00%
Debt service	42,834	40,536	5.67%
Total	<u>\$ 21,449,150</u>	<u>\$ 20,217,954</u>	

Expenditures increased \$1,231,196 from the prior year. This increase is mainly due to increase costs related to instruction and support services.

***Permanent Improvement Fund***

The School District’s permanent improvement fund balance decreased by \$1,227,930, this was primarily due from increased expenditures related to permanent improvement projects.

***General Fund Budgeting Highlights***

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

For the general fund, the original budgeted revenue and other financing source estimate was \$19,495,734. This amount was not changed during the year, resulting in a final revenue budget of \$19,495,734. Actual revenue and other financing sources reported was \$20,232,786 which is \$737,052 greater than the final and original budgeted amounts.

The original and final expenditures estimate of \$22,302,843 was significantly higher than the actual. The actual expenditures were \$21,459,307, with a significant change in the amount of \$843,536 from the original and final budgeted amounts. This was the result of conservative spending by the School District.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2013, the School District had \$4,691,363 invested in land and land improvements, buildings and improvements, furniture and equipment and vehicles. Table 7 shows fiscal year 2013 balances compared to fiscal year 2012:

**Norton City School District**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2013  
 Unaudited

Table 7  
 Capital Assets, at Fiscal Year End  
 (Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Land	\$ 961,593	\$ 71,000
Land improvements	411,004	460,431
Buildings and improvements	2,581,782	1,984,658
Furniture and equipment	319,384	221,864
Vehicles	<u>417,600</u>	<u>401,370</u>
Total capital assets	<u>\$ 4,691,363</u>	<u>\$ 3,139,323</u>

The total increase in the value of capital assets, as compared to the prior year, is due to the current year's additions exceeding depreciation on the School District's assets. See Note 7 to the basic financial statements for detail on the School District's capital assets.

**Debt**

Table 8 summarizes the capital leases outstanding:

Table 8  
 Outstanding Debt, at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Capital Leases	\$ 102,908	\$ 20,019
Total outstanding debt	<u>\$ 102,908</u>	<u>\$ 20,019</u>

The capital leases are to be repaid from the general fund, which the School District has budgeted to meet these requirements.

See Note 12 to the basic financial statements for detail on the School District's long-term obligations.

**Current Issues Affecting Financial Condition**

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

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

***Norton City School District***

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
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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. In conclusion, the School District's system of budgeting and internal controls is well regarded.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions or need additional financial information, contact Stephanie Hagenbush, Treasurer/Chief Fiscal Officer of the Norton City School District, 4128 South Cleveland Massillon Road, Norton, Ohio 44203 by phone (330) 825-2114 or e-mail [shagenbush@norton.summit.k12.oh.us](mailto:shagenbush@norton.summit.k12.oh.us).

***Norton City School District***  
**Statement of Net Position**  
**June 30, 2013**

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 6,130,237
Cash and cash equivalents:	
In segregated accounts	1,067
Receivables:	
Taxes	9,119,489
Accounts	545,014
Intergovernmental	261,317
Accrued interest	1,500
Prepaid items	13,064
Inventory held for resale	10,190
Materials and supplies inventory	16,143
Capital assets:	
Land	961,593
Depreciable capital assets, net	3,729,770
Total capital assets	<u>4,691,363</u>
Total assets	<u>20,789,384</u>
 <u>Liabilities:</u>	
Accounts payable	217,578
Contracts payable	123,600
Accrued wages	1,341,177
Intergovernmental payable	483,334
Compensated absences payable	41,441
Long-term liabilities:	
Due within one year	129,340
Due in more than one year	838,363
Total liabilities	<u>3,174,833</u>
 <u>Deferred inflows of resources</u>	
Property taxes	<u>8,404,055</u>
 <u>Net position:</u>	
Net investment in capital assets	4,588,455
Restricted for:	
Capital projects	1,833,140
Food services	744,244
Other purposes	10,781
Unrestricted	<u>2,033,876</u>
Total net position	<u>\$ 9,210,496</u>

See accompanying notes to the basic financial statements.

**Norton City School District**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2013**

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
				Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 10,596,042	\$ 3,220,601	\$ 277,179	\$ (7,098,262)
Special	2,509,414	901,059	341,359	(1,266,996)
Vocational	618,626	-	-	(618,626)
Adult/continuing	4,259	-	-	(4,259)
Student intervention services	415,283	-	-	(415,283)
Support services:				
Pupils	738,679	-	78,765	(659,914)
Instructional staff	1,223,918	-	203,841	(1,020,077)
Board of education	27,581	-	-	(27,581)
Administration	1,560,287	-	35,307	(1,524,980)
Fiscal	642,870	-	-	(642,870)
Business	250,688	-	-	(250,688)
Operation and maintenance of plant	1,899,090	3,653	-	(1,895,437)
Pupil transportation	1,688,542	-	-	(1,688,542)
Central	72,117	-	-	(72,117)
Operation of non-instructional services	3,725	-	-	(3,725)
Operation of food services	917,041	543,957	491,473	118,389
Extracurricular activities	542,717	168,840	2,135	(371,742)
Interest and fiscal charges	4,401	-	-	(4,401)
<b>Total governmental activities</b>	<b>\$ 23,715,280</b>	<b>\$ 4,838,110</b>	<b>\$ 1,430,059</b>	<b>(17,447,111)</b>

General Revenues:

Property taxes levied for:	
General purposes	7,560,978
Capital outlay	579,753
Grants and entitlements not restricted to specific programs	8,143,285
Investment earnings	11,621
Miscellaneous	36,750
<b>Total general revenues</b>	<b>16,332,387</b>
Change in net position	(1,114,724)
Net position at beginning of year	10,325,220
Net position at end of year	<b>\$ 9,210,496</b>

See accompanying notes to the basic financial statements.

