

Norton City School District

* * * *

Report Letters

June 30, 2005



**Auditor of State
Betty Montgomery**

Board of Education
Norton City School District
Norton, Ohio

We have reviewed the *Independent Auditor's Report* of the Norton City School District, Summit County, prepared by Rea & Associates, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Norton City School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 31, 2006

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NORTON CITY SCHOOL DISTRICT

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February 2, 2006

To the Board of Education
Norton City School District
Summit County, Ohio

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norton City School District as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated February 2, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Norton City School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

February 2, 2006

To the Board of Education
Norton City School District
Summit County, Ohio

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

Compliance

We have audited the compliance of Norton City Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to the School District's major program for the year ended June 30, 2005. The School District's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Norton City School District's management. Our responsibility is to express an opinion on Norton City School's compliance based on our audit.

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

In our opinion, Norton City School District complied, in all material respects, with the requirements referred to above that are applicable to its major program for the year ended June 30, 2005. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Norton City School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Norton City School District's internal control over compliance with requirements that could have a direct and material effect on its major program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards – Non GAAP Budgetary Basis

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Norton City Schools as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated February 2, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Rea & Associates, Inc.

NORTON CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
U. S. Department of Education (Passed Through Ohio Department of Education):					
Title I	84.010	C1-S1-2005	\$ 164,551	\$ 154,398	\$ 0
Title I {C}	84.010	C1-S1-2004	(3,939)	6,267	0
Title I-D	84.010	C1-SD-2005	11,186	11,186	
Title I-D	84.010	C1-SD-2004	0	500	0
Total Title I			<u>171,798</u>	<u>172,351</u>	<u>0</u>
<i>Special Education Cluster</i>					
IDEA-B	84.027	6B-SF-2005	347,227	416,317	0
IDEA-B	84.027	6B-SF-2004	27,301	0	
Total IDEA-B			<u>374,528</u>	<u>416,317</u>	<u>0</u>
Preschool Grants	84.173	PG-S1-2005	6,004	6,004	
Total Preschool Grants			<u>6,004</u>	<u>6,004</u>	<u>0</u>
<i>Total Special Education Cluster</i>			<u>380,532</u>	<u>422,321</u>	<u>0</u>
Safe and Drug-Free Schools and Communities	84.186	DR-S1-2005	9,388	9,388	0
Total Safe and Drug-Free Schools and Communities			<u>9,388</u>	<u>9,388</u>	<u>0</u>
Title V	84.298	C2-S1-2005	10,840	2,756	0
Title V	84.298	C2-S1-2004	4,477	8,641	0
Total Title V			<u>15,317</u>	<u>11,397</u>	<u>0</u>
Title II-D	84.318	TJ-S1-2005	4,071	2,374	0
Title II-D	84.318	TJ-S1-2004	365	5,205	0
Total Title II-D			<u>4,436</u>	<u>7,579</u>	<u>0</u>
Title II-A	84.367	TR-S1-2005	63,894	32,992	0
Title II-A {C}	84.367	TR-S1-2004	(7,265)	29,873	0
Total Title II-A			<u>56,629</u>	<u>62,865</u>	<u>0</u>
Total Department of Education			<u>638,100</u>	<u>685,901</u>	<u>0</u>
U. S. Department of Agriculture (Passed Through Ohio Department of Education):					
Nutrition Cluster:					
Food Distribution Program (A)	10.550		60,660	0	60,660
National School Lunch Program (B)	10.555		144,579	144,579	0
Total Department of Agriculture: Nutrition Cluster			<u>205,239</u>	<u>144,579</u>	<u>60,660</u>
Total Federal Assistance			<u>\$ 843,339</u>	<u>\$ 830,480</u>	<u>\$ 60,660</u>

- (A) Government commodities are reported at the fair market value of the commodities received and disbursed.
(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.
{C} Refunded Receipt

**NORTON CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

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

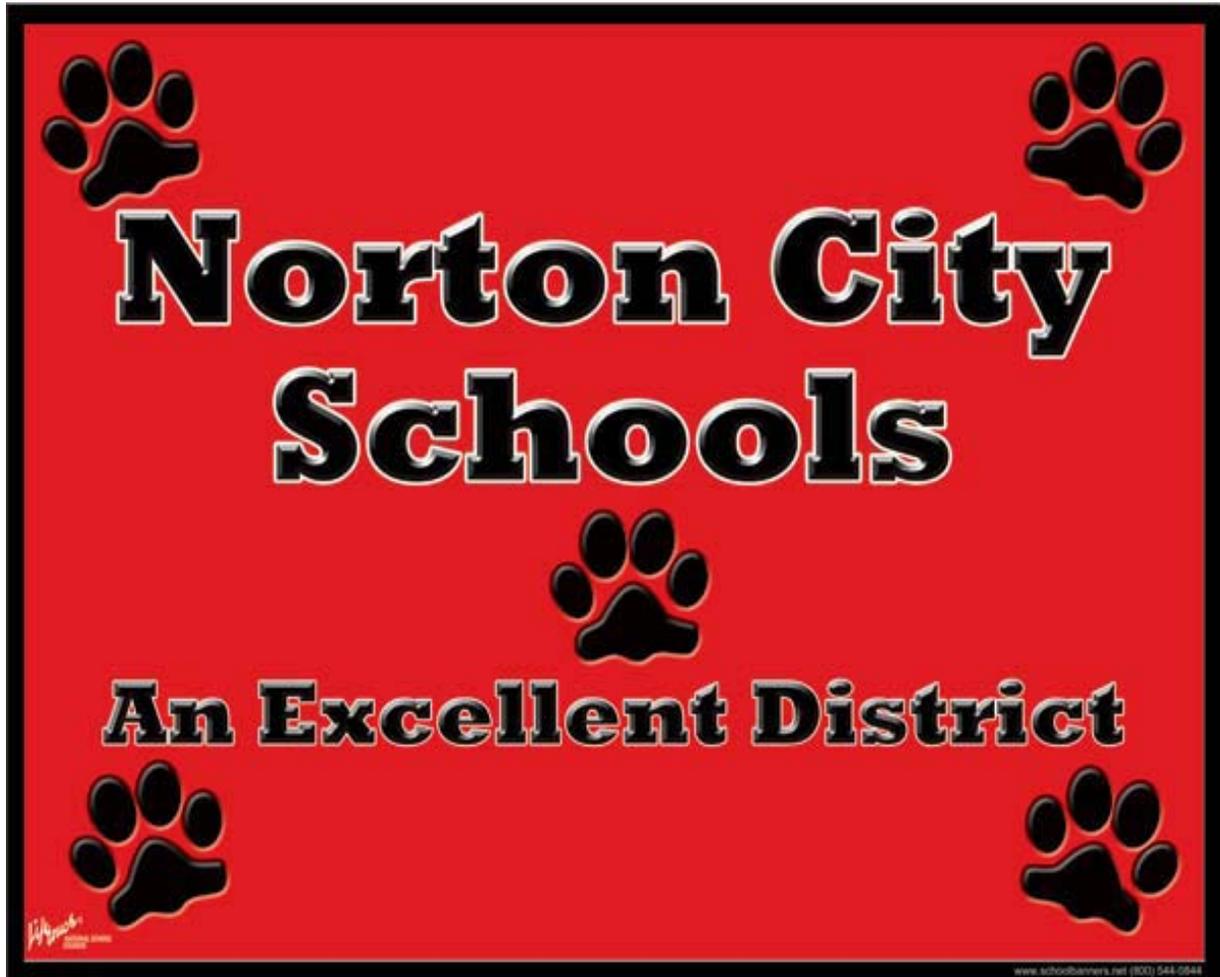
2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted

**Norton City School District
Norton, Ohio**



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2005

Norton City School District

Norton, Ohio

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2005

Prepared by:
Stephanie Hagenbush and
Treasurer's Office Staff

Norton City School District
 Comprehensive Annual Financial Report
 Fiscal Year Ended June 30, 2005

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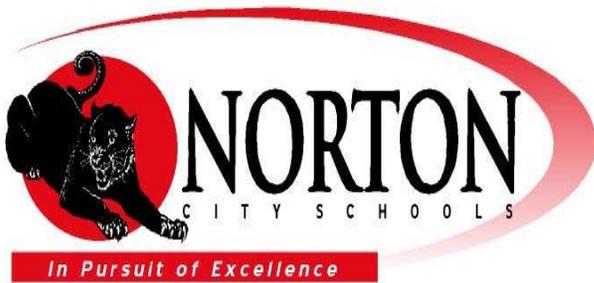
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Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2005

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INTRODUCTORY SECTION



Treasurer's Office
4128 Cleveland-Massillon Rd
Norton, Ohio 44203
(330) 825-2114
Fax (330) 825-4537

Stephanie Hagenbush
Treasurer

Mary Renick
Assistant Treasurer

Betsy McGeorge
EMIS Coordinator

Cindy Dohner
Financial Secretary

Sherry McNab
Accounts Payable Specialist

Sheila Wade
Accounts
Receivable/Inventory

February 2, 2006

Norton Board of Education Members and
The Citizens of the Norton City School District:

The Norton City School District's (the "School District") Comprehensive Annual Financial Report (CAFR) compiled for the fiscal year July 1, 2004, through June 30, 2005 is respectfully submitted. Prepared by the Treasurer's office for the purpose of informing the Norton City School District's taxpayers, this comprehensive report's design provides complete and accurate disclosure of the School District's material financial operations for the fiscal year ended June 30, 2005.

The responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the School District's management. To the best of our knowledge and belief, this CAFR and the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the School District.

The information submitted conforms to the accounting principles generally accepted (GAAP) in the United States of America, as set forth by the Governmental Accounting Standards Board (GASB), as is applicable to governmental entities and includes an unqualified opinion from an Independent Certified Public Accountant. Copies of this report, on file in the Treasurer's Office, are available for review upon written request to the Treasurer.

The arrangement of the CAFR is divided into three sections: The Introductory Section, Financial Section and Statistical Section. The first section, the Introductory Section, which is unaudited, includes this transmittal letter, a list of elected officials, the School District's organizational chart and the Government Finance Officers' Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for fiscal year 2004. The next section, the Financial Section, includes the Independent Auditor's Report, Management's Discussion and Analysis, the Basic Financial Statements, Notes that provide an overview of the School District's financial position and operating results, the combining statements for nonmajor funds, and other schedules that provide detailed information relative to the basic financial statements. The final section, the Statistical Section, which is unaudited, consists of a ten-year compilation of miscellaneous demographic statistics and pertinent financial information, representative of one year reported on the cash-basis method of accounting and the fiscal years 1997 through 2005 reported in accordance with GAAP.

HISTORY OF THE NORTON COMMUNITY AND SCHOOLS

The City of Norton, located in southwestern Summit County, covers approximately nineteen square miles of land and has a current population of 11,523 (census 2000). The area was originally part of Wolf Creek Township and, when first settled, was part of the Western Reserve. Named for Connecticut Proprietor, Birdseye Norton, it was organized as a separate township in April 1818. The township consisted of several semi-villages: Norton Center, Loyal Oak, Western Star, Hametown, Sherman, Johnson's Corners and New Portage. Norton Township was established as one of the leading agricultural townships with some industry in coal mining.

In accordance with the law of 1785, that every 16th section of land be reserved for the "maintenance of public schools within each township," Norton established the first school in 1818-1819. It was a log-built structure with records of approximately 30 total students. In 1831, there were two buildings used for schooling when farming slowed down during the winter months. In 1892, a two-room wooden high school was built preparing the first graduation Class of 1895 that consisted of three members. In 1915, this two-room building was replaced with a modern brick structure that housed two elementary grades in four classrooms and three rooms for the high school.

In 1953, a new high school building was erected and the old high school building became the junior high building. The original building was designed to house 500 pupils, and in the 1950's, enrollment increased to 1,100. In 1956 the 19 room elementary building was completed, and several school additions followed at the Sherman and Grill Elementary buildings. Passage of a bond issue in 1966 made possible additions to the High School and completion of the new Middle School. In 1960 school enrollment increased to 1,474.

For fiscal year 2004-05 the student head count totaled 2,386 with a projection of 2,439 for the 2005-06 school year. Resident students enroll in six schools: Norton High School (grades 9-12) built in 1953, Norton Middle School (grades 5-8) built in 1966, Norton Cornerstone (grades K-4) built in 1914, Norton Primary (grades K-4) built in 1956, Grill School (grades K-4) built in 1928, and Norton 21 (grades 1-4) for general education. Other facilities operated by the School District include the Central Administration Office, Bus Garage, Vocational Building, Football Stadium, and other athletic fields.

The recognizable growth in the student population is attributable to recorded census population increases in Norton Township. In 1840 the population recorded was 1,497 and had increased 38 percent to 2,066 by 1880. In 1890 farms adjacent to Norton were purchased for the purpose of manufacturing, and thereupon, the city of Barberton was founded in 1891. Norton's location, close to Barberton and Akron industries, facilitated growth. The population of Norton in the 1900's continued to grow and change with census recordings in 1920 totaling 2,935 that had increased to 7,454 by 1950. Realizing its potential, Norton Township incorporated in March of 1961 and by 1969, Norton had assumed city status.

The City of Norton's increased growth potential materializes, again, with the expansion of new residential apartment-type units and single-family housing developments; and, with the City's plans for the availability of water and sewer. The Mount Vernon Estates allotment began construction of single-family units in 1993 and recently expanded acquiring access through the Norton Acres allotment. The housing development, The Brookforest Estates, began construction in 1997. In addition, property zoned for the building of Hudson Run Estates, and construction of a sixteen-acre apartment complex situated adjacent to Norton's Shopping Center and City Park, began construction of single-family units in 1999. The Knollbrook Estates housing development began construction in 2003 to build forty new homes on ninety-acres. In 2005, a new development, Stonewyck, broke ground with an anticipated additional ninety nine homes.

The Norton City School District is a member of the Four Cities Educational Compact that provides various vocational education programs to high school students attending the Norton, Barberton, Copley-Fairlawn and Wadsworth City school districts. Available within the Four Cities Compact Schools are: industry-certified occupational programs, cluster-based work force development programs, career readiness programs, Family and Consumer Science programs and supplemental vocational program services. Norton schools added an A+ Certification and Masonry-Carpentry Program (industry-certified) in fiscal year 2000 and dropped, due to lack of enrollment, the Auto Collision Repair and Auto Technology programs. In fiscal year 2002 the A+ Certification was dropped and a Sports Medicine program was added. Also offered, are Occupational Work Adjustment (OWA), Occupational Work Experience (OWE) (career readiness); Life Planning, Parenting, Family Relations, Personal Development (Family and Consumer Science); Administrative Assistants (Junior and Senior), Cooperative Business Education (CBE), and Diversified Cooperative Trade (DCT) (supplemental vocational programs).

SCHOOL DISTRICT ORGANIZATION

The School District operates under standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code for the purpose of providing educational services authorized by charter and further mandated by State and/or Federal Agencies.

The Norton Board of Education (Board) consists of five members elected by its citizens. The Board serves as the taxing authority, the contracting body and implements the School District policies. Annually the Board adopts the School District's operating budget, tax budget and is responsible for the authorization of all of the School District's expenditures pursuant to Ohio Revised Code Sections 5705.38, 5705.28, and 5705.41 respectively.

The Superintendent functions as the Chief Executive Officer of the School District with responsibility for the education and support operations of the School District in accordance with Section 3319.01 of the Ohio Revised Code and is directly responsible to the Board of Education. Dr. Walter Calinger was appointed Superintendent in October 2000. Dr. Calinger resigned as Superintendent July 31, 2005. Ms. Karen Wilson was appointed as Superintendent effective August 1, 2005 through July 31, 2007.

The Treasurer is the Chief Financial Officer of the School District with statutory obligations set forth in sections 3313.22 through 3313.32 of the Ohio Revised Code and is directly responsible to the Board of Education. Ms. Catherine M. Bulgrin was appointed as Treasurer in 1995. She resigned from her position May 31, 2005. Ms. Stephanie Hagenbush was appointed as Interim Treasurer and at the organizational meeting in January, 2006 she received a two year contract as Treasurer.

REPORTING ENTITY

The School District has reviewed its reporting entity definition in order to insure conformance with Governmental Accounting Standards Board statements. In evaluating how to define the School District for financial reporting purposes, management has considered all boards, funds, agencies, departments and organizations making up the Norton City School District (the primary government).

Other governmental entities (i.e. City of Norton, Norton Branch of Summit County Library) conducting business activities within School District boundaries are excluded from the accompanying financial statements. The School District's Board does not appoint the boards of those entities, nor are they fiscally dependent on the School District. The School District cannot legally access their resources, has no obligation to finance deficits or provide financial support, and is not obligated for their debts.

ECONOMIC CONDITION AND FUTURE OUTLOOK

The City of Norton is located at the intersection of U.S. Route 21 and Interstate 76. The community's economy, historically, was agricultural based with some coal mining industry. While there is still some farming today, it has decreased considerably as the City's economic base has become predominantly residential. The City of Norton offers an excellent opportunity for potential business growth as well as residential expansion due to the City Council's recent enactment of attaining sewer and water from the City of Barberton. The five largest employers in the School District in terms of numbers of employees are:

B & C Machine
Norton City Schools
SA Communale
Fred Martin Motor
PPG

Norton's proximity to major cities makes it a desirable community in which to live, providing easy access to cultural, social, educational, and economic resources. It is within minutes of state universities and private colleges, international and private airports, numerous inland lakes and reservoirs, the fisheries of Lake Erie, metropolitan and state parks, and the Cuyahoga Valley National Recreation Area. The City provides its residents with: quality police and fire services; participation in the Summit County 911 Service; and, efficient maintenance of 89 miles of Norton's roads by the City's Service Department. The Norton Municipal Park system offers convenient locations for picnicking and youth league baseball. Also, there is a Community Center available for rental to the residents.

