



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 the Norton City School District, Summit County, Ohio, (the District), as of and for the year ended June 30, 2014, 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 the Norton City School District, Summit County, Ohio, as of June 30, 2014, 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.

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 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 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 2, 2015, 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 that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

February 2, 2015

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Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
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, 2014. 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 2014 are as follows:

- Net position of governmental activities increased \$1,406,286, representing a 15.3% increase from fiscal year 2013.
- General revenues accounted for \$19,214,327 in revenue or 72% of all revenues. Program specific revenues in the form of charges for services, and operating grants, contributions and interest accounted for \$7,481,707 or 28% of total revenues of \$26,696,034.
- The School District had \$25,289,748 in expenses related to governmental activities; only \$7,481,707 of these expenses was offset by program specific revenues that include charges for services, operating grants, contributions and interest. General revenues of \$19,214,327 were able to cover these programs.
- The School District had three major governmental funds, the general fund, the building and classroom facilities capital projects funds. The general fund's balance increased \$7,990 from \$1,982,458 at June 30, 2013 to \$1,990,448 at June 30, 2014. The building and classroom facilities capital projects funds are new funds for fiscal year end June 30, 2014.
- The School District issued \$12,999,287 and \$9,770,000 in general obligation bonds and \$9,800,000 and \$5,913,448 in notes in order to finance the construction of a new high school and athletic complex.

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, the building and the classroom facilities capital projects funds are by far the most significant funds.

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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 2014?" These statements include all non-fiduciary 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 net position. 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, the building and classroom facilities capital projects funds.

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, 2014
 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 2014 compared to 2013:

		Table 1 Net Position	
		<u>Governmental Activities</u>	
		<u>2014</u>	<u>2013</u>
Assets			
Current and other assets	\$	40,184,924	\$ 16,098,021
Capital assets, net of depreciation		<u>5,546,890</u>	<u>4,691,363</u>
Total assets		<u>45,731,814</u>	<u>20,789,384</u>
Liabilities			
Current and other liabilities		2,327,599	2,207,130
Long-term liabilities:			
Due within one year		142,045	129,340
Due in more than one year		<u>24,053,489</u>	<u>838,363</u>
Total liabilities		<u>26,523,133</u>	<u>3,174,833</u>
Deferred inflows of resources			
Property taxes		<u>8,591,899</u>	<u>8,404,055</u>
Net Position			
Net investment in capital assets		4,363,201	4,588,455
Restricted		4,292,468	2,588,165
Unrestricted		<u>1,961,113</u>	<u>2,033,876</u>
Total net position	\$	<u>10,616,782</u>	\$ <u>9,210,496</u>

Over time, net position can serve as a useful indicator of a government's financial position. During fiscal year 2014, the School District had an increase in net position of \$1,406,286.

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, \$4,292,468, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net position, \$3,033,950 is restricted for capital projects, \$443,289 is restricted for debt service, \$796,036 is restricted for food services, and \$19,193 is restricted for other purposes. The remaining balance of net position of \$1,961,113 is unrestricted.

Norton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 shows changes in net position for fiscal year 2014 compared to fiscal year 2013.

Table 2
Changes in Net Position

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues:		
Charges for services	\$ 4,425,307	\$ 4,838,110
Operating grants, contributions and interest	1,870,550	1,430,059
Capital grants and contributions	1,185,850	-
General revenues:		
Property taxes	10,318,448	8,140,731
Grants and entitlements	8,848,881	8,143,285
Investment earnings	14,028	11,621
Miscellaneous	32,970	36,750
Total revenues	<u>26,696,034</u>	<u>22,600,556</u>
Program Expenses		
Instruction:		
Regular	10,840,837	10,596,042
Special	2,502,827	2,509,414
Vocational	610,502	618,626
Adult/continuing	4,774	4,259
Student intervention services	452,868	415,283
Support services:		
Pupils	1,691,935	738,679
Instructional staff	519,145	1,223,918
Board of education	129,438	27,581
Administration	1,577,413	1,560,287
Fiscal	526,764	642,870
Business	252,640	250,688
Operation and maintenance of plant	2,030,933	1,899,090
Pupil transportation	1,752,290	1,688,542
Central	78,405	72,117
Operation non-instructional services	3,554	3,725
Operation of food services	937,227	917,041
Extracurricular activities	651,592	542,717
Interest and fiscal charges	726,604	4,401
Total expenses	<u>25,289,748</u>	<u>23,715,280</u>
Change in net position	1,406,286	(1,114,724)
Net position beginning of year	<u>9,210,496</u>	<u>10,325,220</u>
Net position end of year	<u>\$ 10,616,782</u>	<u>\$ 9,210,496</u>

Norton City School District

Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Governmental Activities

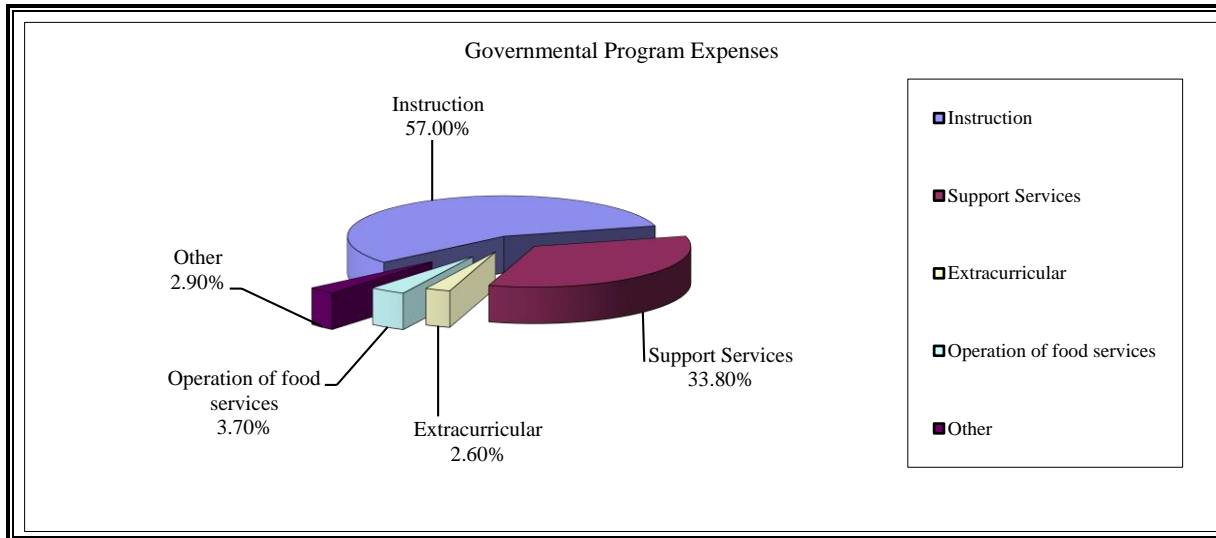
Norton City School District depends on both property taxes and State funding.

Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated over \$10.3 million in 2014. The increase in property tax revenue from 2013 to 2014 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 \$8.8 million. Due to the combination of taxes and intergovernmental funding representing nearly 71.8% 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 \$14,411,808, or 57% 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 \$268,184, or 1.9%. The reason for this increase was due to increased costs related to regular 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 \$2,211,080 of the total governmental program expenses, or 8.7%. These expenses increased over the prior year in the amount of \$248,483, or 12.6% due to an increase in related costs as compared to the prior year. The variances for pupil services and instructional staff expenditures are, in part, due to the Ohio Department of Education requiring a change in the accounting of costs associated with specified aides.

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 \$2,486,255, or 9.8% of governmental program expenses.

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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 \$2,030,933, or 8% of the governmental program expenses. Expenses for providing this program increased \$131,843, or 6.9% as compared to the prior year. The primary cause of this increase was due to an increase in operating expenses.

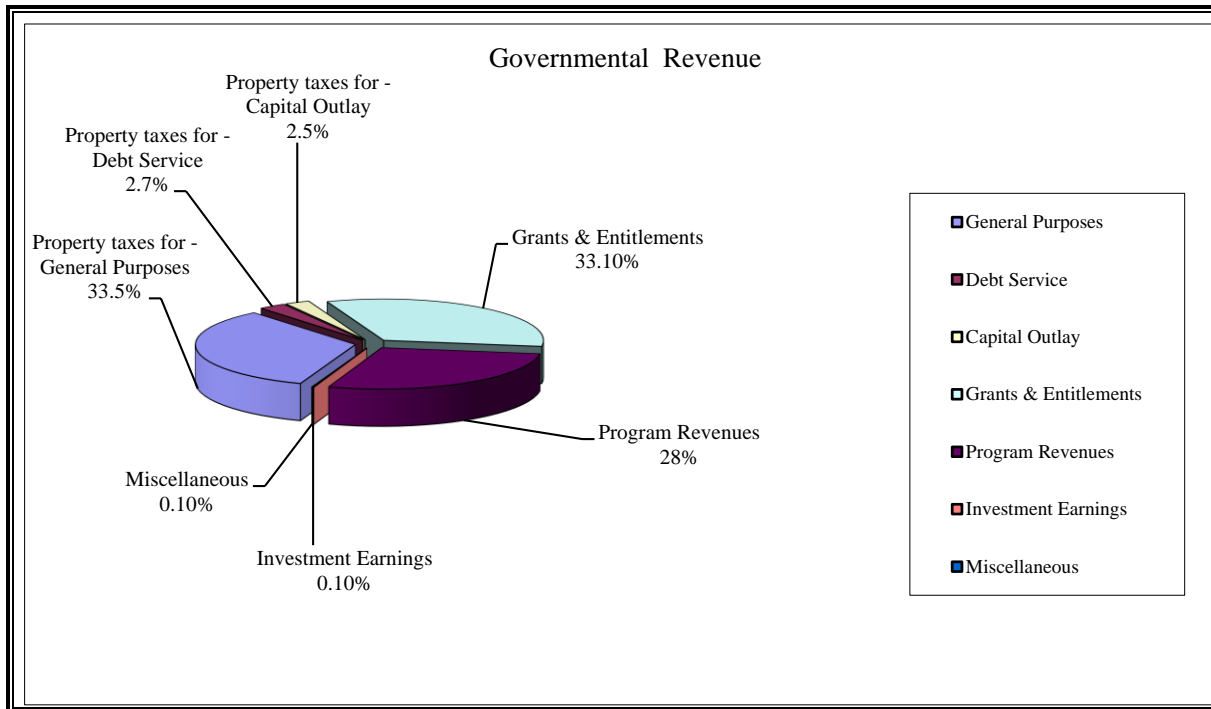
Pupil transportation expenses are expenses related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. Total transportation cost was \$1,752,290, or 6.9% of the total governmental program expenses. Expenses for providing this program increased \$63,748, or 3.8% as compared to the prior year.

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 2013. 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>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2014</u>	Net Cost of Services <u>2013</u>
Program Expenses:				
Instruction:				
Regular	\$ 10,840,837	\$ 10,596,042	\$ (5,657,142)	\$ (7,098,262)
Special	2,502,827	2,509,414	(1,655,913)	(1,266,996)
Vocational	610,502	618,626	(606,347)	(618,626)
Adult/continuing	4,774	4,259	(4,774)	(4,259)
Student intervention services	452,868	415,283	(452,868)	(415,283)
Support services:				
Pupils	1,691,935	738,679	(1,431,626)	(659,914)
Instructional staff	519,145	1,223,918	(488,972)	(1,020,077)
Board of education	129,438	27,581	(129,438)	(27,581)
Administration	1,577,413	1,560,287	(1,576,331)	(1,524,980)
Fiscal	526,764	642,870	(526,764)	(642,870)
Business	252,640	250,688	(252,640)	(250,688)
Operation and maintenance of plant	2,030,933	1,899,090	(2,028,048)	(1,895,437)
Pupil transportation	1,752,290	1,688,542	(1,752,290)	(1,688,542)
Central	78,405	72,117	(78,405)	(72,117)
Operation non-instructional services	3,554	3,725	(417)	(3,725)
Operation of food services	937,227	917,041	37,371	118,389
Extracurricular activities	651,592	542,717	(476,833)	(371,742)
Interest and fiscal charges	726,604	4,401	(726,604)	(4,401)
Total expenses	<u>\$ 25,289,748</u>	<u>\$ 23,715,280</u>	<u>\$ (17,808,041)</u>	<u>\$ (17,447,111)</u>

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2014
 Unaudited



Program revenues include charges for services, grants, contributions and interest that are program specific. Property taxes made up 38.7% of total revenues for governmental activities for the Norton City Schools in fiscal year 2014. Program revenues for governmental activities provided 28% of governmental revenues with 72% of all governmental activities supported through property taxes, grants and entitlement, and other general revenues. The 33.1% 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 \$26,715,159 and total expenditures were \$25,984,631. The net change in fund balance for other governmental funds was an increase of \$642,579. The overall increase in fund balance of \$23,967,597 was due to the issuance of general obligation bonds during the fiscal year.