**Norton City School District**

**Balance Sheet**

**Governmental Funds**

**June 30, 2013**

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 3,171,961	\$ 1,917,596	\$ 889,941	\$ 5,979,498
<u>Receivables:</u>				
Taxes	8,515,784	603,705	-	9,119,489
Accounts	544,814	-	200	545,014
Intergovernmental	232,214	-	29,103	261,317
Interfund	89,175	-	-	89,175
Accrued interest	1,500	-	-	1,500
Prepaid items	12,472	-	592	13,064
Inventory held for resale	-	-	10,190	10,190
Materials and supplies inventory	16,143	-	-	16,143
Advances to other funds	63,404	-	-	63,404
Equity in pooled cash and cash equivalents (restricted)	15,909	-	-	15,909
Total assets	<u>\$ 12,663,376</u>	<u>\$ 2,521,301</u>	<u>\$ 930,026</u>	<u>\$ 16,114,703</u>
<u>Liabilities, deferred inflows of resources and fund balances:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 194,462	\$ 10,900	\$ 12,216	\$ 217,578
Accrued wages	1,303,232	-	37,945	1,341,177
Interfund payable	-	-	89,175	89,175
Contracts payable	1,500	122,100	-	123,600
Compensated absences payable	41,441	-	-	41,441
Intergovernmental payable	470,044	-	13,290	483,334
Advances from other funds	-	-	63,404	63,404
Total liabilities	<u>2,010,679</u>	<u>133,000</u>	<u>216,030</u>	<u>2,359,709</u>
<u>Deferred inflows of resources</u>				
Property taxes	7,848,894	555,161	-	8,404,055
Unavailable revenue - delinquent property taxes	314,147	22,711	-	336,858
Unavailable revenue - other	507,198	-	-	507,198
Total deferred inflows of resources	<u>8,670,239</u>	<u>577,872</u>	<u>-</u>	<u>9,248,111</u>
<u>Fund balances:</u>				
Nonspendable	107,928	-	592	108,520
Restricted	-	1,810,429	780,740	2,591,169
Committed	11,000	-	-	11,000
Assigned	1,863,530	-	-	1,863,530
Unassigned	-	-	(67,336)	(67,336)
Total fund balances	<u>1,982,458</u>	<u>1,810,429</u>	<u>713,996</u>	<u>4,506,883</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,663,376</u>	<u>\$ 2,521,301</u>	<u>\$ 930,026</u>	<u>\$ 16,114,703</u>

See accompanying notes to the basic financial statements.

***Norton City School District***  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Position of Governmental Activities**  
**June 30, 2013**

Total governmental funds balances		\$ 4,506,883
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,691,363
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:		
Property taxes	\$ 336,858	
Tuition and fees	494,027	
Intergovernmental	13,171	
Total	<u>844,056</u>	844,056
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		135,897
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences	\$ (864,795)	
Capital leases	(102,908)	
Total	<u>(967,703)</u>	<u>(967,703)</u>
Net position of governmental activities		<u>\$ 9,210,496</u>

See accompanying notes to the basic financial statements.

**Norton City School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2013**

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 7,659,944	\$ 557,042	\$ -	\$ 8,216,986
Intergovernmental	8,333,910	119,620	1,097,932	9,551,462
Interest	11,081	-	1,261	12,342
Tuition and fees	3,636,659	-	-	3,636,659
Extracurricular activities	51,751	-	168,810	220,561
Gifts and donations	8,580	-	2,135	10,715
Charges for services	273,455	-	530,285	803,740
Rent	3,653	-	-	3,653
Miscellaneous	82,392	-	62,910	145,302
Total revenues	<u>20,061,425</u>	<u>676,662</u>	<u>1,863,333</u>	<u>22,601,420</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	10,262,634	138,513	81,171	10,482,318
Special	2,096,590	-	384,494	2,481,084
Vocational	586,953	-	-	586,953
Adult/continuing	4,259	-	-	4,259
Student intervention services	415,283	-	-	415,283
<b>Support services:</b>				
Pupils	650,185	-	78,625	728,810
Instructional staff	1,001,159	-	194,715	1,195,874
Board of education	25,387	-	-	25,387
Administration	1,523,274	-	39,756	1,563,030
Fiscal	635,634	16,397	-	652,031
Business	205,060	2,249	-	207,309
Operation and maintenance of plant	1,767,358	40,950	-	1,808,308
Pupil transportation	1,614,513	-	-	1,614,513
Central	71,542	-	-	71,542
Operation of non-instructional services	-	-	3,725	3,725
Operation of food services	-	-	896,114	896,114
Extracurricular activities	357,801	-	178,766	536,567
Capital outlay	188,684	1,709,983	20,576	1,919,243
<b>Debt service:</b>				
Principal retirement	38,433	-	-	38,433
Interest and fiscal charges	4,401	-	-	4,401
Total expenditures	<u>21,449,150</u>	<u>1,908,092</u>	<u>1,877,942</u>	<u>25,235,184</u>
Excess of revenues under expenditures	<u>(1,387,725)</u>	<u>(1,231,430)</u>	<u>(14,609)</u>	<u>(2,633,764)</u>
<b>Other financing sources:</b>				
Proceeds from sale of capital assets	24,260	3,500	-	27,760
Inception of capital lease	121,322	-	-	121,322
Total other financing sources	<u>145,582</u>	<u>3,500</u>	<u>-</u>	<u>149,082</u>
Net change in fund balances	(1,242,143)	(1,227,930)	(14,609)	(2,484,682)
Fund balances at beginning of year	<u>3,224,601</u>	<u>3,038,359</u>	<u>728,605</u>	<u>6,991,565</u>
Fund balances at end of year	<u>\$ 1,982,458</u>	<u>\$ 1,810,429</u>	<u>\$ 713,996</u>	<u>\$ 4,506,883</u>