The continued economic growth and expansion of Norton is anticipated due to its convenient location and with the planned installation of additional City sewer and water services. With current construction of new housing developments and an apartment complex, the School District will inevitably experience an increase in student population. Throughout its history, the School District has been fortunate that city residents place a high value on education with a continued commitment of local support.

The School District's motto is "*In Pursuit of Excellence*," providing our students with a quality education. The financial stability of the School District is vital in this pursuit and is credited to the loyal support of its community. Confronted with the many challenges and opportunities of a public education facility, the School District's Board and its employees continue to move forward in the education process of their students in their "*Pursuit of Excellence*".

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Continuous Improvement

A Continuous Improvement Plan (CIP) is in place and used as the School District's strategic plan in guiding decision-making and actions of the School District toward continual improvements in student academic achievement. The goal is to improve the processes and results as they relate to teaching and learning. The first steps, data collection and analysis, were completed and a Plan was drafted and Board approved. CIP Meetings between faculty and administrators are held periodically providing ongoing evaluation and enhancement of the Plan. During fiscal year 2004-05 the District earned an "excellent" status, which means according to state standards the Norton students are performing at or above the highest level attainable.

Technology

All buildings are wired, and computers have been purchased. Throughout the campus, computers are networked and have Internet access. The School District's phone system is also connected to the network, giving the School District buildings accessibility to connect to each other by the dialing of extensions.

Fiscal Forecast

Due to the growing costs of doing business, the controversy over state funding, and the increasing numbers of unfunded state and federal mandates, a resulting effect of the School District expenditures exceeding its revenues will produce a future deficit as projected in the School District's financial forecast. Due to this projection, the School District asked the taxpayers for additional operating revenues in November 2004. Voters approved a 4.9 mill operating levy, which was the first operating levy tax increase since 1995.

FINANCIAL INFORMATION

Accounting System

This is the fourth year that the School District has prepared financial statements following GASB Statement No. 34 “Basic Financial Statements – Management’s Discussion and Analysis – State and Local Governments.” GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities as follows:

Government-wide financial statements – These statements are prepared on an accrual basis of accounting, which is similar to the basis of accounting followed by businesses. The government-wide statements distinguish between those activities of the School District that are governmental and those that are considered business type activities.

Fund financial statements – These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include reconciliation to the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statement of budgetary comparison – This statement presents a comparison of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, cash disbursements and encumbrances.

As determined by criteria established by GASB Statement No. 34, the School District does not report any activities that qualify as enterprise or business type activities. As part of this new reporting model, management is also responsible for preparing a “Management’s Discussion and Analysis” of the School District. This discussion follows the Independent Auditor’s Report, providing an assessment of the School District’s finances for fiscal year 2005 and the outlook for the future. Because that discussion focuses on major funds, the financial highlights provided in this letter focus on certain nonmajor funds of the School District.

Internal Controls

The establishment and maintenance of an internal control structure, designed for safeguarding from loss, theft or misuse of the School District’s assets, is the responsibility of management. An effective fiscal management system incorporating internal accounting controls ensures the School District’s assets, liabilities, revenues and expenditures are properly classified and accurately recorded into the School District accounting records for the appropriate fiscal period in compliance with GAAP. The design of the internal control structure provides reasonable, but not absolute, assurance that these objectives were met. The concept of reasonable assurance assumes: the costs of the controls should not exceed the benefits presumably derived from its implementation; and the estimates and judgments relative to cost and benefit valuation are determined by management. Management believes the School District’s internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls

The School District maintains its accounts, appropriations, and other financial records in accordance with the procedures established and prescribed by the Ohio Revised Code and the Ohio Auditor of State. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriation resolution approved by the Board. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. The School District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts at year-end are carried forward to succeeding years and therefore, are not re-appropriated.

All disbursements and transfers of cash between funds require appropriation authority from the Board. The Treasurer must certify purchase order requests and ensure that the necessary funds are available. Then, purchase orders are encumbered, and released to vendors. Management may make budgetary modifications as long as the total fund appropriation is not affected.

The accounting system used by the School District provides interim financial reports that detail year-to-date expenditures and encumbrances versus the original appropriation plus any additional appropriations to date.

The Principal at each building directs site-based financial management. Building teams are formed to assist in formulating the School District's Continuous Improvement Plan and pertinent budget issues identified by the staff, parents or students. Each building has an annual budget for instructional support and office operations.

School District Administrators and Principals receive financial reports monthly showing the status of the budget accounts for which they are responsible. The School District utilizes the State's software program allowing building level input of purchase requisitions. The Building Administrator, Business Manager and the Superintendent approve the requisitions, the Treasurer certifies the availability of funds, and then requisitions are electronically converted to numbered purchase orders and encumbered.

In addition to the distribution of month-end reports to its management, and to ensure prescribed budgetary compliance within all levels of the School District, the Treasurer's office publishes and annually distributes to all School District employees the School District's financial handbook detailing the School District's adopted procedures for proper receipting and expending of School District funds.

The basis of accounting and the various funds utilized by the Norton City School District are fully described in Note 2 of the basic financial statements.

As an additional safeguard, a blanket bond covers all employees, and a separate, higher limit bond covers certain individuals in policy-making roles.

Single Audit Act

As a recipient of federal and state financial assistance, the School District is responsible for ensuring that an adequate internal control structure is in place and is in compliance with applicable laws and regulations relative to those programs.

Financial Highlights - Internal Service Fund

The only internal service fund carried on the financial records relates to self-insurance. This fund accounts for the revenues and expenses related to the provision of medical, surgical, prescription drug, vision and dental benefits to the School District's employees. The balance at June 30, 2005 was sufficient to meet all claims outstanding at year-end.

Financial Highlights - Fiduciary Fund

The trust fund carried on the financial records of the School District is a scholarship private purpose trust fund that has assets totaling \$77,558 as of June 30, 2005.

CASH MANAGEMENT

The School District historically demonstrates a conservative approach to the cash management program. Investments of the School District funds were maintained through the locally approved financial depository's utilization of a sweep account and through the STAR Ohio investments.

Protection of the School District's cash and investments is provided by the Federal Deposit Insurance Corporation as well as by qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. As required under Ohio law, pooled securities have been pledged in an amount equal to 105% of the total deposits, to secure the repayment of all public moneys deposited in a financial institution. A detailed description of the School District's investment function is described in Note 5 to the financial statements.

RISK MANAGEMENT

The School District, as a political subdivision, maintains protection for its assets and employees through a comprehensive insurance program. Insurance policies for general liability, property loss, boiler and machinery coverage, and vehicle fleet liability are purchased from insurance companies licensed to do business in the state of Ohio.

The School District operates and manages its hospital, medical, health, dental, prescription, and life insurance program for its employees on a self-insured basis. The health insurance fund was established in conjunction with formalized risk management programs in an effort to minimize risk exposure, control claims and premium costs. The third party administrator processes and initiates claim payment. The advantages of the self-insurance program include savings on administrative costs as well as the School District's holding of reserve balances.

The health benefits liability is limited by reinsurance that caps the individual specific liability at \$60,000 for the School District's plan year from June 1, 2004 through May 31, 2005. Control of the plan rests solely with the School District.

A Section 125 flexible benefit program is offered to all employees. The plan allows employees to pay for eligible benefits with pre-tax dollars, rather than after-tax dollars. Therefore, employees may tax defer anticipated out of pocket medical expenditures through payroll deduction. The plans guidelines are established and regulated by the Internal Revenue Service.

All employees of the School District are covered by worker's compensation. Effective July 1, 2002, the School District joined a group-rating program through the Ohio Association of School Business Officials in an effort to control costs. Over 423 Ohio school districts are members of a group-rating program. The School District receives a group premium discount rate for participation in this pooling program.

PENSION PLANS

The statewide School Employees Retirement System of Ohio (SERS) or the State Teachers Retirement System (STRS) covers all School District employees. The School District's employer contributions to both systems are based on a percentage of employees' salaries. State law requires the School District pay the employer share as determined by each retirement system, which is currently 14%.

School District contributions for fiscal year 2005 were \$1,123,943 as the employer portion to STRS and \$285,879 in employer contributions to SERS. Included in the SERS remittance is an annual employer surcharge. Starting in 1988-89 an additional employer charge (surcharge) was levied on salaries of lower-paid SERS members. Minimum annual compensation is determined annually by the System's actuaries and was \$27,400 for fiscal 2005. Surcharge is calculated at 14% of the difference between the member's annual compensation and the minimum compensation level. However, the surcharge is now capped at 2% of each employer's SERS salaries. For the 2005 fiscal year, a surcharge of \$50,390 was incurred.

OTHER INFORMATION

Independent Audit

Provisions of State statute require an independent auditor subject the School District's financial statements to an annual examination. In addition to meeting the requirement set forth in state statutes, the audit was also designed to meet the requirements of the Federal Office of Management and Budget Circular A-133. Rea & Associates, Inc. Certified Public Accountants, performed the audit for the period ended June 30, 2005. Those provisions have been satisfied and the opinion of the Independent Auditors is included in the financial section of this CAFR.

GFOA Certificate of Achievement

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Norton City School District for its CAFR for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of a state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. The CAFR must satisfy both GAAP and applicable legal requirements.

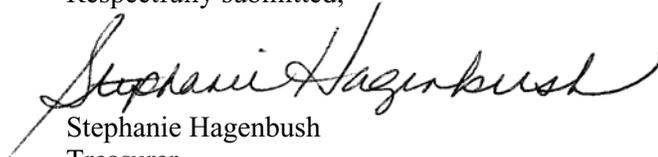
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the high standards required by the Certificate of Achievement program.

Acknowledgments

The preparation and publication of the 2005 CAFR of the Norton City School District was facilitated through the assistance of many people. My sincere appreciation is extended to the staff of the Treasurer's office for their dedication, support, and encouragement throughout this process. In addition, sincere thanks are also extended to various administrators and employees of the School District, the Summit County Fiscal Officer's office staff and other outside agencies whose efforts contributed to the fair presentation of the statistical data.

Finally, sincere appreciation is expressed to the Norton City Schools Board of Education for their support and commitment to continuing efforts made in improvements of financial management and reporting as we continue "*In Pursuit of Excellence*".

Respectfully submitted,


Stephanie Hagenbush
Treasurer

Norton City School District
Principal Officials Roster
Year Ended June 30, 2005

Board of Education

Mrs. Laura Leonti	President
Mr. Scott Collins	Vice President
Mr. James Bennett	Member
Mrs. Linda Kloetzer	Member
Ms. Lisa Stemple	Member

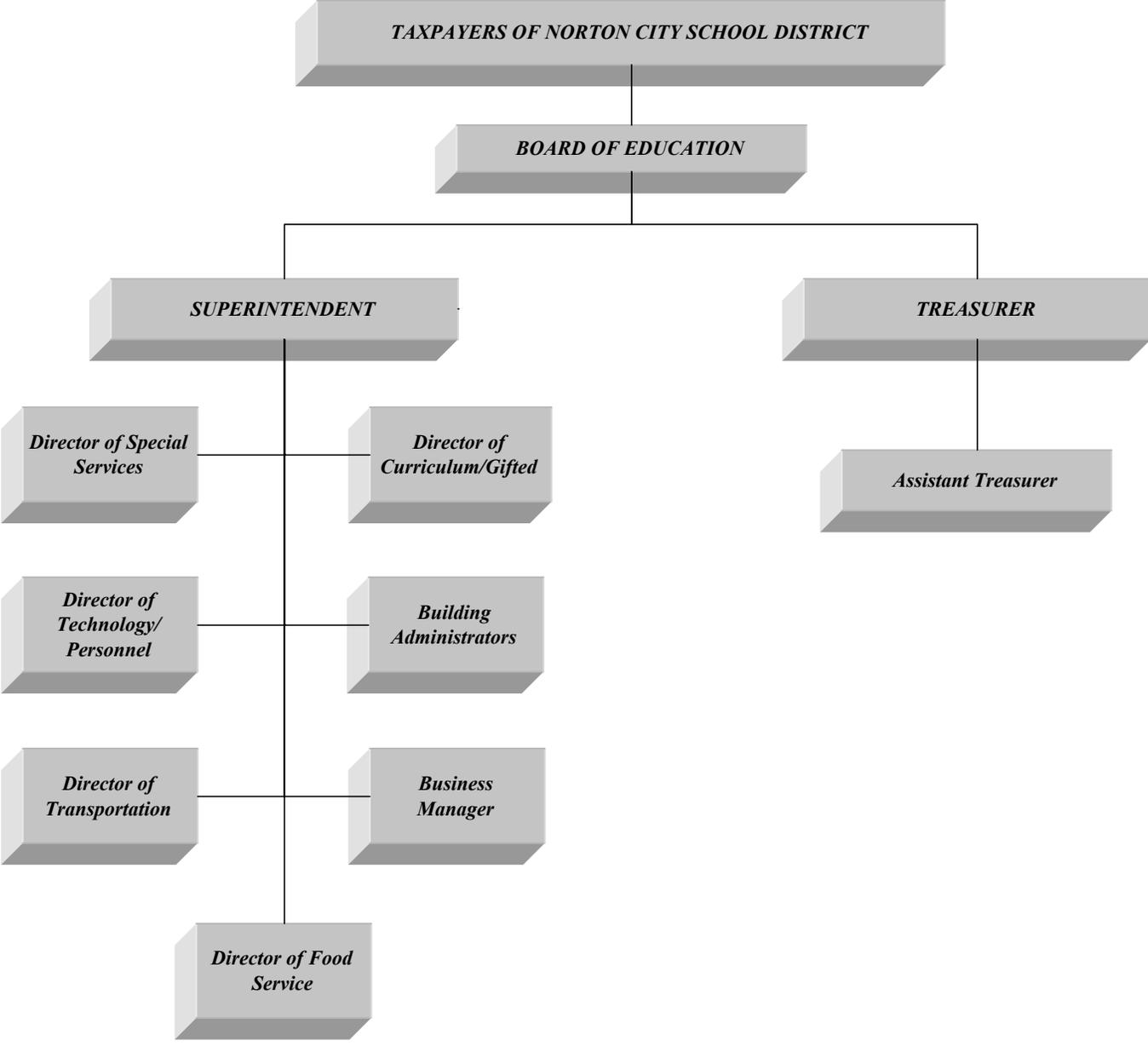
Interim Treasurer/Chief Fiscal Officer

Mrs. Stephanie Hagenbush

Administration

Dr. Walter Calinger	Superintendent
Mr. Ken Caldwell	Business Manager
Mrs. Karen Wilson	Director of Curriculum/Gifted
Ms. Judy Johnsen	Food Services Supervisor
Ms. Joyce Krusinski	Director of Technology/Special Services
Mr. Paul Stoneking	Transportation Supervisor

***Norton City School District
Organizational Chart***



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Norton City School District,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emen

Executive Director

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FINANCIAL SECTION



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

February 2, 2006

The Board of Education
Norton City School District
4128 Cleveland-Massillon Road
Norton, OH 44203

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norton City School District (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2006 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Hea & Associates, Inc.

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

This discussion and analysis of Norton City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. 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 2005 are as follows:

- Net assets of governmental activities increased \$1,363,245, representing a 18.4% increase from fiscal year 2004.
- General revenues accounted for \$17,504,852 in revenue or 81.7% of all revenues. Program specific revenues in the form of charges for services, and operating grants, contributions and interest accounted for \$3,923,094 or 18.3% of total revenues of \$21,427,946.
- Compared to fiscal year 2004, the total assets of governmental activities increased by \$2,176,884.
- The School District had \$20,064,701 in expenses related to governmental activities; only \$3,923,094 of these expenses was offset by program specific revenues that include charges for services, operating grants, contributions and interest. General revenues of \$17,504,852 contributed to support these programs.

Using this Comprehensive Annual Financial Report (CAFR)

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 assets 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 Norton City School District, the general fund is by far the most significant fund.

Norton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Reporting the School District as a Whole

Statement of Net Assets 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 2005?" These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting, takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets 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 assets 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 16. 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 fund is the general fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end 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 assets 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, 2005
 Unaudited

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2005 compared to 2004:

Table 1
Net Assets

	<i>Governmental Activities</i>	
	<u>2005</u>	<u>2004</u>
Assets		
<i>Current and other assets</i>	\$ 15,963,847	\$ 13,817,663
<i>Capital assets, net of depreciation</i>	4,538,816	4,508,116
<i>Total assets</i>	20,502,663	18,325,779
Liabilities		
<i>Current and other liabilities</i>	10,849,445	9,935,583
<i>Long-term liabilities:</i>		
<i>Due within one year</i>	149,424	150,217
<i>Due in more than one year</i>	715,448	814,878
<i>Total liabilities</i>	11,714,317	10,900,678
Net Assets		
<i>Invested in capital assets, net of debt</i>	4,372,617	4,265,882
<i>Restricted</i>	1,125,401	803,193
<i>Unrestricted</i>	3,290,328	2,356,026
<i>Total net assets</i>	\$ 8,788,346	\$ 7,425,101

Over time, net assets can serve as a useful indicator of a government's financial position. During fiscal year 2005, the School District had an increase in net assets of \$1,363,245.

Capital assets, net of related debt reported on the government-wide statements represents a large component of net assets. Capital assets include land, land improvements, buildings, 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 assets, \$1,125,401, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$2,453 is restricted for debt service payments, \$684,779 is restricted for capital projects and \$438,169 is restricted for other purposes. The remaining balance of net assets of \$3,290,328 is unrestricted.