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2014
 Unaudited

Table 4
 Change in Fund Balance

	Fund Balance June 30, 2014	Fund Balance June 30, 2013	Increase (Decrease)
General	\$ 1,990,448	\$ 1,982,458	\$ 7,990
Building	6,956,971	-	6,956,971
Classroom facilities	16,360,057	-	16,360,057
Other governmental	3,167,004	2,524,425	642,579
Total	<u>\$ 28,474,480</u>	<u>\$ 4,506,883</u>	<u>\$ 23,967,597</u>

General Fund

The School District's general fund balance increased by \$7,990 during the fiscal year. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

Table 5
 General Fund - Change in Revenue

	2014 <u>Amount</u>	2013 <u>Amount</u>	Percent <u>Change</u>
Taxes	\$ 8,929,610	\$ 7,659,944	16.58%
Intergovernmental	9,054,984	8,333,910	8.65%
Interest	6,325	11,081	-42.92%
Tuition and fees	3,626,727	3,636,659	-0.27%
Extracurricular activities	60,377	51,751	16.67%
Gifts and donations	20,849	8,580	143.00%
Charges for services	205,092	273,455	-25.00%
Rent	2,885	3,653	-21.02%
Miscellaneous	36,200	82,392	-56.06%
Total	<u>\$ 21,943,049</u>	<u>\$ 20,061,425</u>	

Overall revenues within the general fund increased \$1,881,624 for the fiscal year. This is due to an increase in property taxes revenue for the current fiscal year.

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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>	2014 <u>Amount</u>	2013 <u>Amount</u>	Percent <u>Change</u>
Instruction	\$ 13,512,859	\$ 13,365,719	1.10%
Support services	7,919,199	7,494,112	5.67%
Extracurricular activities	472,799	357,801	32.14%
Capital outlay	3,123	188,684	-98.34%
Debt service	27,079	42,834	-36.78%
Total	<u>\$ 21,935,059</u>	<u>\$ 21,449,150</u>	

Expenditures increased \$485,909 from the prior year. This increase is mainly due to increased costs related to instruction and support services.

Building Fund

The School District's building fund balance increased by \$6,956,971, this was due to the issuance of general obligation bonds to be used for a new high school and athletic complex.

Classroom Facilities Fund

The School District's classroom facilities fund balance increased by \$16,360,057, this was due to the issuance of general obligation bonds to be used for a new high school and athletic complex.

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 \$20,139,344. This amount was changed during the year, resulting in a final revenue budget of \$21,085,587. Actual revenue and other financing sources reported was \$21,090,417 which is \$951,073 greater than the original budgeted amounts.

The original expenditures and other financing uses estimate of \$22,197,510 was revised slightly over the course of the fiscal year. The final budgeted expenditures and other financing uses were \$24,147,710, which was an increase of \$1,950,200 or 8.8 percent over the original budget. Actual expenditures, including encumbrances and other financing uses were under budget by \$2,073,314. This was the result of conservative spending by the School District.

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2014
 Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$5,546,890 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 7 shows fiscal year 2014 balances compared to fiscal year 2013:

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

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 1,265,263	\$ 961,593
Construction in progress	675,084	-
Land improvements	361,577	411,004
Buildings and improvements	2,441,498	2,581,782
Furniture and equipment	367,448	319,384
Vehicles	<u>436,020</u>	<u>417,600</u>
Total capital assets	<u>\$ 5,546,890</u>	<u>\$ 4,691,363</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. Significant additions for the current fiscal year included the purchase of land, a new school bus and construction began on the new high school and athletic complex. See Note 7 to the basic financial statements for detail on the School District's capital assets.

Debt

At June 30, 2014, the School District had \$23,317,204 in bonds (including unamortized bond premium and bond accretion) and capital leases outstanding with \$24,041 due within one year. Table 8 summarizes the debt outstanding:

Table 8
 Outstanding Debt, at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 23,237,302	\$ -
Capital leases	<u>79,902</u>	<u>102,908</u>
Total outstanding debt	<u>\$ 23,317,204</u>	<u>\$ 102,908</u>

During the fiscal year, the School District issued \$23,237,302 in bonds (including unamortized bond premium and bond accretion), the proceeds of which are to be used to finance the construction of a new high school and athletic complex. The School District has budgeted to meet all of its debt requirements, all of which are to be repaid from the debt service fund.

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges. These challenges stem from issues that are at the local and State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong.

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. All of the School District's financial abilities will be needed to meet the challenges of the future.

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.