See accompanying notes to the basic financial statements.



***Norton City School District***

**Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2013**

Net change in fund balances - total governmental funds \$ (2,484,682)

Amounts reported for governmental activities in the  
statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities,  
the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital asset additions	\$ 1,919,243	
Depreciation expense	<u>(345,865)</u>	
Excess of capital asset additions over depreciation expense		1,573,378

Governmental funds only report the disposal of capital assets to the extent proceeds are  
received from the sale. In the statement of activities, a gain or loss is reported for  
each disposal. (21,338)

Revenues in the statement of activities that do not provide current financial resources are  
not reported as revenues in the funds. These activities consist of:

Property taxes	\$ (76,255)	
Intergovernmental	10,106	
Tuition and fees	<u>64,745</u>	
Net change in deferred inflows of resources during the year		(1,404)

Repayment of capital lease principal is an expenditure in the governmental funds,  
but the repayment reduces long-term liabilities in the statement of net position. 38,433

Some capital additions were financed through capital leases. In governmental funds, a  
capital lease arrangement is considered a source of financing, but in the statements of  
net position, the lease obligation is reported as a liability.  
Inception of a capital lease (121,322)

Some items reported in the statement of activities do not require the use of current financial  
resources and therefore are not reported as expenditures in governmental funds. These  
activities consist of:

Decrease in compensated absences		2,888
----------------------------------	--	-------

The internal service fund used by management to charge the costs of medical, prescription  
drug, dental and vision claims to individual funds are not reported in the statement of  
activities. Governmental fund expenditures and related internal service fund revenues  
are eliminated. (100,677)

Change in net position of governmental activities \$ (1,114,724)

See accompanying notes to the basic financial statements.

***Norton City School District***  
**Statement of Revenues, Expenditures and Changes in Fund Balance-**  
**Budget (Non-GAAP Basis) and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 7,770,979	\$ 7,770,979	\$ 8,065,312	\$ 294,333
Intergovernmental	7,976,393	7,976,393	8,278,525	302,132
Interest	9,867	9,867	10,241	374
Tuition and fees	3,450,787	3,450,787	3,581,443	130,656
Gifts and donations	200	200	200	-
Charges for services	225,112	225,112	233,639	8,527
Rent	4,098	4,098	4,253	155
Miscellaneous	38,839	38,839	39,766	927
Total revenues	<u>19,476,275</u>	<u>19,476,275</u>	<u>20,213,379</u>	<u>737,104</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	10,627,513	10,564,377	10,130,851	433,526
Special	2,004,743	2,126,061	2,125,256	805
Vocational	699,265	608,319	583,527	24,792
Adult/continuing	5,490	4,647	4,521	126
Student intervention services	440,097	427,403	415,283	12,120
Support services:				
Pupils	691,503	670,533	650,227	20,306
Instructional staff	1,025,151	1,045,574	1,006,996	38,578
Board of education	39,338	36,123	29,627	6,496
Administration	1,703,176	1,599,960	1,509,309	90,651
Fiscal	408,067	675,721	646,209	29,512
Business	347,217	326,795	315,561	11,234
Operation and maintenance of plant	1,957,743	1,868,550	1,808,446	60,104
Pupil transportation	1,675,924	1,681,033	1,604,817	76,216
Central	113,391	83,318	77,680	5,638
Extracurricular activities	407,504	412,059	380,291	31,768
Capital outlay	45,583	61,232	59,568	1,664
Total expenditures	<u>22,191,705</u>	<u>22,191,705</u>	<u>21,348,169</u>	<u>843,536</u>
Excess of revenues under expenditures	<u>(2,715,430)</u>	<u>(2,715,430)</u>	<u>(1,134,790)</u>	<u>1,580,640</u>
<u>Other financing sources (uses):</u>				
Refund of prior year expenditures	7,859	7,859	7,859	-
Insurance recoveries	1,600	1,600	1,548	(52)
Advances in	10,000	10,000	10,000	-
Advances out	(94,175)	(94,175)	(94,175)	-
Transfers out	(16,963)	(16,963)	(16,963)	-
Total other financing sources (uses)	<u>(91,679)</u>	<u>(91,679)</u>	<u>(91,731)</u>	<u>(52)</u>
Net change in fund balance	(2,807,109)	(2,807,109)	(1,226,521)	1,580,588
Fund balances at beginning of year	3,804,195	3,804,195	3,804,195	-
Prior year encumbrances appropriated	302,843	302,843	302,843	-
Fund balances at end of year	<u>\$ 1,299,929</u>	<u>\$ 1,299,929</u>	<u>\$ 2,880,517</u>	<u>\$ 1,580,588</u>