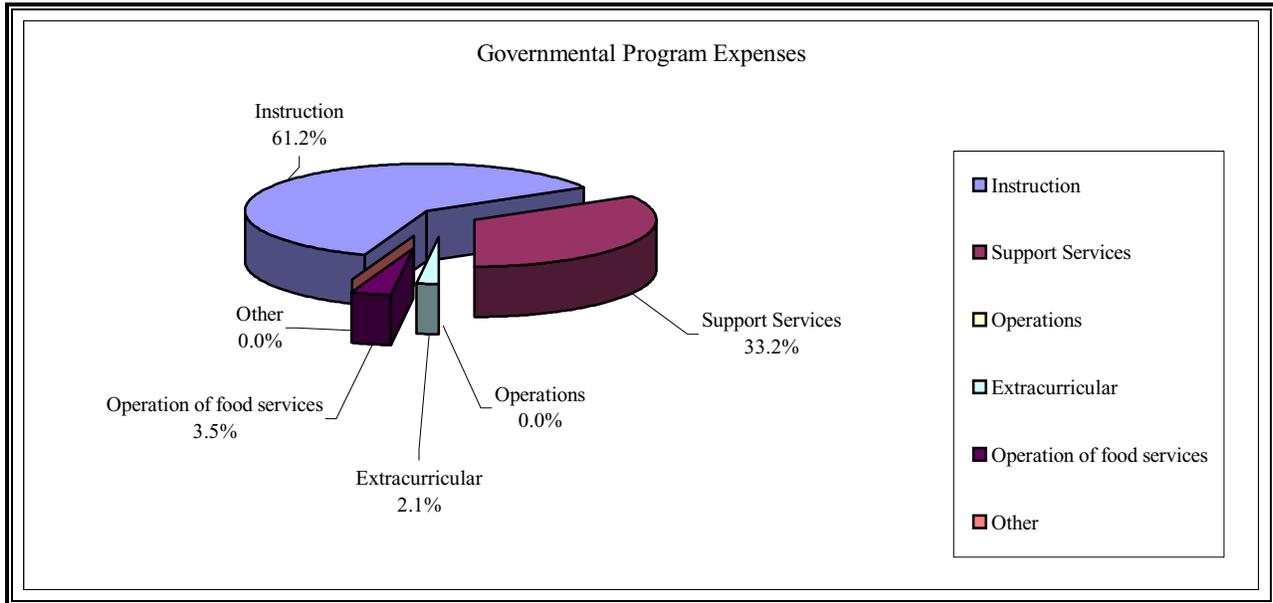
Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2005
 Unaudited

Table 2 shows changes in net assets for fiscal year 2005 compared to fiscal year 2004.

Table 2
Changes in Net Assets

	<i>Governmental Activities</i>	
	<u>2005</u>	<u>2004</u>
Revenues		
<i>Program revenues:</i>		
Charges for services	\$ 2,834,105	\$ 2,534,440
Operating grants, contributions and interest	1,071,713	1,001,674
Capital grants and contributions	17,276	16,963
<i>General revenues:</i>		
Property taxes	8,758,610	7,267,251
Grants and entitlements	8,388,771	8,821,958
Contributions to permanent fund		
Investment earnings	112,629	52,399
Miscellaneous	244,842	17,370
Total revenues	<u>21,427,946</u>	<u>19,712,055</u>
Program Expenses		
<i>Instruction:</i>		
Regular	9,599,189	9,169,529
Special	1,506,388	1,421,802
Vocational	870,552	839,228
Adult/continuing	575	842
Other	307,566	147,727
<i>Support services:</i>		
Pupil	745,018	715,591
Instructional staff	592,410	633,118
Board of education	84,202	5,571
Administration	1,452,860	1,481,887
Fiscal	489,406	543,841
Business	296,888	322,587
Operation and maintenance of plant	1,743,837	1,711,278
Pupil transportation	1,177,982	1,023,012
Central	69,815	64,805
Operation non-instructional services	2,526	3,332
Operation of food services	694,481	674,911
Extracurricular activities	422,265	406,468
Interest and fiscal charges	8,741	11,013
Total expenses	<u>20,064,701</u>	<u>19,176,542</u>
Change in net assets	1,363,245	535,513
Net assets beginning of year	<u>7,425,101</u>	<u>6,889,588</u>
Net assets end of year	<u>\$ 8,788,346</u>	<u>\$ 7,425,101</u>

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2005
 Unaudited



Governmental Activities

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

Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated over \$8.7 million in 2005. General revenues from grants and entitlements, such as the school foundation program, generated over \$8.3 million. Due to the combination of taxes and intergovernmental funding representing nearly 85% of all revenues, the School District monitors both of these sources very closely for fluctuations.

The DeRolph III Supreme Court decision has not eliminated the dependence on property taxes. The community has supported the Norton City School District by voting levies comprising nearly 37% of total revenues for the School District.

A review of Table 2 reflects that the total cost of instructional services was \$12,284,270 or 61.2% 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 \$705,142, or 6.1%. While these expenses increased, expenses throughout other programs decreased, due to cut-backs in human resources.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching pupils. These expenses represent \$1,337,428 of the total governmental program expenses, or 6.7%. These expenses decreased over the prior year in the amount of \$11,281, or .8%. As discussed in the latter paragraph this decrease was mainly due to the cut-backs in human resources.

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

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 \$2,323,356 or 11.6% of governmental program expenses. Expenses of these programs decreased \$30,530, or 1.3%, as compared to fiscal year 2004, as explained previously.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District's operations. The total cost for the operation and maintenance services was \$1,743,837 or 8.7% of the governmental program 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 \$1,177,982 or 5.9% of the total governmental program expenditures. Expenses for providing this program increased \$154,970, or 15.1% as compared to the prior year. The primary cause of this increase was due to the purchase of three new school buses during the year and additional depreciation expense.

Overall, the School District's fiscal year revenues exceeded expenses by \$1,363,245. The School District made changes to the employee health care network and was able to reduce medical claim expenses in the current period.

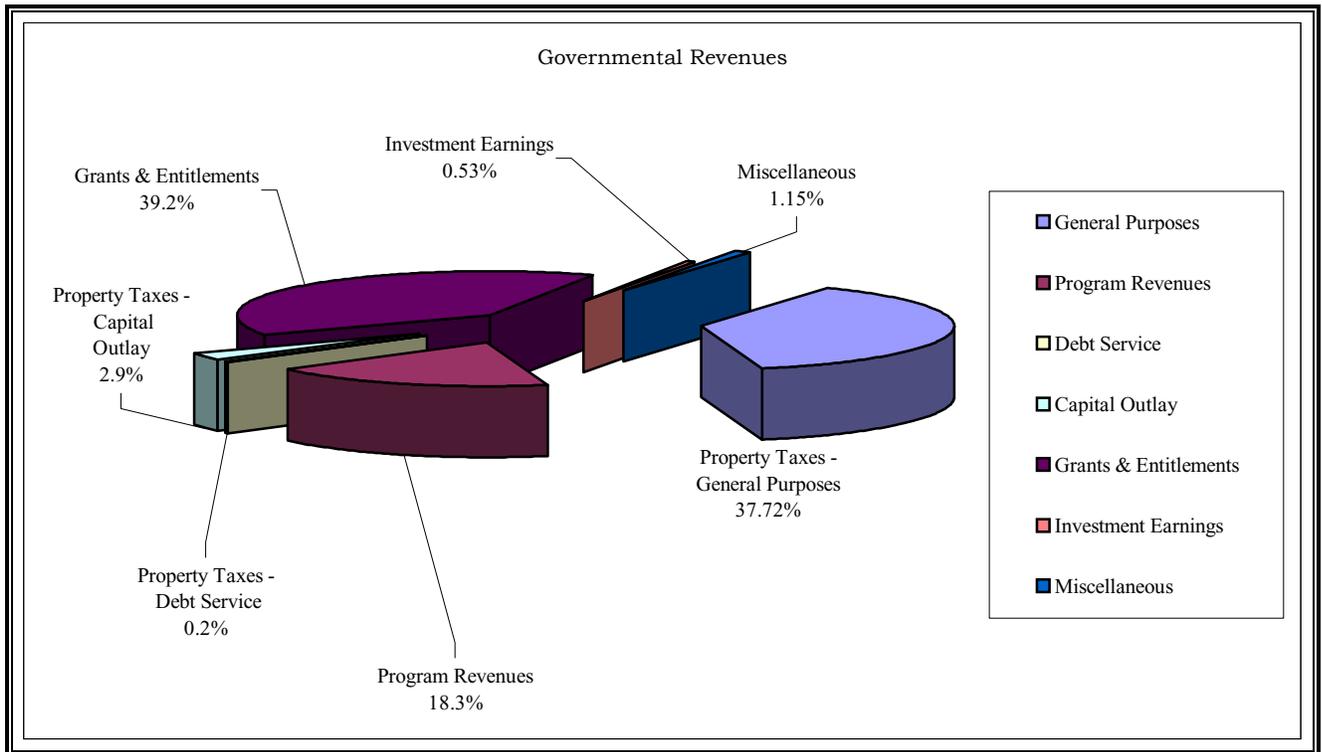
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services as compared to fiscal year 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2005
 Unaudited

Table 3
Governmental Activities

	<i>Total Cost of Services <u>2005</u></i>	<i>Total Cost of Services <u>2004</u></i>	<i>Net Cost of Services <u>2005</u></i>	<i>Net Cost of Services <u>2004</u></i>
Program Expenses:				
<i>Instruction:</i>				
Regular	\$ 9,599,189	\$ 9,169,529	\$ (7,277,618)	\$ (7,155,209)
Special	1,506,388	1,421,802	(1,245,248)	(1,086,548)
Vocational	870,552	839,228	(868,835)	(836,833)
Adult/continuing	575	842	(575)	(842)
Other	307,566	147,727	(307,566)	(147,727)
<i>Support services:</i>				
Pupil	745,018	715,591	(598,706)	(705,354)
Instructional staff	592,410	633,118	(488,582)	(538,518)
Board of education	84,202	5,571	(84,202)	(5,571)
Administration	1,452,860	1,481,887	(1,332,620)	(1,375,043)
Fiscal	489,406	543,841	(489,406)	(543,841)
Business	296,888	322,587	(296,888)	(322,587)
Operation and maintenance of plant	1,743,837	1,711,278	(1,740,738)	(1,708,626)
Pupil transportation	1,177,982	1,023,012	(1,160,706)	(986,050)
Central	69,815	64,805	(61,954)	(55,337)
Operation non-instructional services	2,526	3,332	(2,526)	(931)
Operation of food services	694,481	674,911	19,462	33,330
Extracurricular activities	422,265	406,468	(196,158)	(176,765)
Interest and fiscal charges	8,741	11,013	(8,741)	(11,013)
<i>Total expenses</i>	<u>\$ 20,064,701</u>	<u>\$ 19,176,542</u>	<u>\$ (16,141,607)</u>	<u>\$ (15,623,465)</u>

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2005
 Unaudited



Program Revenues include charges for services, grants, contributions and interest that are program specific. Surrounding schools whose resident students are educated by the Norton City School District pay the School District \$3,400 per pupil under Ohio's open enrollment entitlement.

Property taxes made up 40.87% of total revenues for governmental activities for the Norton City Schools in fiscal year 2005. Program revenues for governmental activities provided 18.3% of governmental revenues with 81% of all governmental activities supported through property taxes, grants and entitlement, and other general revenues. The 39.2% 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 and other financing sources for governmental funds were \$21,423,205 and total expenditures and other financing uses were \$19,919,766. The net change in fund balance was significant in the general fund with an increase of \$1,169,426. This increase is attributed to continuing expense cuts.

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.

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

During fiscal year 2005, the School District amended its general fund budget numerous times. Budget revisions become necessary as expenditure priorities change according to student, building and operational needs. These revisions are requested by the Superintendent and are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue and other financing sources estimate was \$18,676,527, representing a significant increase from the original budget estimate of \$17,496,623. This variance is due to an increase in property taxes received during the year.

The original expenditures and other financing uses estimate of \$18,776,826 was increased throughout the year with an ending estimate of \$21,226,685. Although budgeted expenditures were increased, actual expenditures for the year fell below the final budget by \$3,119,550. A reduction in expenditures was deemed necessary in order to help offset current and future year revenue shortages and state funding cuts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$4,538,816 invested in land and land improvements, buildings, furniture and equipment and vehicles. Table 4 shows fiscal year 2005 balances compared to fiscal year 2004:

Table 4
Capital Assets at June 30, 2005
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
<i>Land</i>	\$ 71,000	\$ 71,000
<i>Construction in progress</i>	-	430,015
<i>Land improvements</i>	722,861	196,422
<i>Buildings</i>	2,404,182	2,524,075
<i>Furniture and equipment</i>	590,208	724,686
<i>Vehicles</i>	750,565	561,918
<i>Total capital assets</i>	<u>\$ 4,538,816</u>	<u>\$ 4,508,116</u>

Norton City School District

Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The primary reason for the increase occurred as current year capital asset additions exceeded depreciation expense, as noted earlier. The most significant capital asset purchases made during the year were for the expansion and replacement of parking lots, driveways and several new buses. The above mentioned capital assets were purchased with tax proceeds received from a permanent improvement levy passed by School District taxpayers. See Note 8 to the basic financial statements for detail on the School District’s capital assets.

Debt

At June 30, 2005 the School District had \$43,400 outstanding in House Bill 264 1995 Energy Conservation bonded debt with \$43,400 due within one year. Table 5 summarizes the bonds and capital leases outstanding:

*Table 5
Outstanding Debt, at Fiscal Year End*

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
<i>1995 Energy Conservation Bonds</i>	\$ 43,400	\$ 86,800
<i>Capital Leases</i>	<u>122,799</u>	<u>155,434</u>
<i>Total outstanding debt</i>	<u>\$ 166,199</u>	<u>\$ 242,234</u>

The energy conservation bonds, issued in fiscal year 1996 and maturing in July 2005, were issued in the amount of \$434,000. These bonds were issued to pay the costs of installations, modifications and remodeling of school buildings to conserve energy. These bonds are to be repaid from voted and unvoted general property taxes received in the bond retirement debt service fund. The capital leases are to be repaid from the general fund, which the School District has budgeted to meet these requirements.

At June 30, 2005, the School District’s overall legal debt margin was \$26,337,413 with an unvoted debt margin of \$293,068. The School District is not currently rated by Standard & Poor’s or Moody’s Investors Service. See Note 13 to the basic financial statements for detail on the School District’s long-term obligations.

Current Issues Affecting Financial Condition

On July 1, 2002, a three-year labor agreement went into effect with an economic package that provided a 3% increase to the base salary in the first year and a 3.6% and 3.9% increase for 2004 and 2005, respectively.

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

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

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. In conclusion, the School District's system of budgeting and internal controls is well regarded.

Contacting the School District's Financial Management

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

Norton City School District

Statement of Net Assets

June 30, 2005

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 4,742,996
Cash and cash equivalents:	
In segregated accounts	1,093,446
With fiscal agents	400
Receivables:	
Taxes	9,413,764
Accounts	322,906
Intergovernmental	136,323
Prepaid items	236,794
Inventory held for resale	4,940
Materials and supplies inventory	12,278
Capital assets:	
Land and construction in progress	71,000
Depreciable capital assets, net	4,467,816
Total capital assets	<u>4,538,816</u>
Total assets	<u>20,502,663</u>
<u>Liabilities:</u>	
Accounts payable	33,344
Accrued wages	1,144,796
Intergovernmental payable	499,497
Compensated absences payable	27,968
Deferred revenue	8,784,549
Matured interest payable	400
Accrued interest payable	2,250
Claims payable	356,641
Long-term liabilities:	
Due within one year	149,424
Due in more than one year	715,448
Total liabilities	<u>11,714,317</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	4,372,617
Restricted for:	
Capital projects	684,779
Debt service	2,453
Other purposes	438,169
Unrestricted	<u>3,290,328</u>
Total net assets	<u>\$ 8,788,346</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 9,599,189	\$ 2,084,493	\$ 237,078	\$ -	\$ (7,277,618)
Special	1,506,388	-	261,140	-	(1,245,248)
Vocational	870,552	-	1,717	-	(868,835)
Adult/continuing	575	-	-	-	(575)
Other	307,566	-	-	-	(307,566)
Support services:					
Pupils	745,018	-	146,312	-	(598,706)
Instructional staff	592,410	785	103,043	-	(488,582)
Board of education	84,202	-	-	-	(84,202)
Administration	1,452,860	-	120,240	-	(1,332,620)
Fiscal	489,406	-	-	-	(489,406)
Business	296,888	-	-	-	(296,888)
Operation and maintenance of plant	1,743,837	3,099	-	-	(1,740,738)
Pupil transportation	1,177,982	-	-	17,276	(1,160,706)
Central	69,815	-	7,861	-	(61,954)
Operation of non-instructional services	2,526	-	-	-	(2,526)
Operation of food services	694,481	523,888	190,055	-	19,462
Extracurricular activities	422,265	221,840	4,267	-	(196,158)
Interest and fiscal charges	8,741	-	-	-	(8,741)
Total governmental activities	\$ 20,064,701	\$ 2,834,105	\$ 1,071,713	\$ 17,276	(16,141,607)

General Revenues:

Property taxes levied for:

General purposes	8,080,902
Debt service	48,304
Capital outlay	629,404
Grants and entitlements not restricted to specific programs	8,388,771
Investment earnings	112,629
Miscellaneous	244,842
Total general revenues	17,504,852
Change in net assets	1,363,245
Net assets at beginning of year	7,425,101
Net assets at end of year	\$ 8,788,346

See accompanying notes to the basic financial statements.