Norton City School District

Statement of Net Position

June 30, 2014

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 18,158,533
Cash and cash equivalents:	
In segregated accounts	5,840,386
Investments in segregated accounts	4,974,859
Receivables:	
Taxes	10,285,440
Accounts	505,440
Intergovernmental	367,822
Accrued interest	5,378
Prepaid items	16,757
Inventory held for resale	12,993
Materials and supplies inventory	17,316
Capital assets:	
Land and construction in progress	1,940,347
Depreciable capital assets	13,417,009
Accumulated depreciation	(9,810,466)
Total capital assets	<u>5,546,890</u>
Total assets	<u>45,731,814</u>
 <u>Liabilities:</u>	
Accounts payable	131,069
Contracts payable	207,931
Accrued wages	1,370,058
Intergovernmental payable	458,538
Matured compensated absences payable	2,807
Unearned revenue	4,244
Accrued interest payable	152,952
Long-term liabilities:	
Due within one year	142,045
Due in more than one year	24,053,489
Total liabilities	<u>26,523,133</u>
 <u>Deferred inflows of resources</u>	
Property taxes	<u>8,591,899</u>
 <u>Net position:</u>	
Net investment in capital assets	4,363,201
Restricted for:	
Capital projects	3,033,950
Debt service	443,289
Food services	796,036
Other purposes	19,193
Unrestricted	1,961,113
Total net position	<u>\$ 10,616,782</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	
Governmental Activities:					
Instruction:					
Regular	\$ 10,840,837	\$ 3,566,964	\$ 435,881	\$ 1,180,850	\$ (5,657,142)
Special	2,502,827	177,507	669,407	-	(1,655,913)
Vocational	610,502	4,155	-	-	(606,347)
Adult/continuing	4,774	-	-	-	(4,774)
Student intervention services	452,868	-	-	-	(452,868)
Support services:					
Pupils	1,691,935	-	260,309	-	(1,431,626)
Instructional staff	519,145	-	30,173	-	(488,972)
Board of education	129,438	-	-	-	(129,438)
Administration	1,577,413	1,065	17	-	(1,576,331)
Fiscal	526,764	-	-	-	(526,764)
Business	252,640	-	-	-	(252,640)
Operation and maintenance of plant	2,030,933	2,885	-	-	(2,028,048)
Pupil transportation	1,752,290	-	-	-	(1,752,290)
Central	78,405	-	-	-	(78,405)
Operation of non-instructional services	3,554	-	3,137	-	(417)
Operation of food services	937,227	503,852	470,746	-	37,371
Extracurricular activities	651,592	168,879	880	5,000	(476,833)
Interest and fiscal charges	726,604	-	-	-	(726,604)
Total governmental activities	\$ 25,289,748	\$ 4,425,307	\$ 1,870,550	\$ 1,185,850	(17,808,041)

General Revenues:

Property taxes levied for:	
General purposes	8,930,542
Debt service	714,827
Capital outlay	673,079
Grants and entitlements not restricted to specific programs	8,848,881
Investment earnings	14,028
Miscellaneous	32,970
Total general revenues	19,214,327
Change in net position	1,406,286
Net position at beginning of year	9,210,496
Net position at end of year	\$ 10,616,782

See accompanying notes to the basic financial statements.

Norton City School District

Balance Sheet

Governmental Funds

June 30, 2014

	General	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 2,304,679	\$ 6,987,965	\$ 5,838,338	\$ 3,006,636	\$ 18,137,618
Cash and cash equivalents:					
In segregated accounts	-	-	5,716,297	-	5,716,297
Investments in segregated accounts	-	-	4,974,859	-	4,974,859
Receivables:					
Taxes	8,518,708	-	-	1,766,732	10,285,440
Accounts	505,440	-	-	-	505,440
Intergovernmental	262,620	-	-	105,202	367,822
Interfund	5,000	-	-	-	5,000
Accrued interest	5,378	-	-	-	5,378
Prepaid items	16,005	-	-	752	16,757
Inventory held for resale	-	-	-	12,993	12,993
Materials and supplies inventory	17,316	-	-	-	17,316
Advances to other funds	63,404	-	-	-	63,404
Equity in pooled cash and cash equivalents (restricted)	15,909	-	-	-	15,909
Total assets	\$ 11,714,459	\$ 6,987,965	\$ 16,529,494	\$ 4,892,315	\$ 40,124,233
<u>Liabilities, deferred inflows of resources and fund balances:</u>					
<u>Liabilities:</u>					
Accounts payable	\$ 114,912	\$ -	\$ -	\$ 16,157	\$ 131,069
Accrued wages	1,320,278	-	-	49,780	1,370,058
Contracts payable	-	30,994	169,437	7,500	207,931
Matured compensated absences payable	2,807	-	-	-	2,807
Intergovernmental payable	442,127	-	-	16,411	458,538
Unearned revenue	-	-	-	4,244	4,244
Advances from other funds	-	-	-	63,404	63,404
Total liabilities	1,880,124	30,994	169,437	157,496	2,238,051
<u>Deferred inflows of resources</u>					
Property taxes	7,114,146	-	-	1,477,753	8,591,899
Unavailable revenue - delinquent property taxes	315,079	-	-	63,982	379,061
Unavailable revenue - other	414,662	-	-	26,080	440,742
Total deferred inflows of resources	7,843,887	-	-	1,567,815	9,411,702
<u>Fund balances:</u>					
Nonspendable	112,634	-	-	752	113,386
Restricted	-	6,956,971	16,360,057	3,224,306	26,541,334
Committed	11,000	-	-	-	11,000
Assigned	1,866,814	-	-	-	1,866,814
Unassigned	-	-	-	(58,054)	(58,054)
Total fund balances	1,990,448	6,956,971	16,360,057	3,167,004	28,474,480
Total liabilities, deferred inflows of resources and fund balances	\$ 11,714,459	\$ 6,987,965	\$ 16,529,494	\$ 4,892,315	\$ 40,124,233

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, 2014

Total governmental funds balances		\$ 28,474,480
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.		5,546,890
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:		
Property taxes	\$ 379,061	
Tuition and fees	310,643	
Intergovernmental	130,099	
Total		819,803
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.		124,095
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(152,952)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (23,237,302)	
Compensated absences	(878,330)	
Capital leases	(79,902)	
Total		<u>(24,195,534)</u>
Net position of governmental activities		<u>\$ 10,616,782</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, 2014