See accompanying notes to the basic financial statements.

***Norton City School District***  
**Statement of Fund Net Position**  
**Internal Service Fund**  
**June 30, 2013**

	<u>Self Insurance</u>
<u>Assets:</u>	
Current:	
Equity in pooled cash and cash equivalents	\$ 134,830
Cash and cash equivalents in segregated accounts	<u>1,067</u>
Total assets	<u><u>\$ 135,897</u></u>
 <u>Net position:</u>	
Unrestricted	<u>\$ 135,897</u>
Total liabilities and net position	<u><u>\$ 135,897</u></u>

See accompanying notes to the basic financial statements.

***Norton City School District***  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Internal Service Fund**  
**For the Fiscal Year Ended June 30, 2013**

	Self Insurance
<u>Operating revenues:</u>	
Charges for services	<u>\$ 37,081</u>
<u>Operating expenses:</u>	
Salaries	600
Purchased services	<u>137,698</u>
Total operating expenses	<u>138,298</u>
Operating loss	<u>(101,217)</u>
<u>Non-operating revenues:</u>	
Interest	<u>540</u>
Change in net position	(100,677)
Net position at beginning of year	<u>236,574</u>
Net position at end of year	<u><u>\$ 135,897</u></u>

See accompanying notes to the basic financial statements.

***Norton City School District***  
**Statement of Cash Flows**  
**Internal Service Fund**  
**For the Fiscal Year Ended June 30, 2013**

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received for charges for services	\$ 37,081
Cash payments to suppliers for goods and services	(137,698)
Cash payments to employees for services	(600)
Net cash used for operating activities	<u>(101,217)</u>
<u>Cash flows from noncapital financing activities:</u>	
Advances in	5,000
Advances out	(10,000)
Net cash used for noncapital financing activities	<u>(5,000)</u>
<u>Cash flows from investing activities:</u>	
Interest on investments	<u>566</u>
Net cash provided by investing financing	<u>566</u>
Net decrease in cash and cash equivalents	(105,651)
Cash and cash equivalents at beginning of year	<u>241,548</u>
Cash and cash equivalents at end of year	<u>\$ 135,897</u>
<u>Reconciliation of operating loss to net cash used for operating activities:</u>	
Operating loss	<u>\$ (101,217)</u>
Net cash used for operating activities	<u>\$ (101,217)</u>

See accompanying notes to the basic financial statements.

***Norton City School District***  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2013**

	Private Purpose Trust	
	Scholarships	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 45,207	\$ 58,013
Cash and cash equivalents:		
In segregated accounts	56,076	-
Interest receivable	49	-
Total assets	<u>\$ 101,332</u>	<u>\$ 58,013</u>
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ 1,402
Due to students	-	56,611
Total liabilities	<u>-</u>	<u>\$ 58,013</u>
<u>Net position:</u>		
Held in trust for scholarships	<u>\$ 101,332</u>	

See accompanying notes to the basic financial statements.

***Norton City School District***  
**Statement of Changes in Fiduciary Net Position**  
**Private Purpose Trust Fund**  
**For the Fiscal Year Ended June 30, 2013**

	Private Purpose Trust <u>Scholarships</u>
<u>Additions:</u>	
Interest	\$ 201
Gifts and donations	2,681
Total additions	<u>2,882</u>
<u>Deductions:</u>	
Payments in accordance with trust agreements	<u>7,730</u>
Change in net position	(4,848)
Net position at beginning of year	<u>106,180</u>
Net position at end of year	<u>\$ 101,332</u>

See accompanying notes to the basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE SCHOOL DISTRICT**

---

The Norton City School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's six instructional/support facilities staffed by 135 non-certificated employees and 200 certificated teaching and support personnel, including 17 administrators that provide services to 2,587 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no material component units.

The School District is associated with the Metropolitan Regional Service Council (MRSC) also known as Northeast Ohio Network for Educational Technology (NEOnet), Ohio Schools' Council and the Four Cities Educational Compact, which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 14.



The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation  
- Fund Accounting**

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling-up" revenues and expenses. However, the services provided and used are not eliminated in the process of consolidation.

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

Fund Financial Statements

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

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Fund Types:

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's has two major governmental funds:

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

Permanent Improvement Fund: The permanent improvement capital projects fund is used to account for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of resources.