Norton City School District

Balance Sheet

Governmental Funds

June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 3,599,644	\$ 1,128,668	\$ 4,728,312
Cash and cash equivalents with fiscal agents	-	400	400
Receivables:			
Taxes	8,738,125	675,639	9,413,764
Accounts	322,906	-	322,906
Intergovernmental	-	136,323	136,323
Interfund	151,620	-	151,620
Prepaid items	228,856	7,938	236,794
Inventory held for resale	-	4,940	4,940
Materials and supplies inventory	11,372	906	12,278
Equity in pooled cash and cash equivalents (restricted)	14,684	-	14,684
Total assets	\$ 13,067,207	\$ 1,954,814	\$ 15,022,021
<u>Liabilities:</u>			
Accounts payable	\$ 29,195	\$ 4,149	\$ 33,344
Accrued wages	1,122,142	22,654	1,144,796
Interfund payable	-	151,620	151,620
Compensated absences payable	27,968	-	27,968
Intergovernmental payable	490,377	9,120	499,497
Deferred revenue	8,388,079	660,612	9,048,691
Matured interest payable	-	400	400
Total liabilities	10,057,761	848,555	10,906,316
<u>Fund balances:</u>			
Reserved for:			
Encumbrances	306,504	561,142	867,646
Inventory	11,372	5,846	17,218
Property taxes	542,674	39,808	582,482
Prepaid items	228,856	7,938	236,794
Unclaimed money	14,684	-	14,684
Unreserved, undesignated, reported in:			
General fund	1,905,356	-	1,905,356
Special revenue funds	-	290,062	290,062
Debt service fund	-	4,703	4,703
Capital projects funds	-	196,760	196,760
Total fund balances	3,009,446	1,106,259	4,115,705
Total liabilities and fund balances	\$ 13,067,207	\$ 1,954,814	\$ 15,022,021

See accompanying notes to the basic financial statements.

Norton City School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2005

Total governmental funds balances		\$ 4,115,705
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,538,816
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 248,823	
Charges for services	192,183	
Intergovernmental	24,781	
Miscellaneous	445	
Total	466,232	466,232
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 assets.		534,715
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
Energy conservation bonds	\$ (43,400)	
Compensated absences	(698,673)	
Capital leases	(122,799)	
Accrued interest payable	(2,250)	
Total	(867,122)	(867,122)
Net assets of governmental activities		\$ 8,788,346

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, 2005

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Taxes	\$ 8,071,055	\$ 678,465	\$ 8,749,520
Intergovernmental	8,326,715	1,130,770	9,457,485
Interest	110,834	1,795	112,629
Tuition and fees	1,926,050	52,273	1,978,323
Extracurricular activities	116,918	162,507	279,425
Gifts and donations	19,399	33,853	53,252
Charges for services	-	524,673	524,673
Rent	3,099	-	3,099
Miscellaneous	205,756	59,043	264,799
Total revenues	<u>18,779,826</u>	<u>2,643,379</u>	<u>21,423,205</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	8,863,827	509,694	9,373,521
Special	1,225,910	245,214	1,471,124
Vocational	824,419	11,467	835,886
Adult/continuing	575	-	575
Other	307,566	-	307,566
Support services:			
Pupils	612,482	118,011	730,493
Instructional staff	466,182	110,117	576,299
Board of education	84,202	-	84,202
Administration	1,246,919	127,243	1,374,162
Fiscal	487,896	9,380	497,276
Business	295,116	-	295,116
Operation and maintenance of plant	1,535,808	33,463	1,569,271
Pupil transportation	1,052,259	10,000	1,062,259
Central	60,906	8,341	69,247
Operation of non-instructional services	-	1,522	1,522
Operation of food services	-	672,020	672,020
Extracurricular activities	303,520	117,939	421,459
Capital outlay	204,077	286,651	490,728
Debt service:			
Principal retirement	32,635	43,400	76,035
Interest and fiscal charges	6,101	4,904	11,005
Total expenditures	<u>17,610,400</u>	<u>2,309,366</u>	<u>19,919,766</u>
Net change in fund balances	1,169,426	334,013	1,503,439
Fund balances at beginning of year, restated	1,840,020	771,717	2,611,737
Increase (decrease) in reserve for inventory	-	529	529
Fund balances at end of year	<u>\$ 3,009,446</u>	<u>\$ 1,106,259</u>	<u>\$ 4,115,705</u>

See accompanying notes to the basic financial statements.

Norton City School District

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005**

Net change in fund balances - total governmental funds		\$ 1,503,439
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	\$ 490,728	
Depreciation expense	<u>(459,301)</u>	
Excess of capital asset additions over depreciation expense		31,427
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		
		(727)
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	\$ 9,090	
Intergovernmental	(13,579)	
Charges for services	8,785	
Miscellaneous	<u>445</u>	
Net change in deferred revenues during the year		4,741
Repayment of debt and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		76,035
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in compensated absences	\$ 24,188	
Decrease in consumable inventory	529	
Decrease in accrued interest	<u>2,264</u>	
Total reduced expenditures		26,981
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>(278,651)</u>
Change in net assets of governmental activities		<u>\$ 1,363,245</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, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 6,874,519	\$ 8,054,423	\$ 7,747,016	\$ (307,407)
Intergovernmental	8,499,001	8,499,001	8,306,455	(192,546)
Interest	76,922	76,922	110,834	33,912
Tuition and fees	1,723,913	1,723,913	1,906,081	182,168
Extracurricular activities	132,670	132,670	116,918	(15,752)
Gifts and donations	5,361	5,361	19,399	14,038
Rent	2,652	2,652	3,099	447
Miscellaneous	94,215	94,215	173,065	78,850
Total revenues	<u>17,409,253</u>	<u>18,589,157</u>	<u>18,382,867</u>	<u>(206,290)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,935,404	10,362,560	8,854,535	1,508,025
Special	1,433,353	1,542,883	1,321,773	221,110
Vocational	827,189	976,156	835,513	140,643
Adult/continuing	842	939	575	364
Other	361,022	359,652	307,566	52,086
Support services:				
Pupils	650,032	751,208	629,080	122,128
Instructional staff	485,684	573,999	488,576	85,423
Board of education	75,724	106,279	91,658	14,621
Administration	1,325,857	1,489,072	1,269,390	219,682
Fiscal	531,090	627,613	515,037	112,576
Business	413,198	438,453	374,726	63,727
Operation and maintenance of plant	1,820,647	1,897,963	1,606,480	291,483
Pupil transportation	1,347,304	1,469,291	1,252,604	216,687
Central	58,413	67,104	55,140	11,964
Extracurricular activities	315,728	357,829	303,096	54,733
Capital outlay	33,685	44,029	39,869	4,160
Total expenditures	<u>18,615,172</u>	<u>21,065,030</u>	<u>17,945,618</u>	<u>3,119,412</u>
Excess of revenues over (under) expenditures	<u>(1,205,919)</u>	<u>(2,475,873)</u>	<u>437,249</u>	<u>2,913,122</u>
<u>Other financing sources (uses):</u>				
Refund of prior year expenditures	87,370	87,370	24,497	(62,873)
Refund of prior year receipts	(237)	(237)	(100)	137
Advances in	-	-	175,584	175,584
Advances out	(161,417)	(161,418)	(161,417)	1
Total other financing sources (uses)	<u>(74,284)</u>	<u>(74,285)</u>	<u>38,564</u>	<u>112,849</u>
Net change in fund balance	(1,280,203)	(2,550,158)	475,813	3,025,971
Fund balances at beginning of year	2,546,695	2,546,695	2,546,695	-
Prior year encumbrances appropriated	276,826	276,826	276,826	-
Fund balances at end of year	<u>\$ 1,543,318</u>	<u>\$ 273,363</u>	<u>\$ 3,299,334</u>	<u>\$ 3,025,971</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2005

	<u>Self Insurance</u>
<u>Assets:</u>	
Current:	
Cash and cash equivalents in segregated accounts	<u>\$ 1,093,446</u>
 <u>Liabilities:</u>	
Current:	
Deferred revenue	\$ 202,090
Claims payable	<u>356,641</u>
Total liabilities	<u>558,731</u>
 <u>Net assets:</u>	
Unrestricted	<u>534,715</u>
Total liabilities and net assets	<u>\$ 1,093,446</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2005

	Self Insurance
<u>Operating revenues:</u>	
Charges for services	<u>\$ 2,036,638</u>
<u>Operating expenses:</u>	
Purchased services	389,266
Claims	<u>1,949,846</u>
Total operating expenses	<u>2,339,112</u>
Operating income (loss)	<u>(302,474)</u>
<u>Non-operating revenues:</u>	
Interest	<u>23,823</u>
Change in net assets	(278,651)
Net assets at beginning of year	<u>813,366</u>
Net assets at end of year	<u><u>\$ 534,715</u></u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2005

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received for charges for services	\$ 2,056,406
Cash payments to suppliers for goods and services	(389,266)
Cash payments for claims	<u>(1,839,197)</u>
Net cash used for operating activities	<u>(172,057)</u>
<u>Cash flows from noncapital financing activities:</u>	
Advances out	<u>(10,000)</u>
Net cash used for noncapital financing activities	<u>(10,000)</u>
<u>Cash flows from investing activities:</u>	
Interest on investments	<u>23,823</u>
Net cash provided by investing financing	<u>23,823</u>
Net decrease in cash and cash equivalents	(158,234)
Cash and cash equivalents at beginning of year	<u>1,251,680</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,093,446</u></u>
<u>Reconciliation of operating loss to net cash used for operating activities:</u>	
Operating loss	<u>\$ (302,474)</u>
Adjustments to reconcile operating loss to net cash used for operating activities:	
Increase (decrease) in liabilities:	
Claims payable	110,650
Deferred revenue	<u>19,767</u>
Total adjustments	<u>130,417</u>
Net cash used for operating activities	<u><u>\$ (172,057)</u></u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Private Purpose Trust	
	Scholarships	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ -	\$ 47,910
Cash and cash equivalents:		
In segregated accounts	32,682	-
Investments in segregated accounts	44,435	-
Interest receivable	441	-
	<u>\$ 77,558</u>	<u>\$ 47,910</u>
 <u>Liabilities:</u>		
Accounts payable	\$ -	\$ 198
Due to students	-	47,712
	<u>-</u>	<u>\$ 47,910</u>
 <u>Net assets:</u>		
Held in trust for scholarships	<u>\$ 77,558</u>	

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2005

	Private Purpose Trust <hr/> Scholarships
<u>Additions:</u>	
Interest	\$ 694
Gifts and donations	1,142
Miscellaneous	<u>3,668</u>
Total additions	<u>5,504</u>
 <u>Deductions:</u>	
Payments in accordance with trust agreements	<u>8,801</u>
Change in net assets	(3,297)
Net assets at beginning of year	<u>80,855</u>
Net assets at end of year	<u>\$ 77,558</u>

See accompanying notes to the basic financial statements.

NOTE 1 - 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 110 non-certificated employees and 172 certificated teaching and support personnel, including 16 administrators, that provide services to 2,386 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 Northeast Ohio Network for Educational Technology 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The School District also applies Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. 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 assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The 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 assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program 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 general fund is the School District's only major governmental fund.

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.

The other governmental funds of the School District account for grants and other resources whose use is restricted for a particular purpose.

Proprietary Fund Type

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, 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 revenue received from other funds and the settlement expenses for medical, surgical, prescription drug, and dental and vision claims of School District employees.

Fiduciary Fund Types

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

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

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include 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 assets. The statement of revenues, expenses and changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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 revenue and in the presentation of expenses versus expenditures.

Revenue - Exchange and Non-exchange Transactions

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

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

Notes to the Basic Financial Statements

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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, Contributions and Interest" 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 2005. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

E. Cash and Investments To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents". During the fiscal year, investments were limited to overnight repurchase agreements, certificates of deposit, and interest in 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 5.

The School District is self-insured for health coverage. These monies 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 retainage amounts due on completed projects and for monies held for future scholarships, which are reported in the permanent improvements capital projects fund and the scholarships private purpose trust fund respectively.

F. Prepaids Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

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

Notes to the Basic Financial Statements

H. Inventory

On the governmental-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed 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 expensed 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. 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 assets 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>
<i>Land improvements</i>	<i>10 - 30 years</i>
<i>Buildings</i>	<i>30 - 50 years</i>
<i>Furniture and equipment</i>	<i>5 - 20 years</i>
<i>Vehicles</i>	<i>10 - 15 years</i>

K. Compensated Absences

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

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

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

L. Net Assets

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

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

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

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

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

**N. 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.

**O. 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 assets.

Notes to the Basic Financial Statements

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

Q. Fund Balance Reserves The School District records reservations for portions of fund balances, which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund balances, which are available for appropriation in future periods. Fund balance reserves are established for encumbrances, inventories, prepaids, property taxes and unclaimed monies.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

For fiscal year 2005, the School District has implemented GASB Statement No. 40, “Deposits and Investment Risk Disclosures”; GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers” and GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits and Other Than Pensions.

As a result of the implementation of the Technical Bulletin and GASB Statement No. 45, certain beginning fund balances were required to be restated. These restatements involve reporting pension and other postemployment benefit liabilities on the governmental fund financial statements where beforehand were exclusively reported on the government-wide financial statements.

The restatement of fund balance is presented below:

	<u>General</u>	<i>Nonmajor Governmental</i> <u>Funds</u>	<u>Total</u>
<i>Fund balances at June 30, 2004</i>	\$ 2,019,437	\$ 776,502	\$ 2,795,939
<i>Restatement of intergovernmental payable</i>	<u>(179,417)</u>	<u>(4,785)</u>	<u>(184,202)</u>
<i>Restated fund balances at July 1, 2004</i>	<u>\$ 1,840,020</u>	<u>\$ 771,717</u>	<u>\$ 2,611,737</u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).

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>
<i>GAAP Basis</i>	\$ 1,169,426
<i>Revenue Accruals</i>	(196,878)
<i>Expenditure Accruals</i>	(181,741)
<i>Encumbrances (Budget Basis)</i>	
<i>Outstanding at year end</i>	<u>(314,994)</u>
<i>Budget Basis</i>	<u>\$ 475,813</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits:

For the fiscal year ended June 30, 2005, the School District reported \$14,684 in "Equity in pooled cash and cash equivalents (restricted)" on the balance sheet. This amount represents a reserve for unclaimed monies.

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.

The carrying value of the School District's deposits totaled (\$261,059), and the bank balances of the deposits totaled \$156,502. The entire bank balance of \$156,502 was covered by federal depository insurance.

B. Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Repurchase agreements	\$ 2,525,000	Daily	N/A ⁽¹⁾
STAROhio	<u>3,697,928</u>	N/A	AAAm ⁽²⁾
	<u>\$ 6,222,928</u>		

⁽¹⁾ Underlying securities are exempt.

⁽²⁾ Standard and Poor's rating

Notes to the Basic Financial Statements

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005.

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 2005 amount to \$110,834, which includes \$12,090 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 \$2,525,000 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, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

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

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

NOTE 6 - PROPERTY TAX

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed at 35% of true value and public utility tangible personal property currently is assessed at varying percentages of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25% of true value for capital assets and 23% of true value of inventory.

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 alternative payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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 year-end are available to finance the current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Notes to the Basic Financial Statements

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of year end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at year-end is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at year-end was \$542,674 in the general fund and \$39,808 in the permanent improvement capital projects fund. These advances are recognized as revenue on the fund financial statements.

There was a new levy passed during the current fiscal year. The assessed values upon which the current fiscal year taxes were collected are:

<u>Property Category</u>	<u>2004</u> <u>Assessed Value</u>	<u>2003</u> <u>Assessed Value</u>
<u>Real Property</u>		
<i>Residential and agricultural</i>	\$ 226,246,280	\$ 221,743,890
<i>Commercial, industrial and mineral</i>	38,504,470	37,596,610
<i>Public utilities</i>	61,010	61,540
<u>Tangible Personal Property</u>		
<i>General</i>	19,596,241	17,792,625
<i>Public utilities</i>	<u>8,659,890</u>	<u>8,391,930</u>
<i>Total</i>	<u>\$ 293,067,891</u>	<u>\$ 285,586,595</u>

NOTE 7 - RECEIVABLES

Receivables at year-end consisted of taxes, accounts, and 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.