	General	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 8,929,610	\$ -	\$ -	\$ 1,346,635	\$ 10,276,245
Intergovernmental	9,054,984	-	1,178,355	1,535,589	11,768,928
Interest	6,325	1,264	4,127	2,345	14,061
Tuition and fees	3,626,727	-	-	-	3,626,727
Extracurricular activities	60,377	-	-	164,515	224,892
Gifts and donations	20,849	-	-	1,580	22,429
Charges for services	205,092	-	-	494,572	699,664
Rent	2,885	-	-	-	2,885
Miscellaneous	36,200	-	-	43,128	79,328
Total revenues	21,943,049	1,264	1,182,482	3,588,364	26,715,159
Expenditures:					
Current:					
Instruction:					
Regular	10,419,733	-	-	305,832	10,725,565
Special	2,050,029	-	-	440,647	2,490,676
Vocational	585,455	-	-	-	585,455
Adult/continuing	4,774	-	-	-	4,774
Student intervention services	452,868	-	-	-	452,868
Support services:					
Pupils	1,414,663	-	-	260,752	1,675,415
Instructional staff	490,028	-	-	31,038	521,066
Board of education	127,244	-	-	-	127,244
Administration	1,557,819	-	-	4,725	1,562,544
Fiscal	502,084	-	-	21,975	524,059
Business	231,066	-	-	-	231,066
Operation and maintenance of plant	1,845,718	16,134	-	89,910	1,951,762
Pupil transportation	1,672,099	-	-	-	1,672,099
Central	78,478	-	-	-	78,478
Operation of non-instructional services	-	-	-	3,554	3,554
Operation of food services	-	-	-	921,747	921,747
Extracurricular activities	472,799	-	-	166,232	639,031
Capital outlay	3,123	114,711	535,873	567,096	1,220,803
Debt service:					
Principal retirement	23,006	-	-	-	23,006
Interest and fiscal charges	4,073	-	-	44,364	48,437
Bond issuance costs	-	-	-	524,982	524,982
Total expenditures	21,935,059	130,845	535,873	3,382,854	25,984,631
Excess of revenues over (under) expenditures	7,990	(129,581)	646,609	205,510	730,528
Other financing sources:					
General obligation bonds issued	-	7,086,552	15,682,735	-	22,769,287
Premium on bonds issued	-	-	30,713	437,069	467,782
Total other financing sources	-	7,086,552	15,713,448	437,069	23,237,069
Net change in fund balances	7,990	6,956,971	16,360,057	642,579	23,967,597
Fund balances at beginning of year	1,982,458	-	-	2,524,425	4,506,883
Fund balances at end of year	\$ 1,990,448	\$ 6,956,971	\$ 16,360,057	\$ 3,167,004	\$ 28,474,480

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, 2014**

Net change in fund balances - total governmental funds		\$ 23,967,597
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	\$ 1,220,803	
Capital contributions	5,000	
Depreciation expense	<u>(343,352)</u>	
Excess of capital asset additions over depreciation expense		882,451
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.		(26,924)
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	\$ 42,203	
Intergovernmental	116,928	
Tuition and fees	<u>(183,384)</u>	
Net change in deferred inflows of resources during the year		(24,253)
General obligation bonds issued and related premium provide current financial resources and are reported as a financing source in the governmental funds but are not reported as such in the statement of activities.		(23,237,302)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position.		23,006
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:		
Increase in compensated absences	(13,535)	
Increase in accrued interest	<u>(152,952)</u>	
Total reduced expenditures		(166,487)
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.		<u>(11,802)</u>
Change in net position of governmental activities		<u>\$ 1,406,286</u>

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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 7,776,012	\$ 8,188,040	\$ 8,192,870	\$ 4,830
Intergovernmental	8,449,915	8,902,897	8,902,897	-
Interest	2,000	1,947	1,947	-
Tuition and fees	3,482,305	3,566,795	3,566,795	-
Gifts and donations	8,165	8,165	8,165	-
Charges for services	244,939	244,908	244,908	-
Rent	4,000	3,685	3,685	-
Miscellaneous	25,300	22,472	22,472	-
Total revenues	<u>19,992,636</u>	<u>20,938,909</u>	<u>20,943,739</u>	<u>4,830</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	10,448,195	11,223,306	10,378,980	844,326
Special	2,094,989	2,238,990	2,080,513	158,477
Vocational	610,771	650,723	577,217	73,506
Adult/continuing	4,225	4,225	4,225	-
Student intervention services	403,966	484,213	452,868	31,345
Support services:				
Pupils	1,418,671	1,516,421	1,412,279	104,142
Instructional staff	510,455	545,062	499,995	45,067
Board of education	135,930	135,930	127,285	8,645
Administration	1,617,565	1,729,524	1,580,160	149,364
Fiscal	534,310	534,310	505,500	28,810
Business	329,655	329,655	261,920	67,735
Operation and maintenance of plant	1,792,665	2,166,865	1,888,700	278,165
Pupil transportation	1,725,494	1,973,221	1,731,985	241,236
Central	68,456	81,563	80,572	991
Extracurricular activities	465,639	497,178	455,673	41,505
Capital outlay	15,548	15,548	15,548	-
Total expenditures	<u>22,176,534</u>	<u>24,126,734</u>	<u>22,053,420</u>	<u>2,073,314</u>
Excess of revenues under expenditures	<u>(2,183,898)</u>	<u>(3,187,825)</u>	<u>(1,109,681)</u>	<u>2,078,144</u>
<u>Other financing sources (uses):</u>				
Proceeds from the sale of capital assets	3,500	3,470	3,470	-
Refund of prior year expenditures	54,033	54,033	54,033	-
Advances in	89,175	89,175	89,175	-
Advances out	(5,000)	(5,000)	(5,000)	-
Transfers out	(15,976)	(15,976)	(15,976)	-
Total other financing sources (uses)	<u>125,732</u>	<u>125,702</u>	<u>125,702</u>	<u>-</u>
Net change in fund balance	(2,058,166)	(3,062,123)	(983,979)	2,078,144
Fund balances at beginning of year	2,880,517	2,880,517	2,880,517	-
Prior year encumbrances appropriated	197,510	197,510	197,510	-
Fund balances at end of year	<u>\$ 1,019,861</u>	<u>\$ 15,904</u>	<u>\$ 2,094,048</u>	<u>\$ 2,078,144</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2014

	<u>Self Insurance</u>
<u>Assets:</u>	
Current:	
Equity in pooled cash and cash equivalents	\$ 5,006
Cash and cash equivalents in segregated accounts	<u>124,089</u>
Total assets	<u><u>\$ 129,095</u></u>
<u>Liabilities:</u>	
Current:	
Interfund payable	<u>\$ 5,000</u>
<u>Net position:</u>	
Unrestricted	<u>\$ 124,095</u>
Total liabilities and net position	<u><u>\$ 129,095</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, 2014