Proprietary Fund Type

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund: The internal service fund accounts for the financing of services provided by one department or agency to other departments or agency of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for employee health care benefits. Insurance premiums and related costs are paid from revenue received from other funds as well as employee withholdings. The payments will continue to be made from these sources and the residual cash balance as the School District make a transition from being self-insured to participating in a public entity risk pool.

Fiduciary Fund Types

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund, which accounts for several scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only agency fund reports resources that belong to the student bodies of the various schools.

**C. Measurement Focus  
and Basis of  
Accounting**

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets, liabilities, deferred outflows of resources and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

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

The private purpose trust fund is reported using the economic resources measurement focus.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of net position. The statement of revenues, expenses and changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

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

#### Revenue - Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The School District did not have any deferred outflows of resources at year end.

In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance year 2014 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants and County levied sales tax. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating grants and contributions" program revenue account.

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

**D. Budgets and  
Budgetary  
Accounting**

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 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.

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2013. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

At the close of each 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.

**E. Cash and Investments** To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents". During the fiscal year, investments were limited to overnight repurchase agreements, certificates of deposit, and interest in STAROhio, the State Treasurer's Investment Pool. These investments are stated at cost, which approximates market value (fair value). Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board has passed a resolution to allow interest to also be recorded in other funds as listed in Note 4.

Some of the School District's monies for the internal service funds health coverage are held separate from the School District's central bank account and are reflected as "Cash and cash equivalents in segregated accounts". The School District also holds monies separate from the School District's central bank account for monies held for future scholarships, which are reported in the scholarships private purpose trust fund.

**F. Prepaids** Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

**G. Interfund balances** On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables" whereas long-term interfund loans are classified as "advances to/from other funds". These amounts are eliminated in the governmental activities column of the statement of net position.

## *Notes to the Basic Financial Statements*

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### **H. Inventory**

On the governmental-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expended when used.

Inventories on the fund financial statements are stated at cost on a first-in, first-out basis. Inventories of the general fund consist of expendable supplies held for consumption. Inventories of the food service special revenue fund consist of donated food, purchased food and supplies held for resale. Inventories reported on the fund financial statements are expended when purchased.

### **I. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in the general fund include the amount required to be reserved for unclaimed monies. See Note 17 for additional information regarding statutory reserves.

### **J. Capital Assets**

General capital assets are those assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported on the fund financial statements.

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

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	10 - 30 years
Buildings and improvements	30 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	10 - 15 years

### **K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

For the governmental fund financial statements, the matured portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

**L. Net Position**

Net position represents the difference between all other elements in the statement of financial position. Net position investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net position restricted for other purposes primarily include amounts generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for operating or capital costs for any new and innovative programs designed to enhance or promote education within the School District.

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

**M. Accrued Liabilities  
and Long-term  
Obligations**

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

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



**N. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted fund balance category includes amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance classifications are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**O. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are classified as non-operating.

**P. Interfund Transactions**

Interfund transactions are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of net position.

**Q. Estimates**

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

**NOTE 2 – FUND BALANCES**

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Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

*Notes to the Basic Financial Statements*

Fund Balances	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>				
Materials and supplies inventory	\$ 16,143	\$ -	\$ -	\$ 16,143
Prepays	12,472	-	592	13,064
Advances to other funds	63,404	-	-	63,404
Unclaimed monies	<u>15,909</u>	<u>-</u>	<u>-</u>	<u>15,909</u>
Total nonspendable	<u>107,928</u>	<u>-</u>	<u>592</u>	<u>108,520</u>
<u>Restricted for</u>				
Food service	-	-	769,959	769,959
Special education	-	-	10,781	10,781
Capital improvements	<u>-</u>	<u>1,810,429</u>	<u>-</u>	<u>1,810,429</u>
Total restricted	<u>-</u>	<u>1,810,429</u>	<u>780,740</u>	<u>2,591,169</u>
<u>Committed</u>				
Underground storage tanks	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>11,000</u>
<u>Assigned for</u>				
Public school support	61,889	-	-	61,889
Encumbrance	171,609	-	-	171,609
Next years budget	<u>1,630,032</u>	<u>-</u>	<u>-</u>	<u>1,630,032</u>
Total assigned	<u>1,863,530</u>	<u>-</u>	<u>-</u>	<u>1,863,530</u>
Unassigned (deficit)	<u>-</u>	<u>-</u>	<u>(67,336)</u>	<u>(67,336)</u>
Total fund balances	<u>\$ 1,982,458</u>	<u>\$ 1,810,429</u>	<u>\$ 713,996</u>	<u>\$ 4,506,883</u>

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

## Norton City School District

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3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).
5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

### Net Change in Fund Balance

	<u>General</u>
GAAP basis	\$ (1,242,143)
Net adjustment for revenue accruals	173,525
Net adjustment for expenditure accruals	97,506
Advances in	10,000
Advances out	(94,175)
Encumbrances (Budget basis) outstanding at year-end	(197,505)
Perspective differences from funds budgeted as special revenue funds:	
Revenues	(157,746)
Transfers from general fund	(16,963)
Expenditures	200,980
Budget basis	<u>\$ (1,226,521)</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. 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 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the School 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 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.