Norton City School District

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005 was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 71,000	\$ -	\$ -	\$ 71,000
Construction in progress	<u>430,015</u>	<u>-</u>	<u>(430,015)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>501,015</u>	<u>-</u>	<u>(430,015)</u>	<u>71,000</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	716,495	569,038	-	1,285,533
Buildings	6,864,005	16,720	-	6,880,725
Furniture and equipment	1,458,014	40,490	-	1,498,504
Vehicles	<u>1,710,758</u>	<u>294,495</u>	<u>(14,453)</u>	<u>1,990,800</u>
Total capital assets, being depreciated	<u>10,749,272</u>	<u>920,743</u>	<u>(14,453)</u>	<u>11,655,562</u>
<i>Less: Accumulated depreciation</i>				
Land improvements	(520,073)	(42,599)	-	(562,672)
Buildings	(4,339,930)	(136,613)	-	(4,476,543)
Furniture and equipment	(733,328)	(174,968)	-	(908,296)
Vehicles	<u>(1,148,840)</u>	<u>(105,121)</u>	<u>13,726</u>	<u>(1,240,235)</u>
Total accumulated depreciation	<u>(6,742,171)</u>	<u>(459,301)</u>	<u>13,726</u>	<u>(7,187,746)</u>
Total capital assets being depreciated, net	<u>4,007,101</u>	<u>461,442</u>	<u>(727)</u>	<u>4,467,816</u>
Governmental activities capital assets, net	<u>\$ 4,508,116</u>	<u>\$ 461,442</u>	<u>\$ (430,742)</u>	<u>\$ 4,538,816</u>

Notes to the Basic Financial Statements

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
<i>Regular</i>	\$ 91,515
<i>Special</i>	6,143
<i>Vocational</i>	22,405
<i>Support services:</i>	
<i>Pupils</i>	8,997
<i>Instructional staff</i>	17,509
<i>Administration</i>	41,308
<i>Fiscal</i>	1,405
<i>Operation and maintenance of plant</i>	152,563
<i>Pupil transportation</i>	99,760
<i>Operation of non-instructional services</i>	1,004
<i>Operation of food services</i>	13,164
<i>Extracurricular activities</i>	3,528
<i>Total depreciation expense</i>	<u>\$ 459,301</u>

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables 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. During the year, the general fund advanced money to nine nonmajor special revenue funds. 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 advances are expected to be repaid during the next fiscal year.

Due to general fund from:

<i>Nonmajor governmental funds</i>	\$ 151,620
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NOTE 10 - RISK MANAGEMENT

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.

Norton City School District

The School District uses an internal service fund to record and report its self-funded health care insurance program. The claims liability of \$356,641, reported in the fund at year end was estimated by third party administrators and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The School District purchases stop-loss coverage of \$60,000 per employee.

Changes in the fund's claims liability during 2004 and 2005 were:

<i>Fiscal Year</i>	<i>Balance at beginning of year</i>	<i>Current year claims</i>	<i>Claim payments</i>	<i>Balance at end of year</i>
2004	\$ 373,661	1,636,555	1,764,225	\$ 245,991
2005	\$ 245,991	1,949,846	1,839,196	\$ 356,641

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 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For the fiscal year 2004, 9.09% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$285,879, \$262,244, and \$251,627, respectively; 37% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$180,984 representing the unpaid contribution for fiscal year 2005.

**B. State Teachers
Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer defined benefit pension plan. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

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 became disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005 plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2004, 13% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% 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 for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,123,943, \$1,136,772, and \$1,220,789, respectively; 83% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$192,448, representing the unpaid contribution for fiscal year 2005 is recorded as an intergovernmental payable. Contributions to the DC and Combined plans for fiscal year 2005 were \$3,304 made by the School District and \$3,147 made by the plan members.

NOTE 12 - POST-EMPLOYMENT BENEFITS

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Health care benefits are financed on a pay-as-you-go basis.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District this amount equaled \$86,457 during the 2005 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3.3 billion at June 30, 2005. For the year ended June 30, 2005, the net health care costs paid by the STRS were \$254,780,000 and eligible benefit recipients totaled 115,395.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2005, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply. For this fiscal year, employer contributions to fund health care benefits were 3.43% of covered payroll, a decrease of 1.48% from fiscal year 2004.

Notes to the Basic Financial Statements

In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. However, the surcharge is capped at 2% of each employer's SERS salaries. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$143,159, which includes a surcharge of \$50,390 during the 2005 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005 were \$178,221,113. The target level for the health care reserve is 150% of projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual claims costs. The number of participants eligible to receive benefits is 58,123.

NOTE 13 - BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

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

	<i>Balance</i>				<i>Balance</i>	<i>Due in</i>
	<u><i>July 1</i></u>	<u><i>Additions</i></u>	<u><i>Reductions</i></u>	<u><i>June 30</i></u>	<u><i>one year</i></u>	
<i>Governmental activities</i>						
<i>Bonds</i>						
<i>Energy conservation bonds, 5.65%</i>						
<i>maturing July 15, 2006</i>	\$ 86,800	\$ -	\$ (43,400)	\$ 43,400	\$ 43,400	
<i>Other obligations</i>						
<i>Compensated absences</i>	722,861	56,106	(80,294)	698,673	71,944	
<i>Capital leases payable</i>	<u>155,434</u>	<u>-</u>	<u>(32,635)</u>	<u>122,799</u>	<u>34,080</u>	
<i>Total other liabilities</i>	<u>878,295</u>	<u>56,106</u>	<u>(112,929)</u>	<u>821,472</u>	<u>106,024</u>	
<i>Governmental activities</i>						
<i>Total long-term liabilities</i>	<u>\$ 965,095</u>	<u>\$ 56,106</u>	<u>\$ (156,329)</u>	<u>\$ 864,872</u>	<u>\$ 149,424</u>	

In fiscal year 1996 the School District issued \$434,000 of 1995 Series Energy Conservation Bonds to pay the costs of installations, modifications and remodeling of school buildings to conserve energy. All bonds are general obligations of the School District for which its full faith and credit are pledged for repayment. The energy conservation bonds are to be repaid from voted and unvoted general property taxes. Property tax monies will be received in and the debt will be repaid from the bond retirement debt service fund.

Norton City School District

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 the energy conservation bonds outstanding at June 30, 2005 are as follows:

<i>Fiscal</i>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 43,400	\$ 2,452	\$ 45,852

NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The School District, in prior years, entered into capitalized leases for the acquisition of eleven copiers. During the year, the School District entered into a lease agreement for fourteen copiers. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," 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 lease have been capitalized as equipment in the amount of \$173,829, which is equal to the present value of the future minimum lease payments on the government-wide financial statements. Principal payments in the current fiscal year totaled \$32,635.

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.

<i>Fiscal</i>	<i>Lease</i>
<u>Year</u>	<u>Payments</u>
2006	\$ 38,736
2007	38,736
2008	38,736
2009	<u>16,140</u>
<i>Total minimum lease payments</i>	132,348
<i>Less: amount representing interest</i>	<u>(9,549)</u>
<i>Total</i>	<u>\$ 122,799</u>

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEOnet) is the computer service organization or Data Acquisition Site (DAS) used by the School District. NEOnet is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges, and assessments as charged. NEOnet is governed by a board made up of superintendents from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEOnet are made from various funds. During fiscal year 2005, the School District contributed \$137,479 to NEOnet. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center, who serves as the fiscal agent, at 420 Washington Ave., Suite 200, Cuyahoga Falls, Ohio 44221.

The Four Cities Educational Compact is a jointly governed organization that provides for the vocational and special education needs of the students of four participating school districts. The four-member board consists of the superintendent from each of the participating school districts. Students may attend any vocational or special education class offered by any of the four districts. If a student elects to attend a class offered by a school district other than the school district in which the student resides, the school district of residence pays an instructional fee to the school district that offered the class. Wadsworth City School District serves as the fiscal agent for this organization, collecting fees and distributing payments. The committee exercises total control over the operation of the compact, including budgeting, appropriating, contracting and designating management. All revenues are generated from charges for services. Financial information can be obtained by contacting the Treasurer at the Wadsworth City School District, 360 College St., Wadsworth, Ohio 44281.

NOTE 16 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

As of June 30, 2005, one nonmajor special revenue fund had a deficit fund balance. 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 fund had a deficit at year-end:

<i>Fund</i>	<i>Deficit</i>
<i>Miscellaneous Federal Grants</i>	<i>\$ 2,408</i>

Norton City School District

B. Compliance

Contrary to ORC 5705.39, the School District had six funds which reported appropriations exceeding certified estimated resources as of June 30, 2005. To prevent future violations, the School District has implemented additional procedures which compare appropriated amounts versus certified estimated resources. The funds reporting these violations are as follows:

<i>Fund</i>	<i>Estimated Resources</i>	<i>Appropriations</i>	<i>Variance</i>
<i>Nonmajor special revenue:</i>			
<i>Uniform school supplies</i>	\$ 100,255	\$ 100,499	\$ (244)
<i>Miscellaneous local grants</i>	29,979	29,980	(1)
<i>District managed student activity</i>	114,492	116,491	(1,999)
<i>School net professional development</i>	7,530	7,531	(1)
<i>Title I</i>	270,463	270,473	(10)
<i>Self insurance internal service</i>	3,332,680	3,334,435	(1,755)

NOTE 17 - CONTINGENT LIABILITIES

The School District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the School District's management believes that such disallowances, if any, will be immaterial.

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

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

NOTE 18 - STATUTORY RESERVES

The School District is required by State statute to annually set-aside monies for the purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials.

Notes to the Basic Financial Statements

Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-asides. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	<i>Textbook Reserve</i>	<i>Capital Maintenance Reserve</i>	<i>Total</i>
<i>Set-aside cash balance as of June 30, 2004</i>	\$ (804,018)	\$ -	\$ (804,018)
<i>Current year set-aside requirement</i>	375,576	375,576	751,152
<i>Current year offset</i>	-	(608,352)	(608,352)
<i>Qualifying disbursements</i>	<u>(388,033)</u>	<u>-</u>	<u>(388,033)</u>
<i>Total</i>	<u>\$ (816,475)</u>	<u>\$ (232,776)</u>	<u>\$ (1,049,251)</u>
<i>Balance carried forward to future years</i>	<u>\$ (816,475)</u>		<u>\$ (816,475)</u>

NOTE 19 – NORTON DIGITAL ACADEMY

The Academy has been determined to be a discrete component unit. The School District's management has determined it is not significant; therefore, it has not been included as part of the School District's basic financial statements.

NOTE 20 – REQUIRED SUPPLEMENTARY INFORMATION (RSI) IS OMITTED

For the fiscal year ended, the School District was required to implement GASB Technical Bulletin No. 2004-2. In addition to the implementation of this guidance, the School District simultaneously implemented GASB Statement No. 45, as recommended by the GASB. This Statement requires employers to present as required supplementary information (RSI) schedules of funding progress and employer contributions for the plan as a whole if a plan financial report, prepared in accordance with GASB Statement No. 43 is not issued and made publicly available and the plan is not included in the financial report of a public employee retirement system or another entity. SERS and STRS have not issued a financial report in accordance with the statement and have not conducted a valuation of their plans, as they were not required to implement the statement as of the date of this report. Therefore, RSI is unavailable to the School District and it does not follow these notes to the financial statements.

**Combining Statements for
Governmental Funds**

Governmental Fund Descriptions

Nonmajor Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. A description of the School District's special revenue funds follows:

Food Services: To account for all revenues and expenditures related to the provision of food services, including breakfast and lunch, for School District students and staff.

Uniform School Supplies: To account for the purchase and sale of school supplies as adopted by the Board of Education for resale to students of the School District.

Customer Service Rotary: To account for the revenues and expenditures related to the auto mechanic and auto body vocational programs.

Adult Education: To account for the revenues and expenditures related to the provision of credit and non-credit classes to the general public.

Public School Support: To account for specific local revenue sources (other than taxes) generated by individual school buildings (e.g. sales of pictures, profits from vending machines, etc.). Expenditures include field trips, materials, equipment and other items to supplement co-curricular and extra-curricular programs.

Miscellaneous Local Grants: To account for funds received from private organizations that are restricted for specific purposes.

Underground Storage Tanks: To account for the financial responsibility rules of the State Fire Marshall to cover deductibles.

District Managed Student Activity: To account for those student activity programs which have student participation in the activity, but do not have student management of the programs. This fund includes athletic programs as well as band, cheerleaders, drama clubs, and other similar types of activities.

Management Information System: To account for state funds provided to assist the School District in implementing a staff, student, and financial reporting system as mandated by the Omnibus Education Reform Act of 1989.

Governmental Fund Descriptions

Nonmajor Special Revenue Funds (continued)

Entry Year Programs: To account for resources used to implement entry-year programs pursuant to division (T) of section 3317.024 of the Ohio Revised Code.

Disadvantaged Pupil Impact Aid (DPIA): To account for state funds which provide instructional programs and materials for disadvantaged students.

Data Communications: To account for revenues received from the state to be used to install and provide support costs for data communication links to connect any school to the local A-site.

School Net Professional Development: To account for revenues received to provide professional development programs related to technology.

Ohio Reads: To account for improvements in reading outcomes, especially on the fourth grade reading proficiency test and for volunteer coordinators in public school buildings, for background checks for volunteers, to evaluate the Ohio Reads Program, and for operating expenses associated with administering the program.

Student Reading Intervention: To account for revenues received from the state to be used to administer reading improvement programs.

Vocational Education Enhancement: A fund used to account for enhancements that: 1) expand the number of students enrolled in tech prep programs, 2) enable students to develop career plans, to identify initial educational and career goals, and to develop a career passport which provides a clear understanding of the student's knowledge, skills, and credentials to present to future employers, universities, and other training institutes and 3) replace or update equipment essential for the instruction of students in job skills taught as part of a vocational program or programs approved for such instruction by the State Board of Education.

IDEA Grant: To account for federal funds for the provision of full educational opportunities to handicapped children at the preschool, elementary and secondary levels; assist in the training of teachers, supervisors and other specialists in providing educational services to the handicapped.

Title I: To account for federal funds provided to meet the special needs of educationally deprived children.

Governmental Fund Descriptions

Nonmajor Special Revenue Funds (continued)

Title V: To account for federal funds to provide programs for at-risk students; instructional materials to improve the quality of instruction; programs for professional development; programs to enhance personal excellence of students and student achievement.

Drug Free School Grant: To account for federal funds provided to establish, operate and improve programs for drug abuse prevention, early intervention, rehabilitation referral and education in schools.

EHA Preschool Grant: To account for federal funds used for the improvement and expansion of services for handicapped children ages three through five years.

Title II-A To account for monies to hire additional classroom teachers in grades one through three, so that the number of students per teacher will be reduced.

Miscellaneous Federal Grants: To account for various monies received through state agencies from the federal government or directly from the federal government which are not classified elsewhere.

Nonmajor Debt Service Fund

The debt service fund is used to account for the accumulation of resources and the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the government is obligated in some manner for the payment. It is also used to account for the accumulation of resources and the payment of general obligation notes payable, as required by Ohio Law.

Nonmajor Capital Projects Funds

Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary and trust funds. The capital projects funds are:

Permanent Improvement: To account for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds.

SchoolNet: To account for monies received that are used to help the School District obtain computers and related educational technology equipment and/or the necessary infrastructure for educational technology.

Norton City School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 493,397	\$ 4,703	\$ 630,568	\$ 1,128,668
Cash and cash equivalents:				
With fiscal agents	-	400	-	400
Receivables:				
Taxes	-	45,852	629,787	675,639
Intergovernmental	136,323	-	-	136,323
Prepaid items	7,938	-	-	7,938
Inventory held for resale	4,940	-	-	4,940
Materials and supplies inventory	906	-	-	906
Total assets	<u>\$ 643,504</u>	<u>\$ 50,955</u>	<u>\$ 1,260,355</u>	<u>\$ 1,954,814</u>
<u>Liabilities and fund balance:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 4,149	\$ -	\$ -	\$ 4,149
Accrued wages	22,654	-	-	22,654
Interfund payable	151,620	-	-	151,620
Intergovernmental payable	9,120	-	-	9,120
Deferred revenue	24,781	45,852	589,979	660,612
Matured interest payable	-	400	-	400
Total liabilities	<u>212,324</u>	<u>46,252</u>	<u>589,979</u>	<u>848,555</u>
<u>Fund balance:</u>				
Reserved for encumbrances	127,334	-	433,808	561,142
Reserved for inventory	5,846	-	-	5,846
Reserved for prepaid items	7,938	-	-	7,938
Reserved for property taxes	-	-	39,808	39,808
Unreserved:				
Undesignated, reported in:				
Special revenue funds	290,062	-	-	290,062
Debt service fund	-	4,703	-	4,703
Capital projects funds	-	-	196,760	196,760
Total fund balance	<u>431,180</u>	<u>4,703</u>	<u>670,376</u>	<u>1,106,259</u>
Total liabilities and fund balance	<u>\$ 643,504</u>	<u>\$ 50,955</u>	<u>\$ 1,260,355</u>	<u>\$ 1,954,814</u>

Norton City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<u>Revenues:</u>				
Taxes	\$ -	\$ 48,304	\$ 630,161	\$ 678,465
Intergovernmental	1,028,129	-	102,641	1,130,770
Interest	1,795	-	-	1,795
Tuition and fees	52,273	-	-	52,273
Extracurricular activities	162,507	-	-	162,507
Gifts and donations	33,853	-	-	33,853
Charges for services	524,673	-	-	524,673
Miscellaneous	57,408	-	1,635	59,043
Total revenues	<u>1,860,638</u>	<u>48,304</u>	<u>734,437</u>	<u>2,643,379</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	388,401	-	121,293	509,694
Special	245,214	-	-	245,214
Vocational	11,467	-	-	11,467
Support services:				
Pupils	116,540	-	1,471	118,011
Instructional staff	110,117	-	-	110,117
Administration	127,243	-	-	127,243
Fiscal	-	-	9,380	9,380
Operation and maintenance of plant	10,437	-	23,026	33,463
Pupil transportation	10,000	-	-	10,000
Central	8,341	-	-	8,341
Operation of non-instructional services	1,522	-	-	1,522
Operation of food services	672,020	-	-	672,020
Extracurricular activities	117,939	-	-	117,939
Capital outlay	-	-	286,651	286,651
Debt service:				
Principal retirement	-	43,400	-	43,400
Interest and fiscal charges	-	4,904	-	4,904
Total expenditures	<u>1,819,241</u>	<u>48,304</u>	<u>441,821</u>	<u>2,309,366</u>
Net change in fund balances	41,397	-	292,616	334,013
Fund balances at beginning of year	389,254	4,703	377,760	771,717
Increase in reserve for inventory	529	-	-	529
Fund balances at end of year	<u>\$ 431,180</u>	<u>\$ 4,703</u>	<u>\$ 670,376</u>	<u>\$ 1,106,259</u>