	Self Insurance
<u>Operating revenues:</u>	
Charges for services	\$ 30,277
<u>Operating expenses:</u>	
Purchased services	42,207
Operating loss	(11,930)
<u>Non-operating revenues:</u>	
Interest	128
Change in net position	(11,802)
Net position at beginning of year	135,897
Net position at end of year	\$ 124,095

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, 2014

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received for charges for services	\$ 30,277
Cash payments to suppliers for goods and services	<u>(42,207)</u>
Net cash used for operating activities	<u>(11,930)</u>
<u>Cash flows from noncapital financing activities:</u>	
Advances in	<u>5,000</u>
Net cash provided by noncapital financing activities	<u>5,000</u>
<u>Cash flows from investing activities:</u>	
Interest on investments	<u>128</u>
Net cash provided by investing financing	<u>128</u>
Net decrease in cash and cash equivalents	(6,802)
Cash and cash equivalents at beginning of year	<u>135,897</u>
Cash and cash equivalents at end of year	<u><u>\$ 129,095</u></u>
<u>Reconciliation of operating loss to net cash used for operating activities:</u>	
Operating loss	<u>\$ (11,930)</u>
Net cash used for operating activities	<u><u>\$ (11,930)</u></u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	
	Scholarships	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 19,687	\$ 70,330
Cash and cash equivalents:		
In segregated accounts	77,371	-
Interest receivable	53	-
Total assets	<u>\$ 97,111</u>	<u>\$ 70,330</u>
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ 370
Due to students	-	69,960
Total liabilities	<u>-</u>	<u>\$ 70,330</u>
<u>Net position:</u>		
Held in trust for scholarships	<u>\$ 97,111</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, 2014

	Private Purpose Trust Scholarships
<u>Additions:</u>	
Interest	\$ 154
Gifts and donations	10,755
Total additions	<u>10,909</u>
<u>Deductions:</u>	
Payments in accordance with trust agreements	<u>15,130</u>
Change in net position	(4,221)
Net position at beginning of year	<u>101,332</u>
Net position at end of year	<u><u>\$ 97,111</u></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 111 non-certificated employees and 162 certificated teaching and support personnel, including 17 administrators that provide services to 2,581 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 15.

Notes to the Basic Financial Statements

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 three 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.

Building Fund: The building capital projects fund is used to account for all receipts and expenditures related to the construction of the new high school and athletic complex.

Classroom Facilities Fund: The classroom facilities capital projects fund is used to account for all transactions related to Ohio Classroom Facilities construction projects.

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 agency funds report resources that belong to the student bodies of the various schools and for money temporarily held for Ohio High School Athletic Association (OHSAA) tournaments.

**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 Nonexchange 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.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which 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 nonexchange transactions must also be available before it can be recognized.

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

Deferred 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, 2014, but which were levied to finance year 2015 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 2014. 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, , instruments of government sponsored mortgage-backed securities and interest in STAR Ohio, 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 classroom facilities capital project fund and 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, 2014, 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.

Notes to the Basic Financial Statements

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.

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 18 for additional information regarding statutory reserves.

J. Bond Premiums In governmental fund types, bond premiums are recognized in the current period. On the statement of net position, bond premiums are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable.

K. 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

L. 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.

M. 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.

N. 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.

O. 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. The purpose constraint that represents the intended use is established by the Board of Education or by their designated official. 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 or by State statute. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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.

P. 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.

Q. 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.

R. 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

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>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>					
Materials and supplies inventory	\$ 17,316	\$ -	\$ -	\$ -	\$ 17,316
Prepays	16,005	-	-	752	16,757
Advances to other funds	63,404	-	-	-	63,404
Unclaimed monies	15,909	-	-	-	15,909
Total nonspendable	<u>112,634</u>	<u>-</u>	<u>-</u>	<u>752</u>	<u>113,386</u>
<u>Restricted for</u>					
Food service	-	-	-	822,650	822,650
Classroom facilities maintenance	-	-	-	2,495	2,495
Instructional programs	-	-	-	16,698	16,698
Capital improvements	-	6,956,971	16,360,057	1,825,235	25,142,263
Debt service payments	-	-	-	557,228	557,228
Total restricted	<u>-</u>	<u>6,956,971</u>	<u>16,360,057</u>	<u>3,224,306</u>	<u>26,541,334</u>
<u>Committed</u>					
Underground storage tanks	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,000</u>
<u>Assigned for</u>					
Public school support	67,118	-	-	-	67,118
Encumbrance	62,427	-	-	-	62,427
Next years budget	<u>1,737,269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,737,269</u>
Total assigned	<u>1,866,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,866,814</u>
Unassigned (deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,054)</u>	<u>(58,054)</u>
Total fund balances	<u>\$ 1,990,448</u>	<u>\$ 6,956,971</u>	<u>\$ 16,360,057</u>	<u>\$ 3,167,004</u>	<u>\$ 28,474,480</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).

Norton City School District

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
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	\$ 7,990
Net adjustment for revenue accruals	(801,167)
Current year adjustment to fair market value of investments	(500)
Net adjustment for expenditure accruals	(162,140)
Advances in	89,175
Advances out	(5,000)
Encumbrances (Budget basis) outstanding at year-end	(91,439)
Perspective differences from funds budgeted	
as special revenue funds:	
Revenues	(140,140)
Transfers from general fund	(15,976)
Expenditures	<u>135,218</u>
Budget basis	<u>\$ (983,979)</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 (STAR Ohio);

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, 2014, 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 \$8,211,863, and the bank balances of the deposits totaled \$8,543,031; all of which was not exposed to custodial credit risk as it was insured or collateralized by securities held by the School District's agent in the School District's name.