A. Deposits:

For the fiscal year ended June 30, 2013, the School District reported \$15,909 in "Equity in pooled cash and cash equivalents (restricted)" on the balance sheet. This amount represents a reserve for unclaimed monies.

The carrying value of the School District's deposits totaled \$5,971,197, and the bank balances of the deposits totaled \$6,195,459; all of which was not exposed to custodial credit risk.

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. 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% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

B. Investments:

As of June 30, 2013, the School District had the following investments and maturities:

## *Notes to the Basic Financial Statements*

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<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Repurchase agreements	\$ 140,000	Daily	AAA <sup>(1)</sup>
STAROhio	<u>179,403</u>	57.5 <sup>(3)</sup>	AAAm <sup>(2)</sup>
	<u>\$ 319,403</u>		

<sup>(1)</sup> Standard and Poor's rating of underlying investment

<sup>(2)</sup> Standard and Poor's rating

<sup>(3)</sup> Days (Average)

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2013.

All interest is legally required to be placed in the general fund, the food service special revenue fund and the scholarships private purpose trust fund. Interest revenue credited to the general fund during fiscal year 2013 amount to \$11,081, which includes \$4,557 assigned from other School District funds.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's \$140,000 investment in repurchase agreements is to be secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the School District's name, are Federal National Mortgage Corporation (FNMA) bonds. These securities, held by the counterparty and not in the School District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

**NOTE 5 - PROPERTY TAX**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used for public utilities) located in the School District. Real property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2011. The tax was phased out by reducing the assessment rate on the property over several years. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursement is being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of reimbursements.



## *Notes to the Basic Financial Statements*

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The School District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at year-end was \$352,743 in the general fund and \$25,833 in the permanent improvement capital projects fund.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been recorded as a deferred inflow.

The assessed values upon which the fiscal year 2013 taxes were collected are:

<u>Property Category</u>	<u>2012 Assessed Value</u>	<u>2011 Assessed Value</u>
<u>Real Property</u>		
Residential and agricultural	\$ 239,465,990	\$ 238,819,470
Commercial , industrial and mineral	34,748,860	35,728,540
Public utilities	181,100	63,000
<u>Tangible Personal Property</u>		
Public utilities	<u>8,648,360</u>	<u>6,916,650</u>
Total	<u>\$ 283,044,310</u>	<u>\$ 281,527,660</u>

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### **NOTE 6 - RECEIVABLES**

Receivables at year-end consisted of taxes, interfund, accrued interest, accounts, intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The general fund and nonmajor governmental funds reported intergovernmental receivables in the amounts of \$232,214 and \$29,103, respectively.

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# Norton City School District

## NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 71,000	\$ 890,593	\$ -	\$ 961,593
Capital assets, being depreciated:				
Land improvements	1,387,549	-	-	1,387,549
Buildings and improvements	7,367,577	747,392	(24,335)	8,090,634
Furniture and equipment	1,654,035	184,133	(302,094)	1,536,074
Vehicles	2,112,962	97,125	(6,800)	2,203,287
Total capital assets, being depreciated	<u>12,522,123</u>	<u>1,028,650</u>	<u>(333,229)</u>	<u>13,217,544</u>
Less: Accumulated depreciation				
Land improvements	(927,118)	(49,427)	-	(976,545)
Buildings and improvements	(5,382,919)	(128,930)	2,997	(5,508,852)
Furniture and equipment	(1,432,171)	(86,613)	302,094	(1,216,690)
Vehicles	(1,711,592)	(80,895)	6,800	(1,785,687)
Total accumulated depreciation	<u>(9,453,800)</u>	<u>(345,865)</u>	<u>311,891</u>	<u>(9,487,774)</u>
Total capital assets being depreciated, net	<u>3,068,323</u>	<u>682,785</u>	<u>(21,338)</u>	<u>3,729,770</u>
Governmental activities capital assets, net	<u>\$ 3,139,323</u>	<u>\$ 1,573,378</u>	<u>\$ (21,338)</u>	<u>\$ 4,691,363</u>

## Notes to the Basic Financial Statements

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 81,694
Special	4,152
Vocational	23,847
Support services:	
Pupils	3,429
Instructional staff	16,606
Board of education	2,194
Administration	2,338
Fiscal	1,097
Business	43,412
Operation and maintenance of plant	77,684
Pupil transportation	69,351
Operation of food services	13,911
Extracurricular activities	<u>6,150</u>
Total depreciation expense	<u><u>\$ 345,865</u></u>

### NOTE 8 – INTERFUND BALANCES

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Interfund balances result from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. In a prior year, the general fund advanced money to two nonmajor special revenue funds and advanced money to two different special revenue funds during the current fiscal year. The advances to the special revenue funds were used to fund state and federal grants where the money has not yet been received. All of these interfund balances are expected to be repaid when anticipated revenue is received.