Norton City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Customer Service Rotary</u>	<u>Adult Education</u>	<u>Public School Support</u>
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 233,686	\$ 46,271	\$ 21,174	\$ 16,182	\$ 43,390
<u>Receivables:</u>					
Intergovernmental	-	-	-	-	-
Prepaid items	6,881	-	-	-	-
Inventory held for resale	4,940	-	-	-	-
Materials and supplies inventory	906	-	-	-	-
Total assets	<u>\$ 246,413</u>	<u>\$ 46,271</u>	<u>\$ 21,174</u>	<u>\$ 16,182</u>	<u>\$ 43,390</u>
<u>Liabilities and fund equity :</u>					
<u>Liabilities:</u>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 308
Accrued wages	2,606	-	-	-	-
Interfund payable	-	-	-	-	-
Intergovernmental payable	4,470	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	<u>7,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>308</u>
<u>Fund balance:</u>					
Reserved for encumbrances	93,451	6,601	-	28	8,266
Reserved for inventory	5,846	-	-	-	-
Reserved for prepaid items	6,881	-	-	-	-
<u>Unreserved:</u>					
Undesignated, reported in:					
Special revenue funds	133,159	39,670	21,174	16,154	34,816
Total fund balance	<u>239,337</u>	<u>46,271</u>	<u>21,174</u>	<u>16,182</u>	<u>43,082</u>
Total liabilities and fund balance	<u>\$ 246,413</u>	<u>\$ 46,271</u>	<u>\$ 21,174</u>	<u>\$ 16,182</u>	<u>\$ 43,390</u>

<u>Miscellaneous Local Grants</u>	<u>Underground Storage Tanks</u>	<u>District Managed Student Activity</u>	<u>Management Information System</u>	<u>Entry Year Programs</u>	<u>Disadvantaged Pupil Impact Aid</u>	<u>Data Communications</u>
\$ 10,164	\$ 11,000	\$ 7,625	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 10,164</u>	<u>\$ 11,000</u>	<u>\$ 7,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 2,460	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	2,460	-	-	-	-
371	-	2,858	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>9,793</u>	<u>11,000</u>	<u>2,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>10,164</u>	<u>11,000</u>	<u>5,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 10,164</u>	<u>\$ 11,000</u>	<u>\$ 7,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

Norton City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

	School Net Professional Development	Ohio Reads	Student Reading Intervention	Vocational Education Enhancement	IDEA Grant
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 1,945	\$ -	\$ 4,950	\$ -	\$ 30,910
Receivables:					
Intergovernmental	-	-	-	-	78,156
Prepaid items	-	-	1,057	-	-
Inventory held for resale	-	-	-	-	-
Materials and supplies inventory	-	-	-	-	-
Total assets	<u>\$ 1,945</u>	<u>\$ -</u>	<u>\$ 6,007</u>	<u>\$ -</u>	<u>\$ 109,066</u>
<u>Liabilities and fund equity :</u>					
<u>Liabilities:</u>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 281
Accrued wages	-	-	4,637	-	-
Interfund payable	-	-	-	-	100,000
Intergovernmental payable	-	-	716	-	1,540
Deferred revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>5,353</u>	<u>-</u>	<u>101,821</u>
<u>Fund balance:</u>					
Reserved for encumbrances	-	-	-	-	5,643
Reserved for inventory	-	-	-	-	-
Reserved for prepaid items	-	-	1,057	-	-
Unreserved:					
Undesignated, reported in:					
Special revenue funds	1,945	-	(403)	-	1,602
Total fund balance	<u>1,945</u>	<u>-</u>	<u>654</u>	<u>-</u>	<u>7,245</u>
Total liabilities and fund balance	<u>\$ 1,945</u>	<u>\$ -</u>	<u>\$ 6,007</u>	<u>\$ -</u>	<u>\$ 109,066</u>

Title I	Title V	Drug Free School Grant	EHA Preschool Grant	Title II-A	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
\$ 37,786	\$ 6,067	\$ -	\$ -	\$ 18,035	\$ 4,212	\$ 493,397
22,844	7,416	-	-	22,867	5,040	136,323
-	-	-	-	-	-	7,938
-	-	-	-	-	-	4,940
-	-	-	-	-	-	906
<u>\$ 60,630</u>	<u>\$ 13,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,902</u>	<u>\$ 9,252</u>	<u>\$ 643,504</u>
\$ -	\$ 600	\$ -	\$ -	\$ 500	\$ -	\$ 4,149
15,411	-	-	-	-	-	22,654
30,000	5,000	-	-	10,000	6,620	151,620
2,394	-	-	-	-	-	9,120
11,186	7,416	-	-	1,139	5,040	24,781
<u>58,991</u>	<u>13,016</u>	<u>-</u>	<u>-</u>	<u>11,639</u>	<u>11,660</u>	<u>212,324</u>
1,755	1,277	-	-	6,960	124	127,334
-	-	-	-	-	-	5,846
-	-	-	-	-	-	7,938
(116)	(810)	-	-	22,303	(2,532)	290,062
1,639	467	-	-	29,263	(2,408)	431,180
<u>\$ 60,630</u>	<u>\$ 13,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,902</u>	<u>\$ 9,252</u>	<u>\$ 643,504</u>

Norton City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2005

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Customer Service Rotary</u>	<u>Adult Education</u>	<u>Public School Support</u>
<u>Revenues:</u>					
Intergovernmental	\$ 190,055	\$ -	\$ -	\$ -	\$ -
Interest	1,795	-	-	-	-
Tuition and fees	-	52,273	-	-	-
Extracurricular activities	-	-	-	-	64,634
Gifts and donations	-	-	-	-	29,586
Charges for services	523,888	-	-	785	-
Miscellaneous	17,608	-	-	-	32,750
Total revenues	<u>733,346</u>	<u>52,273</u>	<u>-</u>	<u>785</u>	<u>126,970</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	-	55,809	-	-	127,370
Special	-	-	-	-	-
Vocational	-	9,750	-	-	-
Support services:					
Pupils	-	-	-	-	-
Instructional staff	-	-	-	217	2,943
Administration	-	-	-	-	4,272
Business	-	-	-	-	-
Pupil transportation	-	-	-	-	-
Central	-	-	-	-	-
Operation of non-instructional services	-	-	-	-	-
Operation of food services	672,020	-	-	-	-
Extracurricular activities	-	-	-	-	-
Total expenditures	<u>672,020</u>	<u>65,559</u>	<u>-</u>	<u>217</u>	<u>134,585</u>
Net change in fund balances	61,326	(13,286)	-	568	(7,615)
Fund balances (deficit) at beginning of year	177,482	59,557	21,174	15,614	50,697
Increase in reserve for inventory	529	-	-	-	-
Fund balances (deficit) at end of year	<u>\$ 239,337</u>	<u>\$ 46,271</u>	<u>\$ 21,174</u>	<u>\$ 16,182</u>	<u>\$ 43,082</u>

<u>Miscellaneous Local Grants</u>	<u>Underground Storage Tanks</u>	<u>District Managed Student Activity</u>	<u>Management Information System</u>	<u>Entry Year Programs</u>	<u>Disadvantaged Pupil Impact Aid</u>	<u>Data Communications</u>
\$ -	\$ -	\$ -	\$ 7,861	\$ 5,500	\$ 8,525	\$ 18,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	97,873	-	-	-	-
-	-	4,267	-	-	-	-
-	-	-	-	-	-	-
-	-	7,050	-	-	-	-
-	-	109,190	7,861	5,500	8,525	18,000
19,814	-	-	-	4,115	8,525	18,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	758	-	-
-	-	-	-	627	-	-
-	-	-	-	-	-	-
-	-	-	8,341	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	117,939	-	-	-	-
19,814	-	117,939	8,341	5,500	8,525	18,000
(19,814)	-	(8,749)	(480)	-	-	-
29,978	11,000	13,914	480	-	-	-
-	-	-	-	-	-	-
\$ 10,164	\$ 11,000	\$ 5,165	\$ -	\$ -	\$ -	\$ -

(Continued)

Norton City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2005

	School Net Professional Development	Ohio Reads	Student Reading Intervention	Vocational Education Enhancement	IDEA Grant
<u>Revenues:</u>					
Intergovernmental	\$ 4,140	\$ 18,500	\$ 56,491	\$ 1,717	\$ 425,383
Interest	-	-	-	-	-
Tuition and fees	-	-	-	-	-
Extracurricular activities	-	-	-	-	-
Gifts and donations	-	-	-	-	-
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>4,140</u>	<u>18,500</u>	<u>56,491</u>	<u>1,717</u>	<u>425,383</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	-	18,500	44,960	-	1
Special	-	-	-	-	83,090
Vocational	-	-	-	1,717	-
Support services:					
Pupils	-	-	-	-	116,540
Instructional staff	5,585	-	-	-	83,176
Administration	-	-	-	-	114,769
Business	-	-	-	-	10,437
Pupil transportation	-	-	-	-	10,000
Central	-	-	-	-	-
Operation of non-instructional services	-	-	-	-	-
Operation of food services	-	-	-	-	-
Extracurricular activities	-	-	-	-	-
Total expenditures	<u>5,585</u>	<u>18,500</u>	<u>44,960</u>	<u>1,717</u>	<u>418,013</u>
Net change in fund balance	(1,445)	-	11,531	-	7,370
Fund balances (deficit) at beginning of year	3,390	-	(10,877)	-	(125)
Increase in reserve for inventory	-	-	-	-	-
Fund balances (deficit) at end of year	<u>\$ 1,945</u>	<u>\$ -</u>	<u>\$ 654</u>	<u>\$ -</u>	<u>\$ 7,245</u>

Title I	Title V	Drug Free School Grant	EHA Preschool Grant	Title II-A	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
\$ 183,456	\$ 10,317	\$ 9,388	\$ 6,004	\$ 78,356	\$ 4,436	\$ 1,028,129
-	-	-	-	-	-	1,795
-	-	-	-	-	-	52,273
-	-	-	-	-	-	162,507
-	-	-	-	-	-	33,853
-	-	-	-	-	-	524,673
-	-	-	-	-	-	57,408
<u>183,456</u>	<u>10,317</u>	<u>9,388</u>	<u>6,004</u>	<u>78,356</u>	<u>4,436</u>	<u>1,860,638</u>
11,199		9,388	-	63,141	7,579	388,401
162,124	-	-	-	-	-	245,214
-	-	-	-	-	-	11,467
-	-	-	-	-	-	116,540
-	11,434	-	6,004	-	-	110,117
7,575	-	-	-	-	-	127,243
-	-	-	-	-	-	10,437
-	-	-	-	-	-	10,000
-	-	-	-	-	-	8,341
1,522	-	-	-	-	-	1,522
-	-	-	-	-	-	672,020
-	-	-	-	-	-	117,939
<u>182,420</u>	<u>11,434</u>	<u>9,388</u>	<u>6,004</u>	<u>63,141</u>	<u>7,579</u>	<u>1,819,241</u>
1,036	(1,117)	-	-	15,215	(3,143)	41,397
603	1,584	-	-	14,048	735	389,254
-	-	-	-	-	-	529
<u>\$ 1,639</u>	<u>\$ 467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,263</u>	<u>\$ (2,408)</u>	<u>\$ 431,180</u>

Norton City School District
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2005

	<u>Permanent Improvement</u>	<u>SchoolNet</u>	<u>Total Nonmajor Capital Projects Funds</u>
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 629,586	\$ 982	\$ 630,568
Receivables:			
Taxes	<u>629,787</u>	<u>-</u>	<u>629,787</u>
Total assets	<u>\$ 1,259,373</u>	<u>\$ 982</u>	<u>\$ 1,260,355</u>
 <u>Liabilities and fund equity :</u>			
<u>Liabilities:</u>			
Deferred revenue	<u>\$ 589,979</u>	<u>\$ -</u>	<u>\$ 589,979</u>
 <u>Fund balance:</u>			
Reserved for encumbrances	433,808	-	433,808
Reserved for property taxes	39,808	-	39,808
Unreserved:			
Undesignated, reported in:			
Capital projects funds	<u>195,778</u>	<u>982</u>	<u>196,760</u>
Total fund balance	<u>669,394</u>	<u>982</u>	<u>670,376</u>
Total liabilities and fund balance	<u>\$ 1,259,373</u>	<u>\$ 982</u>	<u>\$ 1,260,355</u>

Norton City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2005

	<u>Permanent Improvement</u>	<u>SchoolNet</u>	<u>Total Nonmajor Capital Projects Funds</u>
<u>Revenues:</u>			
Taxes	\$ 630,161	\$ -	\$ 630,161
Intergovernmental	79,331	23,310	102,641
Miscellaneous	<u>1,635</u>	<u>-</u>	<u>1,635</u>
Total revenues	<u>711,127</u>	<u>23,310</u>	<u>734,437</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	98,965	22,328	121,293
Support services:			
Pupils	1,471	-	1,471
Fiscal	9,380	-	9,380
Operation and maintenance of plant	23,026	-	23,026
Capital outlay	<u>286,651</u>	<u>-</u>	<u>286,651</u>
Total expenditures	<u>419,493</u>	<u>22,328</u>	<u>441,821</u>
Net change in fund balances	291,634	982	292,616
Fund balances at beginning of year	<u>377,760</u>	<u>-</u>	<u>377,760</u>
Fund balances at end of year	<u><u>\$ 669,394</u></u>	<u><u>\$ 982</u></u>	<u><u>\$ 670,376</u></u>

**Individual Fund Schedules of Revenues, Expenditures and Changes
in Fund Balance – Budget (Non-GAAP Basis) and Actual
Governmental Funds – Nonmajor**

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Food Services Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 149,575	\$ 150,411	\$ 836
Interest	3,534	1,795	(1,739)
Customer services	470,581	523,888	53,307
Miscellaneous	26,310	17,608	(8,702)
Total revenues	<u>650,000</u>	<u>693,702</u>	<u>43,702</u>
<u>Expenditures:</u>			
Current:			
Food service operations	<u>795,325</u>	<u>723,437</u>	<u>71,888</u>
Net change in fund balance	(145,325)	(29,735)	115,590
Fund balance at beginning of year	145,324	145,324	-
Prior year encumbrances appropriated	24,646	24,646	-
Fund balance at end of year	<u>\$ 24,645</u>	<u>\$ 140,235</u>	<u>\$ 115,590</u>

Uniform School Supplies Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Tuition and fees	\$ 52,500	\$ 52,273	\$ (227)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	93,122	62,442	30,680
Special	217	-	217
Vocational	19,563	10,320	9,243
Total expenditures	<u>112,902</u>	<u>72,762</u>	<u>40,140</u>
Net change in fund balance	(60,402)	(20,489)	39,913
Fund balance at beginning of year	47,755	47,755	-
Prior year encumbrances appropriated	12,403	12,403	-
Fund balance at end of year	<u>\$ (244)</u>	<u>\$ 39,669</u>	<u>\$ 39,913</u>

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Customer Service Rotary Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Total revenues	\$ -	\$ -	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Vocational	21,174	-	21,174
Net change in fund balance	(21,174)	-	21,174
Fund balance at beginning of year	21,174	21,174	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 21,174</u>	<u>\$ 21,174</u>

Adult Education Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Customer services	\$ 4,000	\$ 785	\$ (3,215)
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff	19,614	245	19,369
Net change in fund balance	(15,614)	540	16,154
Fund balance at beginning of year	15,614	15,614	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 16,154</u>	<u>\$ 16,154</u>

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Public School Support Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Extracurricular activities	\$ 66,282	\$ 64,634	\$ (1,648)
Gifts and donations	45,816	29,586	(16,230)
Miscellaneous	17,902	32,750	14,848
Total revenues	<u>130,000</u>	<u>126,970</u>	<u>(3,030)</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	161,189	134,365	26,824
Support services:			
Instructional staff	10,765	4,731	6,034
Administration	6,713	4,320	2,393
Pupil transportation	633	-	633
Total expenditures	<u>179,300</u>	<u>143,416</u>	<u>35,884</u>
Excess of revenues over (under) expenditures	<u>(49,300)</u>	<u>(16,446)</u>	<u>32,854</u>
<u>Other financing sources (uses):</u>			
Refund of prior year receipts	<u>(100)</u>	<u>(100)</u>	<u>-</u>
Net change in fund balance	(49,400)	(16,546)	32,854
Fund balance at beginning of year	45,952	45,952	-
Prior year encumbrances appropriated	5,518	5,518	-
Fund balance at end of year	<u>\$ 2,070</u>	<u>\$ 34,924</u>	<u>\$ 32,854</u>

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Miscellaneous Local Grants Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Total revenues	\$ -	\$ -	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	22,796	20,185	2,611
Special	36	-	36
Adult/continuing	6,648	-	6,648
Support services:			
Operation and maintenance of plant	500	-	500
Total expenditures	29,980	20,185	9,795
Net change in fund balance	(29,980)	(20,185)	9,795
Fund balance at beginning of year	29,979	29,979	-
Fund balance at end of year	\$ (1)	\$ 9,794	\$ 9,795

Underground Storage Tanks Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Total revenues	\$ -	\$ -	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Central	11,000	-	11,000
Net change in fund balance	(11,000)	-	11,000
Fund balance at beginning of year	11,000	11,000	-
Fund balance at end of year	\$ -	\$ 11,000	\$ 11,000