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, 2014, the School District had the following investments and maturities:

Notes to the Basic Financial Statements

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Repurchase agreements	\$ 15,775,000	Daily	AA+ ⁽¹⁾
STAR Ohio	179,444	51.4 ⁽³⁾	AAAm ⁽²⁾
Investments reported in classroom facilities fund:			
Federal Home Loan Bank	700,490	05/19/17	AA+ ⁽²⁾
Federal Home Loan Bank	1,500,060	05/24/17	AA+ ⁽²⁾
Federal Home Loan Mortgage Corporation	1,027,214	06/29/17	AA+ ⁽²⁾
	<u>\$ 19,182,208</u>		

⁽¹⁾ Standard and Poor's rating of underlying investment

⁽²⁾ Standard and Poor's rating

⁽³⁾ Days (Average)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>		
		<u>< 1 year</u>	<u>< 2 years</u>	<u>< 3 years</u>
Investments reported in classroom facilities fund:				
Negotiable certificates of deposit	\$ 1,747,095	-	-	1,747,095

All of the School District's negotiable CDs are covered in full by FDIC insurance.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2014.

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 2014 amount to \$6,325, which includes \$2,655 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 \$15,775,000 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 and Federal Home Loan Bank (FHLB) 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. Standard and Poor's has assigned STAR Ohio an AAAM rating and the Federal Home Loan Mortgage Corporation (FHLMC) and Federal Home Loan Bank (FHLB) bonds an AA+ rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The custodial risk associated with the repurchase agreements is discussed above.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 5% of the School District's investments are in FHLB. These investments are 10.5% of the School District's total investments and negotiable CDs make up 8% of the total investments. The School District's policy places no limit on the amount that may be invested in any one issuer.

NOTE 5 - PROPERTY TAX

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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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.

Notes to the Basic Financial Statements

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 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

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, 2014, are available to finance fiscal year 2014 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, 2014 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 \$1,089,483 in the general fund, \$137,531 in the bond retirement debt service fund and \$87,466 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 2014 taxes were collected are:

<u>Property Category</u>	<u>2013</u> <u>Assessed Value</u>	<u>2012</u> <u>Assessed Value</u>
<u>Real Property</u>		
Residential and agricultural	\$ 238,738,930	\$ 239,465,990
Commercial , industrial and mineral	37,479,560	34,748,860
Public utilities	35,190	181,100
<u>Tangible Personal Property</u>		
Public utilities	9,372,580	8,648,360
Total	<u>\$ 285,626,260</u>	<u>\$ 283,044,310</u>

Norton City School District

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 \$262,620 and \$105,202, respectively.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
Capital assets, not being depreciated:				
Land	\$ 961,593	\$ 303,670	\$ -	\$ 1,265,263
Construction in progress	-	675,084	-	675,084
Total capital assets, not being depreciated	<u>961,593</u>	<u>978,754</u>	<u>-</u>	<u>1,940,347</u>
Capital assets, being depreciated:				
Land improvements	1,387,549	-	-	1,387,549
Buildings and improvements	8,090,634	-	-	8,090,634
Furniture and equipment	1,536,074	140,552	(47,584)	1,629,042
Vehicles	2,203,287	106,497	-	2,309,784
Total capital assets, being depreciated	<u>13,217,544</u>	<u>247,049</u>	<u>(47,584)</u>	<u>13,417,009</u>
Less: Accumulated depreciation				
Land improvements	(976,545)	(49,427)	-	(1,025,972)
Buildings and improvements	(5,508,852)	(140,284)	-	(5,649,136)
Furniture and equipment	(1,216,690)	(65,564)	20,660	(1,261,594)
Vehicles	(1,785,687)	(88,077)	-	(1,873,764)
Total accumulated depreciation	<u>(9,487,774)</u>	<u>(343,352)</u>	<u>20,660</u>	<u>(9,810,466)</u>
Total capital assets being depreciated, net	<u>3,729,770</u>	<u>(96,303)</u>	<u>(26,924)</u>	<u>3,606,543</u>
Governmental activities capital assets, net	<u>\$ 4,691,363</u>	<u>\$ 882,451</u>	<u>\$ (26,924)</u>	<u>\$ 5,546,890</u>

Notes to the Basic Financial Statements

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 103,808
Special	4,152
Vocational	23,847
Support services:	
Pupils	3,301
Instructional staff	16,950
Board of education	2,194
Administration	2,338
Fiscal	1,551
Business	4,112
Operation and maintenance of plant	84,650
Pupil transportation	75,990
Operation of food services	13,975
Extracurricular activities	<u>6,484</u>
Total depreciation expense	<u>\$ 343,352</u>

NOTE 8 – INTERFUND BALANCES

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 the internal service fund 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	\$ 5,000	\$ -	\$ 63,404	\$ -
Nonmajor governmental funds	-	-	-	63,404
Internal service fund	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 63,404</u>	<u>\$ 63,404</u>

NOTE 9 – RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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

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 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 (the latest information available), 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, 2014, 2013 and 2012 were \$513,011, \$498,863 and \$439,146 respectively; 83 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**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.

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, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates as specified above 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, 2014, 2013 and 2012 were \$1,283,902, \$1,267,968 and \$1,311,410 respectively, 83.2 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$41,416 made by the School District and \$32,541 made by the plan members.

NOTE 11 - POST-EMPLOYMENT BENEFITS

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 (the latest information available), 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, 2014, 2013 and 2012 were \$61,182, \$59,012 and \$97,896 respectively; 97.3 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013 (the latest information available), 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, 2014, 2013 and 2012 were \$28,979, \$28,180 and \$28,260 respectively; 83.3 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**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 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 2013 (the 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, 2014, 2013 and 2012 were \$98,762, \$97,536 and \$100,878, respectively; 83.2 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

Norton City School District

NOTE 12 - LONG-TERM OBLIGATIONS

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>Governmental activities</u>					
<u>General obligation bonds</u>					
2014A School improvement, 2 - 4.25%					
Serial and term bonds	\$ -	\$ 12,940,000	\$ -	\$ 12,940,000	\$ -
Capital appreciation bonds	-	59,287	-	59,287	-
Accretion on bonds	-	233	-	233	-
Premium	-	315,729	-	315,729	-
2014B School improvement, 2 - 4%					
Serial bonds	-	9,770,000	-	9,770,000	-
Premium	-	152,053	-	152,053	-
Total bonds	<u>-</u>	<u>23,237,302</u>	<u>-</u>	<u>23,237,302</u>	<u>-</u>
<u>Other obligations</u>					
Compensated absences	864,795	88,740	(75,205)	878,330	118,004
Capital leases payable	<u>102,908</u>	<u>-</u>	<u>(23,006)</u>	<u>79,902</u>	<u>24,041</u>
Total other liabilities	<u>967,703</u>	<u>88,740</u>	<u>(98,211)</u>	<u>958,232</u>	<u>142,045</u>
<u>Governmental activities</u>					
Total long-term liabilities	<u>\$ 967,703</u>	<u>\$ 23,326,042</u>	<u>\$ (98,211)</u>	<u>\$ 24,195,534</u>	<u>\$ 142,045</u>