	Interfund Receivable	Interfund Payable	Advances to other funds	Advances from other funds
General fund	\$ 89,175	\$ -	\$ 63,404	\$ -
Nonmajor governmental funds	<u>-</u>	<u>89,175</u>	<u>-</u>	<u>63,404</u>
	<u><u>\$ 89,175</u></u>	<u><u>\$ 89,175</u></u>	<u><u>\$ 63,404</u></u>	<u><u>\$ 63,404</u></u>

**NOTE 9 – RISK MANAGEMENT**

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A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

B. Health Insurance

The School District has ceased being self-insured. On July 1, 2010, the School District became a participant in the Summit Regional Health Care Consortium (SRHCC) to provide medical/surgical, dental, vision, life insurance and accidental death and dismemberment insurance for its employees and their covered dependents. The SRHCC is a shared risk pool comprised of five Summit County school districts. The employer participants pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees and their covered dependents. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$200,000 per participant and an aggregate stop-loss provision of \$2,000,000.

Premium contributions are determined annually in a manner that ensures the pool is funded up to the aggregate stop loss attachment point of \$2,000,000. In the event of termination, all participating school districts' claims would be paid without regard to their individual account balances. The SRHCC Board of Directors has authority to return monies to an exiting school district subsequent to the settlement of all claims and expenditures.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

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**A. School Employees Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information.

That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2013, 13.10 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$418,077, \$368,405 and \$389,080 respectively; 60 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**B. State Teachers  
Retirement System**

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2012 (Latest information available), 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. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,267,968, \$1,311,410 and \$1,358,515 respectively, 83.4 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$25,385 made by the School District and \$18,132 made by the plan members.

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**NOTE 11 - POST-EMPLOYMENT BENEFITS**

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**A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2013, this amount was \$20,525.

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

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$58,025, \$89,330 and \$91,806 respectively; 95.4 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 were \$23,617, \$23,708 and \$25,038 respectively; 60 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**B. State Teachers  
Retirement System**

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012 (Latest information available), STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$97,536, \$100,878 and \$104,501, respectively; 83.4 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

*Norton City School District*

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**NOTE 12 - LONG-TERM OBLIGATIONS**

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The changes in long-term obligations of the School District during the fiscal year were as follows:

	Balance <u>July 1</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30</u>	Due within <u>one year</u>
<u>Other obligations</u>					
Compensated absences	\$ 867,683	\$ 118,549	\$ (121,437)	\$ 864,795	\$ 106,334
Capital leases payable	<u>20,019</u>	<u>121,322</u>	<u>(38,433)</u>	<u>102,908</u>	<u>23,006</u>
Total long-term liabilities	<u>\$ 887,702</u>	<u>\$ 239,871</u>	<u>\$ (159,870)</u>	<u>\$ 967,703</u>	<u>\$ 129,340</u>

Compensated absences will be paid from the fund from which the employee is paid. In prior years, this fund has primarily been the general fund. Capital lease obligations will be paid from the general fund.

**NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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During fiscal year 2013, the School District entered into a new capitalized lease for the acquisition of copiers. The terms of the agreements provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by generally accepted accounting standards, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by this lease have been capitalized as equipment in the amount of \$145,582, which is equal to the present value of the future minimum lease payments on the government-wide financial statements plus the trade in amount of the old copiers. Principal payments in the current fiscal year totaled \$18,414 for the new lease and \$20,019 on the old lease.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.



## *Notes to the Basic Financial Statements*

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Fiscal <u>Year</u>	Lease <u>Payments</u>
2014	\$ 27,079
2015	27,079
2016	27,079
2017	27,079
2018	<u>4,513</u>
Total minimum lease payments	112,829
Less: amount representing interest	<u>(9,921)</u>
Total	<u>\$ 102,908</u>

### **NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

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The Metropolitan Regional Service Council (MRSC) is the computer service organization or Information Technology Center (ITC) used by the School District. MRSC is also known as Northeast Ohio Network for Educational Technology (NEOnet), which is the name used exclusively prior to their reorganization from a consortium to a council of governments. The superintendent from each member entity is appointed to the legislative body of MRSC known as the assembly. The assembly elects a board of directors consisting of nine members. These members comprise the managerial body of the council and meet at least five times yearly. The operations of MRSC are under the control of the board of directors and the executive director. The purpose of the MRSC is to develop and employ a computer system efficiently and effectively for the needs of the member school districts. All members are required to pay fees, charges and assessments as charged. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to MRSC are made from various funds. During fiscal year 2013, the School District contributed \$97,786 to MRSC. Financial information can be obtained by contacting the fiscal agent at 700 Graham Road, Cuyahoga Falls, Ohio 44221.

The Four Cities Educational Compact is a jointly governed organization that provides for the vocational and special education needs of the students of four participating school districts. The four-member board consists of the superintendent from each of the participating school districts. Students may attend any vocational or special education class offered by any of the four districts. If a student elects to attend a class offered by a school district other than the school district in which the student resides, the school district of residence pays an instructional fee to the school district that offered the class.

Wadsworth City School District serves as the fiscal agent for this organization, collecting fees and distributing payments. The committee exercises total control over the operation of the compact, including budgeting, appropriating, contracting and designating management. All revenues are generated from charges for services. Financial information can be obtained by contacting the Treasurer at the Wadsworth City School District, 360 College St., Wadsworth, Ohio 44281.