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

District Managed Student Activity Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Extracurricular activities	\$ 90,850	\$ 97,873	\$ 7,023
Gifts and donations	8,291	4,267	(4,024)
Miscellaneous	7,000	7,050	50
Total revenues	<u>106,141</u>	<u>109,190</u>	<u>3,049</u>
<u>Expenditures:</u>			
Current:			
Extracurricular activities	122,616	120,852	1,764
Excess of revenues over (under) expenditures	<u>(16,475)</u>	<u>(11,662)</u>	<u>4,813</u>
<u>Other financing sources (uses):</u>			
Refund of prior year expenditures	<u>509</u>	<u>-</u>	<u>(509)</u>
Net change in fund balance	(15,966)	(11,662)	4,304
Fund balance at beginning of year	7,842	7,842	-
Prior year encumbrances appropriated	6,125	6,125	-
Fund balance at end of year	<u>\$ (1,999)</u>	<u>\$ 2,305</u>	<u>\$ 4,304</u>

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Management Information System Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 9,468	\$ 7,861	\$ (1,607)
<u>Expenditures:</u>			
Current:			
Support services:			
Central	13,188	11,581	1,607
Net change in fund balance	(3,720)	(3,720)	-
Fund balance at beginning of year	3,720	3,720	-
Fund balance at end of year	\$ -	\$ -	\$ -

Entry Year Programs Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 5,500	\$ 5,500	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,115	4,115	-
Support services:			
Instructional staff	758	758	-
Administration	627	627	-
Total expenditures	5,500	5,500	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Disadvantaged Pupil Impact Aid Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 8,525	\$ 8,525	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	8,525	8,525	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Data Communications Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 18,000	\$ 18,000	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	18,000	18,000	-
Net change in fund balance	-	-	-
Fund balances at beginning of year	-	-	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

School Net Professional Development Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 4,140	\$ 4,140	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff	7,531	5,585	1,946
Net change in fund balance	(3,391)	(1,445)	1,946
Fund balances at beginning of year	3,390	3,390	-
Fund balances at end of year	<u>\$ (1)</u>	<u>\$ 1,945</u>	<u>\$ 1,946</u>

Ohio Reads Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 18,500	\$ 18,500	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	18,500	18,500	-
Net change in fund balance	-	-	-
Prior Year Encumbrances Appropriated	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Student Reading Intervention Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 66,918	\$ 66,918	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	50,776	45,825	4,951
Excess of revenues over (under) expenditures	16,142	21,093	4,951
<u>Other financing sources (uses):</u>			
Advances in	10,000	10,000	-
Advances out	(31,671)	(31,671)	-
Total other financing sources (uses)	(21,671)	(21,671)	-
Net change in fund balance	(5,529)	(578)	4,951
Fund balance at beginning of year	5,097	5,097	-
Prior year encumbrances appropriated	432	432	-
Fund balance at end of year	\$ -	\$ 4,951	\$ 4,951

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Vocational Education Enhancement Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 1,717	\$ 1,717	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Vocational	1,717	1,717	-
Excess of revenues over (under) expenditures	-	-	-
<u>Other financing sources (uses):</u>			
Advances in	1,546	1,546	-
Advances out	(1,546)	(1,546)	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	-	-	-
Fund balances at beginning of year	-	-	-
Fund balances at end of year	\$ -	\$ -	\$ -

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

IDEA Grant Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 452,684	\$ 374,528	\$ (78,156)
<u>Expenditures:</u>			
Current:			
Instruction:			
Special	88,189	88,190	(1)
Support services:			
Pupils	116,435	116,435	-
Instructional staff	83,078	83,078	-
Administration	116,700	113,558	3,142
Operation and maintenance of plant	10,980	10,980	-
Pupil transportation	10,000	10,000	-
Total expenditures	425,382	422,241	3,141
Excess of revenues over (under) expenditures	27,302	(47,713)	(75,015)
<u>Other financing sources (uses):</u>			
Advances in	100,000	100,000	-
Advances out	(150,000)	(50,000)	100,000
Total other financing sources (uses)	(50,000)	50,000	100,000
Net change in fund balance	(22,698)	2,287	24,985
Fund balance at beginning of year	22,699	22,699	-
Fund balance at end of year	\$ 1	\$ 24,986	\$ 24,985

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

	Title I Fund		
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 183,456	\$ 171,798	\$ (11,658)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	11,686	11,686	-
Special	171,018	153,320	17,698
Support services:			
Administration	7,580	7,580	-
Operation of non-instructional services	1,522	1,522	-
Total expenditures	191,806	174,108	17,698
Excess of revenues over (under) expenditures	(8,350)	(2,310)	6,040
<u>Other financing sources (uses):</u>			
Advances in	30,000	30,000	-
Advances out	(80,000)	(50,000)	30,000
Total other financing sources (uses)	(50,000)	(20,000)	30,000
Net change in fund balance	(58,350)	(22,310)	36,040
Fund balance at beginning of year	57,007	57,007	-
Prior year encumbrances appropriated	1,333	1,333	-
Fund balance at end of year	\$ (10)	\$ 36,030	\$ 36,040

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Title V Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 22,734	\$ 15,317	\$ (7,417)
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff	18,557	13,275	5,282
Excess of revenues over (under) expenditures	4,177	2,042	(2,135)
<u>Other financing sources (uses):</u>			
Advances in	5,000	5,000	-
Advances out	(16,894)	(11,894)	5,000
Total other financing sources (uses)	(11,894)	(6,894)	5,000
Net change in fund balance	(7,717)	(4,852)	2,865
Fund balance at beginning of year	8,742	8,742	-
Prior year encumbrances appropriated	299	299	-
Fund balance at end of year	\$ 1,324	\$ 4,189	\$ 2,865

Drug Free School Grant Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 9,388	\$ 9,388	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	9,388	9,388	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

EHA Preschool Grant Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 6,004	\$ 6,004	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff	6,004	6,004	-
Excess of revenues over (under) expenditures	-	-	-
<u>Other financing sources (uses):</u>			
Advances in	1,401	1,401	-
Advances out	(3,401)	(3,401)	-
Total other financing sources (uses)	(2,000)	(2,000)	-
Net change in fund balance	(2,000)	(2,000)	-
Fund balance at beginning of year	2,000	2,000	-
Fund balance at end of year	\$ -	\$ -	\$ -

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

	Title II-A Fund		
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 80,602	\$ 56,628	\$ (23,974)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	93,089	70,324	22,765
Excess of revenues over (under) expenditures	(12,487)	(13,696)	(1,209)
<u>Other financing sources (uses):</u>			
Advances in	10,000	10,000	-
Advances out	(25,602)	(15,602)	10,000
Total other financing sources (uses)	(15,602)	(5,602)	10,000
Net change in fund balance	(28,089)	(19,298)	8,791
Fund balance at beginning of year	22,406	22,406	-
Prior year encumbrances appropriated	7,467	7,467	-
Fund balance at end of year	<u>\$ 1,784</u>	<u>\$ 10,575</u>	<u>\$ 8,791</u>

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Miscellaneous Federal Grants Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 9,200	\$ 4,436	\$ (4,764)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	9,935	7,703	2,232
Excess of revenues over (under) expenditures	(735)	(3,267)	(2,532)
<u>Other financing sources (uses):</u>			
Advances in	2,000	2,000	-
Advances out	(6,620)	-	6,620
Total other financing sources (uses)	(4,620)	2,000	6,620
Net change in fund balance	(5,355)	(1,267)	4,088
Fund balance at beginning of year	5,355	5,355	-
Fund balance at end of year	\$ -	\$ 4,088	\$ 4,088

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Bond Retirement Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Taxes	\$ 48,304	\$ 48,304	\$ -
<u>Expenditures:</u>			
Debt service:			
Principal retirement	43,790	43,400	390
Interest and fiscal charges	9,217	4,904	4,313
Total expenditures	53,007	48,304	4,703
Net change in fund balance	(4,703)	-	4,703
Fund balance at beginning of year	4,703	4,703	-
Fund balance at end of year	\$ -	\$ 4,703	\$ 4,703

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Permanent Improvement Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Taxes	\$ 608,676	\$ 608,352	\$ (324)
Intergovernmental	79,331	79,331	-
Total revenues	<u>688,007</u>	<u>687,683</u>	<u>(324)</u>
<u>Expenditures:</u>			
Current:			
Support services:			
Pupils	1,471	45,923	(44,452)
Fiscal	9,380	9,380	-
Operation and maintenance of plant	35,683	23,026	12,657
Pupil transportation	103,307	103,307	-
Extracurricular activities			-
Capital outlay	<u>706,593</u>	<u>1,084,285</u>	<u>(377,692)</u>
Total expenditures	<u>856,434</u>	<u>1,265,921</u>	<u>(409,487)</u>
Excess of revenues over (under) expenditures	<u>(168,427)</u>	<u>(578,238)</u>	<u>(409,811)</u>
<u>Other financing sources (uses):</u>			
Refund of prior year expenditures	<u>1,635</u>	<u>1,635</u>	<u>-</u>
Net change in fund balance	(166,792)	(576,603)	(409,811)
Fund balance at beginning of year	166,789	166,789	-
Prior year encumbrances appropriated	<u>605,590</u>	<u>605,590</u>	<u>-</u>
Fund balance at end of year	<u>\$ 605,587</u>	<u>\$ 195,776</u>	<u>\$ (409,811)</u>

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

	SchoolNet Fund		
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 23,310	\$ 23,310	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	23,310	22,328	982
Net change in fund balance	-	982	982
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 982</u>	<u>\$ 982</u>

Internal Service Fund

**Individual Fund Schedule of Revenues, Expenses and Changes in
Fund Equity – Budget (Non-GAAP Basis) and Actual
Self Insurance Fund**

Fiduciary Funds

**Individual Fund Schedule of Revenues, Expenses and Changes in
Fund Equity – Budget (Non-GAAP Basis) and Actual
Scholarships Private Purpose Trust Fund**

Statement of Changes in Assets and Liabilities – Agency Fund

Norton City School District
Schedule of Revenues, Expenses and Changes in Fund Equity -
Budget (Non-GAAP) and Actual
Internal Service Fund
For the Fiscal Year Ended June 30, 2005

Self Insurance Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Charges for services	\$ 2,056,405	\$ 2,056,405	\$ -
Interest	14,595	23,823	9,228
Total revenues	<u>2,071,000</u>	<u>2,080,228</u>	<u>9,228</u>
<u>Expenses:</u>			
Purchased services:			
Central support services	3,324,435	2,230,463	1,093,972
Excess of revenues over (under) expenses	<u>(1,253,435)</u>	<u>(150,235)</u>	<u>1,103,200</u>
<u>Non-operating revenues (expenses):</u>			
Advances in	10,000	-	(10,000)
Advances out	(10,000)	(10,000)	-
Total non-operating revenues (expenses):	<u>-</u>	<u>(10,000)</u>	<u>(10,000)</u>
Net change in fund equity	(1,253,435)	(160,235)	1,093,200
Fund equity at beginning of year	1,251,680	1,251,680	-
Fund equity at end of year	<u>\$ (1,755)</u>	<u>\$ 1,091,445</u>	<u>\$ 1,093,200</u>

Norton City School District
Schedule of Revenues, Expenses and Changes in Fund Equity -
Budget (Non-GAAP) and Actual
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2005

Scholarships Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Interest	\$ 349	\$ 349	\$ -
Gifts and donations	4,810	1,142	(3,668)
Miscellaneous	3,591	3,668	77
Total revenues	<u>8,750</u>	<u>5,159</u>	<u>(3,591)</u>
<u>Expenses:</u>			
Current:			
Instruction:			
Regular	<u>83,297</u>	<u>8,801</u>	<u>74,496</u>
Net change in fund equity	(74,547)	(3,642)	70,905
Fund equity at beginning of year	80,759	80,759	-
Fund equity at end of year	<u>\$ 6,212</u>	<u>\$ 77,117</u>	<u>\$ 70,905</u>

Norton City School District
Statement of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2005

	Beginning Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	Ending Balance <u>June 30, 2005</u>
<u>Student Managed Activity</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 61,464	\$ 48,188	\$ 61,742	\$ 47,910
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ 198	\$ -	\$ 198
Due to students	61,464	-	13,752	47,712
Total liabilities	<u>\$ 61,464</u>	<u>\$ 198</u>	<u>\$ 13,752</u>	<u>\$ 47,910</u>

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STATISTICAL SECTION

Norton City School District

**Revenues by Source and Expenses by Function - Governmental Activities
Last Three Fiscal Years (1)**

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2003
Revenues:			
Program revenues:			
Charges for services	\$ 2,834,105	\$ 2,534,440	\$ 2,309,666
Operating grants, contributions and interest	1,071,713	1,001,674	704,260
Capital grants and contributions	17,276	16,963	34,781
General revenues:			
Property taxes levied for general purposes	8,080,902	6,702,989	7,058,412
Property taxes levied for debt service	48,304	15,160	103,965
Property taxes levied for capital outlay	629,404	549,102	619,338
Grants and entitlements	8,388,771	8,821,958	8,631,148
Investment earnings	112,629	52,399	73,455
Miscellaneous	244,842	17,370	292,876
Total revenues	\$ 21,427,946	\$ 19,712,055	\$ 19,827,901
Expenses:			
Current:			
Instruction:			
Regular	\$ 9,599,189	\$ 9,169,529	\$ 9,004,244
Special	1,506,388	1,421,802	1,368,574
Vocational	870,552	839,228	716,261
Adult/continuing	575	842	1,653
Other	307,566	147,727	166,237
Support services:			
Pupils	745,018	715,591	839,294
Instructional staff	592,410	633,118	721,001
Board of education	84,202	5,571	42,363
Administration	1,452,860	1,481,887	1,467,880
Fiscal	489,406	543,841	523,185
Business	296,888	322,587	357,272
Operation and maintenance of plant	1,743,837	1,711,278	2,159,874
Pupil transportation	1,177,982	1,023,012	1,058,785
Central	69,815	64,805	64,172
Food service operations	694,481	674,911	696,460
Operation of non-instructional services	2,526	3,332	10,923
Extracurricular activities	422,265	406,468	540,724
Interest and fiscal charges	8,741	11,013	11,748
Total expenditures	\$ 20,064,701	\$ 19,176,542	\$ 19,750,650

Source: Fiscal years 2003 - 2005 School District basic financial statements.

(1) Accrual basis will be reported for the last ten years when there are enough years of information available.

Norton City School District

General Governmental Revenues by Source and Expenditures by Function

Last Ten Fiscal Years (1), (2)

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2003	Fiscal Year Ended June 30, 2002
<u>Revenues:</u>				
Taxes	\$ 8,749,520	\$ 7,212,007	\$ 7,877,702	\$ 7,378,369
Intergovernmental	9,457,485	9,669,168	9,329,822	10,221,987
Interest	112,629	43,599	59,978	136,929
Tuition and fees	1,978,323	1,730,844	1,511,325	265,164
Extracurricular activities	279,425	280,693	219,150	238,837
Gifts and donations	53,252	65,934	64,699	26,243
Charges for services	524,673	576,306	528,739	539,641
Rent	3,099	2,652	2,758	2,415
Miscellaneous	264,799	106,097	200,294	124,778
Total revenues	<u>\$ 21,423,205</u>	<u>\$ 19,687,300</u>	<u>\$ 19,794,467</u>	<u>\$ 18,934,363</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	\$ 9,373,521	\$ 8,879,162	\$ 9,241,788	\$ 8,697,751
Special	1,471,124	1,388,815	1,450,656	1,381,199
Vocational	835,886	794,851	759,539	722,660
Adult/continuing	575	842	1,653	4,146
Other	307,566	147,727	166,237	35,787
Support services:				
Pupils	730,493	719,563	851,076	934,375
Instructional staff	576,299	613,177	699,535	750,519
Board of education	84,202	7,007	41,034	28,098
Administration	1,374,162	1,421,284	1,505,272	1,456,769
Fiscal	497,276	529,292	525,049	496,683
Business	295,116	329,826	351,943	297,993
Operation and maintenance of plant	1,569,271	1,583,297	1,728,571	1,772,897
Pupil transportation	1,062,259	914,243	1,061,598	1,179,126
Central	69,247	63,910	65,030	59,904
Operation of non-instructional services	1,522	2,328	382	1,694
Operation of food services	672,020	666,605	676,038	720,204
Extracurricular activities	421,459	400,647	552,598	439,060
Capital outlay	490,728	832,067	369,792	931,824
Debt service	87,040	109,154	89,007	91,460
Total expenditures	<u>\$ 19,919,766</u>	<u>\$ 19,403,797</u>	<u>\$ 20,136,798</u>	<u>\$ 20,002,149</u>

Source: School District financial records.

(1) 1996 reported on a cash basis, 1997-2005 on a modified accrual GAAP basis.

Accrual basis will be reported when there are enough years of information available to make comparisons.

(2) Includes general, special revenue, debt service and capital projects funds for fiscal years 2002 through 2005. Fiscal years 1996-2001 included general, special revenue, debt service, capital projects and expendable trust funds.