General Obligation Bonds: During the fiscal year, the School District issued \$12,999,287 and \$9,770,000 in School Improvement bonds. The School Improvement bonds are direct obligations of the School District for which its full faith and credit are pledged for repayment. The bonds were issued for providing resources for constructing, furnishing, and equipping a new high school and athletic complex with the first payment due on November 1, 2015. The bonds and interest are to be repaid by the debt service fund from the proceeds of property taxes collected from a levy that was approved by the taxpayers.

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.

Principal and interest requirements to amortize all bonds outstanding at June 30, 2014 are as follows:

Notes to the Basic Financial Statements

Fiscal	School Improvement Bonds		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 922,413	\$ 922,413
2016	20,000	926,913	946,913
2017	20,000	926,512	946,512
2018	20,000	926,112	946,112
2019	310,000	922,812	1,232,812
2020-2024	1,549,287	4,666,119	6,215,406
2025-2029	2,210,000	4,223,525	6,433,525
2030-2034	2,870,000	3,743,500	6,613,500
2035-2039	3,725,000	3,084,072	6,809,072
2040-2044	4,745,000	2,228,519	6,973,519
2045-2049	5,940,000	1,069,259	7,009,259
2050	<u>1,360,000</u>	<u>32,875</u>	<u>1,392,875</u>
Total	<u>\$ 22,769,287</u>	<u>\$ 23,672,631</u>	<u>\$ 46,441,918</u>

NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In a prior fiscal year, 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 \$23,006.

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.

Norton City School District

Fiscal <u>Year</u>	Lease <u>Payments</u>
2015	\$ 27,079
2016	27,079
2017	27,079
2018	<u>4,513</u>
Total minimum lease payments	85,750
Less: amount representing interest	<u>(5,848)</u>
Total	<u>\$ 79,902</u>

NOTE 14 – SHORT-TERM NOTES

During the fiscal year the School District issued notes with the anticipation of the issuance of bonds:

	Balance <u>July 1</u>	<u>Increase</u>	<u>Decreases</u>	Balance <u>June 30</u>
2013 School Improvement, 1%	\$ -	\$ 9,800,000	\$ (9,800,000)	\$ -
2014 School Improvement, 1.25%	<u>-</u>	<u>5,913,448</u>	<u>(5,913,448)</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 15,713,448</u>	<u>\$ (15,713,448)</u>	<u>\$ -</u>

The general obligation debt service fund retired the debt during the fiscal year.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

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 2014, the School District contributed \$152,088 to MRSC. Financial information can be obtained by contacting the fiscal agent at 700 Graham Road, Cuyahoga Falls, Ohio 44221.

Notes to the Basic Financial Statements

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 2014, the School District paid \$910 to the Council in the form of program fees and \$88,549 for natural gas purchases. 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.

NOTE 16 – ACCOUNTABILITY

Deficit Fund Balances

As of June 30, 2014, 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	\$ 9,589
IDEA Grant	20,106
Title I	27,949
Title II-A	410

NOTE 17 - CONTINGENT LIABILITIES

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, 2014, if applicable, cannot be determined at this time.

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, 2014.

NOTE 18 - SET-ASIDES

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. The School District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or levy proceeds related to the acquisition, replacement, enhancement, maintenance or repair of permanent 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.

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.

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, 2013	\$ -
Current year set-aside requirement	416,381
Current year offsets	(734,536)
Qualifying disbursements	<u>-</u>
Total	<u>\$ (318,155)</u>
Set-aside balance carried forward to future fiscal years	<u><u>\$ -</u></u>

NOTE 19 – CONSTRUCTION COMMITMENTS

As of June 30, 2014, the School District has construction commitments for the new high school and athletic complex in the amount of \$2,547,389.

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**NORTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through the Ohio Department of Education:</i>			
<u>Special Education Cluster</u>			
Special Education - Grants to States	84.027	\$26,289	
		<u>431,406</u>	<u>\$431,406</u>
Total Special Education -Grants to States		457,695	431,406
Special Education - Preschool Grants	84.173	3,523	3,523
Total Special Education Cluster		<u>461,218</u>	<u>434,929</u>
Title I Grants to Local Educational Agencies	84.010	39,253	30,222
		<u>224,239</u>	<u>218,551</u>
Total Title I Grants to Local Educational Agencies		263,492	248,773
Improving Teacher Quality State Grants	84.367	(6,973)	262
		<u>36,353</u>	<u>35,512</u>
Total Improving Teacher Quality State Grants		<u>29,380</u>	<u>35,774</u>
Total U.S. Department of Education		<u>754,090</u>	<u>719,476</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through the Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
National School Lunch Program	10.555	311,229	311,229
Non-Cash Assistance		36,459	36,459
School Breakfast Program	10.553	53,712	53,712
Total Child Nutrition Cluster		<u>401,400</u>	<u>401,400</u>
Total U.S. Department of Agriculture		<u>401,400</u>	<u>401,400</u>
Totals		<u>\$1,155,490</u>	<u>\$1,120,876</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, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Norton City School District, Summit County, Ohio, (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 ODE'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 amount from 2013 to 2014 program:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2013 to 2014</u>
Improving Teacher Quality State Grant	84.367	\$6,973



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 the Norton City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2014, 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 2, 2015.

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 opinions 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 2, 2015



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 (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 each of the District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs 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 programs. 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, Summit County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

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 a major federal program, to determine our auditing procedures appropriate for opining on each 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 2, 2015

**NORTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	<ul style="list-style-type: none"> ➤ Child Nutrition Cluster, CFDA 10.555 and 10.553; ➤ Title I Grants to Local Educational Agencies, CFDA 84.010.
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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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 3, 2015**