The Ohio Schools' Council Association (Council) is a jointly governed organization among school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2013, the School District paid \$923 to the Council in the form of program fees. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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**NOTE 15 – ACCOUNTABILITY**

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**Deficit Fund Balances**

As of June 30, 2013, four nonmajor special revenue funds had deficit fund balances. This deficit was caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had a deficit at year-end:

<u>Fund</u>	<u>Deficit</u>
District Managed Student Activity	\$ 13,116
IDEA Grant	10,232
Title I	37,659
Title II-A	6,329

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**NOTE 16 - CONTINGENT LIABILITIES**

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The School 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

## *Notes to the Basic Financial Statements*

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In the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

### **NOTE 17 - SET-ASIDES**

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The School District is required by the state law to annually set aside in the general fund an amount based on a statutory formula 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 capital maintenance.

	Capital Maintenance Reserve
Set-aside reserve balance as of June 30, 2012	\$ -
Current year set-aside requirement	420,417
Current year offsets	(709,962)
Qualifying disbursements	<u>(281,292)</u>
Total	<u>\$ (570,837)</u>
Set-aside balance carried forward to future fiscal years	<u>\$ -</u>

Although the School 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.

### **NOTE 18 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

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For fiscal year 2013, the School District has implemented Governmental Accounting Standards Board Statement (GASBS) No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”.

GASBS No. 63 established standards for the reporting of net position which was previously referred to as net assets. The School District’s implementation had no effect on the amount of beginning net position.

For fiscal year 2013, the School District has also implemented Governmental Accounting Standards Board Statement (GASBS) No. 65, “Items Previously Reported as Assets and Liabilities”.

GASBS No. 65 established standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities. In prior periods the School District had reported assets related to the unamortized debt issuance costs in the governmental activity entity wide financial statements. GASBS No. 65 has reclassified debt issuance costs as an expense in the period incurred rather than amortizing the costs over the life of the debt. The School District's implementation had no effect on the amount of beginning net position.

**NOTE 19 – SUBSEQUENT EVENT**

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The constituents of the School District approved a \$22.8 million bond levy on the November ballot. The levy, which is for 36 years, approves the issuance of bonds to be used for the construction and renovation of school facilities.

NORTON CITY SCHOOL DISTRICT  
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	044552-3L70-2013	10.553	\$ 57,895		\$ 57,895	
National School Lunch Program	044552-3L60-2013	10.555	340,555	\$ 35,237	340,555	\$ 35,237
Total Nutrition Cluster			<u>398,450</u>	<u>35,237</u>	<u>398,450</u>	<u>35,237</u>
<b>Total U.S. Department of Agriculture</b>			<u>398,450</u>	<u>35,237</u>	<u>398,450</u>	<u>35,237</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies Cluster:						
Title I Grants to Local Educational Agencies	044552-3M00-2012	84.010	3,591		14,016	
Title I Grants to Local Educational Agencies	044552-3M00-2013	84.010	182,422		198,635	
Total Title I Grants to Local Educational Agencies			<u>186,013</u>		<u>212,651</u>	
Special Education Cluster:						
Special Education Grants to States	044552-3M20-2013	84.027	389,577		415,867	
Special Education Preschool Grants	044552-3C50-2013	84.173	3,658		3,658	
Total Special Education Grants to States			<u>393,235</u>		<u>419,525</u>	
Improving Teacher Quality State Grants - Title IIA	044552-3Y60-2012	84.367	6,337		3,250	
Improving Teacher Quality State Grants - Title IIA	044552-3Y60-2013	84.367	45,575		51,014	
Total Improving Teacher Quality State Grants			<u>51,912</u>		<u>54,264</u>	
Education Jobs	0445532-3ET0-2012	84.410			1,256	
<b>Total U.S. Department of Education</b>			<u>631,160</u>	<u>-</u>	<u>687,696</u>	<u>-</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,029,610</u>	<u>\$ 35,237</u>	<u>\$ 1,086,146</u>	<u>\$ 35,237</u>

The accompanying notes are an integral part of this schedule.

**NORTON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Norton City School District (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2013 to 2014 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2013 to 2014</u>
Improving Teacher Quality-Title IIA	84.367	\$ 8,191
Title I Grants to Local Educational Agencies	84.010	\$23,632



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Norton City School District  
Summit County  
4128 South Cleveland-Massillon Road  
Norton, Ohio 44203

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norton City School District, Summit County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 21, 2014, wherein we noted the District adopted the provisions of Governmental Accounting Standards No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and No. 65, "Items Previously Reported as Assets and Liabilities".

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the 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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 21, 2014





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Norton City School District  
Summit County  
4128 South Cleveland-Massillon Road  
Norton, Ohio 44203

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Norton City School District's, Summit County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Norton City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect its major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 21, 2014

**NORTON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

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

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

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

None

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

None

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

Norton City School District  
Summit County  
4128 South Cleveland-Massillon Road  
Norton, Ohio 44203

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on September 17, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

**Dave Yost**  
Auditor of State

February 21, 2014

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# Dave Yost • Auditor of State

**NORTON CITY SCHOOL DISTRICT**

**SUMMIT 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 4, 2014**