Fiscal Year Ended June 30, 2001	Fiscal Year Ended June 30, 2000	Fiscal Year Ended June 30, 1999	Fiscal Year Ended June 30, 1998	Fiscal Year Ended June 30, 1997	Fiscal Year Ended June 30, 1996
\$ 7,368,737	\$ 6,931,423	\$ 7,088,311	\$ 6,701,222	\$ 6,432,707	\$ 5,720,534
8,787,464	8,556,448	7,930,250	7,413,515	7,014,244	6,282,663
320,425	321,810	247,073	157,888	118,911	111,639
355,139	146,249	232,262	197,069	175,239	13,975
193,290	180,012	158,845	146,710	152,561	110,193
71,967	13,305	-	-	-	-
-	-	-	-	-	-
9,073	-	-	-	-	-
76,745	99,517	169,596	160,730	111,102	158,610
<u>\$ 17,182,840</u>	<u>\$ 16,248,764</u>	<u>\$ 15,826,337</u>	<u>\$ 14,777,134</u>	<u>\$ 14,004,764</u>	<u>\$ 12,397,614</u>

\$ 8,259,175	\$ 7,325,399	\$ 6,813,089	\$ 6,932,488	\$ 6,281,782	\$ 5,779,762
1,313,992	1,113,521	1,052,907	982,493	1,013,884	940,604
640,602	507,387	611,958	677,539	650,805	636,943
17,189	15,835	9,672	17,318	1,818	-
34,532	27,373	-	-	-	-
710,539	634,511	512,235	480,932	479,455	407,180
632,444	730,814	473,678	351,553	331,534	255,535
15,006	24,176	19,081	14,456	23,144	15,906
1,312,524	1,178,060	1,128,782	993,579	963,244	842,648
430,129	470,814	403,386	390,357	298,796	336,653
388,122	258,196	281,573	165,808	226,293	228,129
1,674,486	1,636,887	1,333,538	1,374,875	1,245,964	1,186,926
875,637	899,240	741,979	775,043	663,761	685,048
49,219	7,195	7,119	6,802	6,596	6,751
13,484	11,570	9,347	22,880	8,473	8,587
-	-	-	-	-	-
424,299	386,554	346,942	285,750	326,543	244,445
538,950	1,003,816	511,031	112,200	885,275	704,021
93,911	60,565	63,017	65,469	68,738	-
<u>\$ 17,424,240</u>	<u>\$ 16,291,913</u>	<u>\$ 14,319,334</u>	<u>\$ 13,649,542</u>	<u>\$ 13,476,105</u>	<u>\$ 12,279,138</u>

Norton City School District
Property Tax Levies and Collections (1)
Last Ten Calendar Years

Year	Current Levy	Delinquent Levy (2)	Total Levy	Current Collections	Percent of Current Levy Collected	Delinquent Collection	Total Collection	Total Collection as a Percent of Total Levy	Delinquent Taxes Receivable
2004	10,365,254	554,995	\$ 10,920,249	9,968,049	96.17%	\$ 282,887	\$ 10,250,936	93.87%	\$ 669,313
2003	8,733,646	490,727	9,224,373	8,486,330	97.17%	286,843	8,773,173	95.11%	451,200
2002	8,208,438	655,238	8,863,676	7,933,738	96.65%	346,038	8,279,776	93.41%	583,900
2001	8,208,384	655,210	8,863,594	7,933,684	96.65%	345,998	8,279,682	93.41%	583,912
2000	8,400,858	633,570	9,034,428	8,113,663	96.58%	264,795	8,378,458	92.74%	655,970
1999	8,161,748	556,618	8,718,366	7,871,681	96.45%	228,223	8,099,904	92.91%	618,462
1998	7,900,026	581,689	8,481,715	7,689,081	97.33%	252,684	7,941,765	93.63%	539,950
1997	7,781,981	620,136	8,402,117	7,587,912	97.51%	233,503	7,821,415	93.09%	580,702
1996	7,420,409	440,589	7,860,998	7,185,887	96.84%	163,207	7,349,094	93.49%	511,904
1995	7,146,046	360,941	7,506,987	6,979,978	97.68%	164,583	7,144,561	95.17%	362,426

Source: Summit County Fiscal Officer

Note: Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Fiscal Officer.

(1) Includes Homestead/Rollback taxes assessed locally, but distributed through the State and reported as Intergovernmental Revenue.

(2) This amount cannot be calculated based on other information in this statistical table because of retroactive additions and reductions which are brought on in one lump sum.

Norton City School District
Assessed and Estimated Actual Value of Taxable Property
Last Ten Collection Years

Collection Year	Real Property (1)		Public Utility (2)		Tangible Personal Property (3)		Total	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2004	\$ 264,750,750	\$ 756,430,714	\$ 8,720,900	\$ 9,910,114	\$ 19,596,241	\$ 78,384,964	\$ 293,067,891	\$ 844,725,792
2003	259,340,500	740,972,857	8,453,470	9,712,113	17,792,625	71,170,500	285,586,595	821,855,470
2002	255,152,710	729,007,743	8,768,500	9,964,205	19,345,067	77,380,268	283,266,277	816,352,215
2001	218,902,330	625,435,229	8,294,520	9,425,591	20,398,661	81,594,644	247,595,511	716,455,463
2000	215,833,090	616,665,971	12,132,210	13,786,602	18,292,861	73,171,444	246,258,161	703,624,018
1999	210,768,550	602,195,857	13,181,080	14,978,500	19,048,419	76,193,676	242,998,049	693,368,033
1998	183,968,200	525,623,429	12,819,380	14,567,477	18,157,729	72,630,916	214,945,309	612,821,822
1997	180,696,320	516,275,200	11,662,850	13,253,239	18,422,694	73,690,776	210,781,864	603,219,215
1996	178,423,000	509,780,000	11,578,900	13,157,841	17,107,776	68,431,104	207,109,676	591,368,945
1995	151,196,360	431,989,600	11,916,780	13,541,795	15,842,483	63,369,932	178,955,623	508,901,327

Source: Summit County Fiscal Officer.

Note: Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Fiscal Officer.

- (1) Real estate value is assessed at 35% of appraised market value.
- (2) Public utility real property is assessed at 35% of true value; public utility tangible personal property is currently assessed at varying percentages of true value.
- (3) Tangible personal property is assessed at 25% of true value for capital assets and 24% of true value for inventory.

Norton City School District
Property Tax Rates - Direct and Overlapping Governments (1)
Last Ten Calendar Years

<u>Collection Year</u>	<u>School Levy</u>	<u>City Levy (2)</u>	<u>Franklin Township Levy</u>	<u>County Levy</u>	<u>Akron Summit Library Levy</u>	<u>Total</u>
2005	59.90	10.00	14.65	13.07	2.14	99.76
2004	55.00	10.00	14.65	13.07	0.78	93.50
2003	55.00	10.00	14.65	13.07	1.59	94.31
2002	55.00	10.00	14.65	13.07	1.35	94.07
2001	55.00	10.00	14.65	13.07	1.39	94.11
2000	55.00	10.00	14.65	12.27	1.39	93.31
1999	55.00	10.00	14.65	12.27	1.79	93.71
1998	55.00	6.50	14.65	11.65	1.87	89.67
1997	55.00	6.50	14.65	11.39	0.89	88.43
1996	55.00	6.50	14.65	13.99	0.89	91.03

Source: Summit County Fiscal Officer

Note: Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Fiscal Officer.

(1) Rates are per \$1,000 of assessed valuation.

(2) The City of Barberton now has overlapping valuations, therefore this includes 6.5 from the City of Norton and 3.5 from the City of Barberton (1999-2005 only).

Norton City School District
Computation of Legal Debt Margin
June 30, 2005

Assessed Valuation (2004)	<u>\$ 293,067,891</u>
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Bonded Debt Limit - 9% of Assessed Value (1)	26,376,110
--	------------

Outstanding debt:	
Energy Conservation Bonds	43,400
Less: Amount available in debt service fund	<u>(4,703)</u>
Total outstanding debt	<u>\$ 38,697</u>

Amount of debt applicable to debt limit	38,697
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Voted Debt Margin	<u>\$ 26,337,413</u>
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Bonded Debt Limit - .10% of Assessed Value (1)	293,068
--	---------

Outstanding debt:	
Energy Conservation Bonds	43,400
Less: Amount available in debt service fund	<u>(4,703)</u>
Total outstanding debt	\$ 38,697

Less exemptions:	
Energy Conservation Bonds	43,400

Amount of debt applicable to debt limit	<u>-</u>
---	----------

Unvoted Debt Margin	<u>\$ 293,068</u>
---------------------	-------------------

Source: Summit County Fiscal Officer and School District financial records.

(1) Ohio Bond Law sets a limit of 9% of assessed value for voted debt and 1/10 of 1% for unvoted debt. All School District debt subject to the limitation is voted.

Norton City School District
Ratio of Net General Bonded Debt to
Assessed Value and Net General Bonded Debt Per Capita
Last Ten Collection Years

<u>Collection Year</u>	<u>Net General Obligation Bonded Debt</u>	<u>Assessed Value</u>	<u>Population (1)</u>	<u>Ratio of Net Debt to Assessed Value</u>	<u>Net Debt Per Capita</u>
2005	\$ 38,697	\$ 293,067,891	11,523	0.01%	\$ 3.36
2004	82,097	285,586,595	11,523	0.03%	7.12
2003	74,741	283,266,277	11,523	0.03%	6.49
2002	168,897	247,595,511	11,523	0.07%	14.66
2001	212,297	246,258,161	11,523	0.09%	18.42
2000	255,697	242,998,049	11,523	0.11%	22.19
1999	299,097	214,945,309	11,477	0.14%	26.06
1998	342,497	210,781,864	11,477	0.16%	29.84
1997	385,897	207,109,676	11,477	0.19%	33.62
1996	429,297	178,955,623	11,477	0.24%	37.40

Source: Summit County Fiscal Officer, School District records, and School District audit reports,
Akron-Summit County Library.

(1) Population data for 1996 through 1999 was assumed to be the same as the 1990 census,
Population data for 2001 through 2005 was assumed to be the same as the 2000 census,
as interim data was not available.

Norton City School District

Ratio of Annual Debt Service Expenditures for

General Bonded Debt to Total General Governmental Expenditures

Last Ten Fiscal Years

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Governmental Expenditures</u>	<u>Ratio of Debt Service to Governmental Expenditures (Percentages)</u>
2005	\$ 43,400	\$ 4,904	\$ 48,304	\$ 19,919,766	0.24%
2004	43,400	7,356	50,756	19,403,797	0.26%
2003	43,400	9,809	53,209	20,136,798	0.26%
2002	43,400	12,261	55,661	20,002,149	0.28%
2001	43,400	14,713	58,113	17,424,240	0.33%
2000	43,400	17,165	60,565	17,424,240	0.35%
1999	43,400	19,617	63,017	16,291,913	0.39%
1998	43,400	22,069	65,469	14,319,334	0.46%
1997	43,400	25,338	68,738	13,649,542	0.50%
1996	-	68,738	68,738	12,279,138	0.56%

Source: School District records and School District audit reports.

Norton City School District
Demographic Statistics

Selected Population Characteristic	2000	1990
<u>Gender</u>		
Male	5,662	5,618
Female	5,861	5,857
<u>Age Distribution</u>		
Under 5 years	593	717
5 to 17 years	1,638	2,129
18 to 20 years	875	451
21 to 24 years	518	494
25 to 44 years	3,154	3,423
45 to 54 years	1,792	1,364
55 to 59 years	617	671
60 to 64 years	572	645
65 to 74 years	1,006	1,002
75 to 84 years	592	476
85 years and older	166	103
Percent of population under 18	19.36%	24.80%
Percent of population 65 and older	15.31%	13.78%

Source: U.S. Bureau of the Census

Norton City School District
Property Value, Construction and Bank Deposits
Last Ten Calendar Years

Year	Total Assessed Values	Certified Bank Deposits	Value of Building Permits Issued
2004	\$ 293,067,891	\$ 7,362,747,000	\$ 9,353,676
2003	285,586,595	7,827,789,000	13,923,950
2002	283,266,277	8,097,304,000	17,305,930
2001	247,595,511	7,870,201,000	12,745,191
2000	246,258,161	7,920,486,000	12,196,018
1999	242,998,049	7,071,487,000	11,216,324
1998	214,945,309	5,749,282,000	18,232,505
1997	210,781,864	5,153,519,000	8,157,470
1996	207,109,676	4,342,660,000	9,641,452
1995	178,955,623	4,267,009,000	3,629,308

Sources:

Total Assessed Value - Summit County Fiscal Officer

Financial Institution Deposits - Federal Reserve Board - Cleveland

Building Permits - City of Norton Building Department and the City of Norton CAFR

**Norton City School District
Principal Taxpayers**

Top Taxpayers	Assessed Valuations				Estimated Actual Valuations				
	Real Property	Tangible Personal	Public Utility	Total	Percent of Total	Real Property	Tangible Personal	Public Utility (1)	Total
B&C Corp	\$ 2,197,210	\$ 3,107,010	\$ -	\$ 5,304,220	1.81%	\$ 6,277,743	\$ 12,428,040	\$ -	\$ 18,705,783
Ohio Edison	-	-	3,570,830	3,570,830	1.22%	-	-	4,057,761	4,057,761
PPG Industries	-	3,383,180	-	3,383,180	1.15%	-	13,532,720	-	13,532,720
Columbia Woods Apt. LL	2,800,020	-	-	2,800,020	0.96%	8,000,057	-	-	8,000,057
Albrecht, Inc.	2,253,160	-	-	2,253,160	0.77%	6,437,600	-	-	6,437,600
Mack W. Seal	2,221,660	-	-	2,221,660	0.76%	6,347,600	-	-	6,347,600
Albert's Screenprint, Inc.	-	1,520,980	-	1,520,980	0.52%	-	6,083,920	-	6,083,920
Fomo Products, Inc.	-	1,408,880	-	1,408,880	0.48%	-	5,635,520	-	5,635,520
Ohio Bell Telephone	-	-	1,318,890	1,318,890	0.45%	-	-	1,498,739	1,498,739
East Ohio Gas Co.	-	-	1,236,380	1,236,380	0.42%	-	-	1,404,977	1,404,977
Total Top Ten Taxpayers	\$ 9,472,050	\$ 9,420,050	\$ 6,126,100	\$ 25,018,200	8.54%	\$ 27,063,000	\$ 37,680,200	\$ 6,961,477	\$ 71,704,677

Total All Assessed Valuations \$ 264,750,750 \$ 19,596,241 \$ 8,720,900 \$ 293,067,891

Source: Summit County Fiscal Officer

(1) Per the Summit County Fiscal Officer, there is no way to differentiate any of the components which constitute the values that are certified to them by the Tax Commissioner, thus it is not possible to arrive at an "Estimated Actual Value".

Norton City School District
Computation of Direct and Overlapping Debt
June 30, 2005

	<u>Assessed Valuation (1)</u>	<u>Net General Tax Supported Debt (2)</u>	<u>Percent Overlapping (3)</u>	<u>Amount Applicable to Norton CSD</u>
Direct:				
Norton City School District	\$ 293,067,891	<u>\$ 43,400</u>	100.00%	<u>\$ 43,400</u>
Overlapping:				
City of Norton	260,339,111	3,371,668	96.31%	3,247,253
Franklin Township	296,837,644	-	14.14%	-
City of Barberton	414,923,323	5,944,904	0.11%	6,539
Summit County	11,878,208,387	82,679,464	2.40%	1,984,307
Metro Regional Transit Authority	11,878,208,387	<u>1,680,000</u>	2.40%	<u>40,320</u>
Total overlapping:		<u>93,676,036</u>		<u>5,278,420</u>
Total direct and overlapping debt:		<u><u>\$ 93,719,436</u></u>		<u><u>\$ 5,321,820</u></u>

Source: School District records, Summit County Fiscal Officer, City of Norton, and Franklin Township.

(1) All valuations are reported as of December 31, 2004 which is the latest information available.

(2) All debt reported is as of December 31, 2004, except for Norton City School District, which is reported as of June 30, 2005.

(3) Overlapping percentages are calculated based on overlapping valuation and total entity valuation.

Norton City School District
Miscellaneous Statistics
Last Ten Fiscal Years (1)

	<u>Fiscal Year Ended June 30, 2005</u>	<u>Fiscal Year Ended June 30, 2004</u>	<u>Fiscal Year Ended June 30, 2003</u>	<u>Fiscal Year Ended June 30, 2002</u>
Fall Enrollment	2,386	2,526	2,369	2,592
Average Teacher Salary	\$ 47,570	47,514	45,145	43,225
Percent of Teachers With No Degree	-	-	-	-
Percent of Teachers With Bachelor Degree	99.30%	98.40	48.00	53.60
Percent of Teachers With Masters Degree	52.90%	37.60	52.00	46.40
Average Teacher Experience (yrs.)	11.00	11.00	11.00	12.50
Pupil Attendance Rate	94.90%	95.60	95.10	95.00
Graduation Rate	97.60%	97.15	96.70	92.90
Honors Diplomas	18.00%	16.50	15.00	24.00
College Prep Award of Merit	16.00%	18.00	20.00	28.57

Source: Ohio Department of Education/School District records.

(1) Honors Diplomas and College Prep Award of Merit information was not available for 1996 through 2000.

<u>Fiscal Year Ended June 30, 2001</u>	<u>Fiscal Year Ended June 30, 2000</u>	<u>Fiscal Year Ended June 30, 1999</u>	<u>Fiscal Year Ended June 30, 1998</u>	<u>Fiscal Year Ended June 30, 1997</u>	<u>Fiscal Year Ended June 30, 1996</u>
2,552	2,564	2,506	2,553	2,453	2,402
42,303	44,931	38,720	39,419	39,039	38,811
-	-	0.72	-	2.20	2.23
53.40	56.60	18.24	17.43	17.20	14.12
46.60	43.40	40.89	35.58	40.34	37.22
13.50	13.43	13.60	14.10	15.70	16.60
95.20	95.10	95.10	95.15	95.22	95.30
88.80	87.60	87.60	89.22	87.72	86.57
19.90	-	-	-	-	-
25.10	-	-	-	-	-



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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
APRIL 13, 2006**