



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

NORWAYNE LOCAL SCHOOL DISTRICT  
WAYNE COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2012  
Fiscal Year Audited Under GAGAS: 2012





# Dave Yost • Auditor of State

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

We have reviewed the Independent Auditor's Report of the Norwayne Local School District, Wayne County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

December 8, 2012

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**NORWAYNE LOCAL SCHOOL DISTRICT**

*Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Norwayne Local School District, Wayne County, Ohio, (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Norwayne Local School District, Wayne County, Ohio, as of June 30, 2012, and the respective changes in cash financial position and the budgetary comparison of the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Members of the Board of Education  
Norwayne Local School District  
Independent Auditor's Report  
Page 2

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. The schedule of federal awards receipts and expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
October 29, 2012



**Norwayne Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
Unaudited

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The discussion and analysis of Norwayne Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

## **HIGHLIGHTS**

### **Key financial highlights for the fiscal year 2012 are as follows:**

- Net assets of governmental activities decreased \$1,608,976.
- General cash receipts accounted for \$11,692,811 or 81% of all cash receipts. Program cash receipts in the form of charges for services, operating grants, contributions and interest, accounted for \$2,743,120 or 19% of total cash receipts of \$14,435,931.
- The District had \$16,044,907 in cash disbursements related to governmental activities; which only \$2,743,120 of these cash disbursements were offset by program cash receipts.
- The District's major governmental funds are the general fund, building fund and OSFC project fund.
- The general fund had \$10,517,003 in receipts and \$11,086,209 in disbursements. During fiscal year 2012, the general fund's fund balance decreased \$565,906 from \$4,080,353 to \$3,514,447.
- The District's other major governmental funds are the building and the OSFC Project funds. These capital project funds had \$133,360 and \$2,160,038 in disbursements, respectively to pay contractors on the construction of school facilities.

## **USING THE BASIC FINANCIAL STATEMENTS**

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

## **REPORT COMPONENTS**

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

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

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

**Norwayne Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
Unaudited

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**BASIS OF ACCOUNTING**

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

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

**REPORTING THE DISTRICT AS A WHOLE**

*Statement of Net Assets and Statement of Activities*

The statement of net assets and the statement of activities reflect how the District did financially during 2012, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

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

*Fund Financial Statements*

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District had three major funds in 2012: the general fund, the building fund and the OSFC project fund.

**Norwayne Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2012  
Unaudited

**Governmental Funds**

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

**Fiduciary Funds**

The District has private purpose trust and agency funds. The District's cash basis fiduciary activities are reported on the statement of fiduciary net assets and the statement of changes in fiduciary net assets. We excluded these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal net assets – cash basis) and do not involve measurement of results of operations. Fiduciary funds use the cash basis of accounting.

**THE DISTRICT AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the District as a whole on a cash basis of accounting. Table 1 provides a summary of the District's net assets for 2012 compared to 2011.

**Table 1**  
**Net Assets**

	Governmental Activities		
	2012	2011	Increase/ (Decrease)
<b>Assets</b>			
Equity in pooled cash and investments	\$ 5,352,240	\$ 6,961,216	\$ (1,608,976)
Total assets	5,352,240	6,961,216	(1,608,976)
<b>Net Assets</b>			
Restricted for debt service	333,297	316,648	16,649
Restricted for capital projects	905,319	2,147,527	(1,242,208)
Restricted for other purposes	581,454	440,742	140,712
Restricted for permanent fund			
Expendable	1,659	1,724	(65)
Nonexpendable	16,064	16,064	-
Unrestricted	3,514,447	4,038,511	(524,064)
Total net assets	\$ 5,352,240	\$ 6,961,216	\$ (1,608,976)

Total assets of the District, as a whole, decreased \$1,608,976. The decrease in total assets is primarily due to the District utilizing existing cash for the Ohio School Facilities Commission construction project.

**Norwayne Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2012  
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2012.

**Table 2**  
**Change in Net Assets**

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
<b>Cash Receipts</b>		
Program cash receipts		
Charges for services and sales	\$ 1,446,298	\$ 1,068,075
Operating grants, contributions and interest	1,296,822	1,513,361
Capital grants and contributions	-	592,464
Total program cash receipts	<u>2,743,120</u>	<u>3,173,900</u>
General cash receipts		
Property taxes	3,852,438	3,890,626
Shared revenue restricted for permanent improvements	-	14,010
Grants and entitlements not restricted		
to specific programs	6,474,240	6,338,274
Grants from Ohio School Facilities Commission	1,182,812	1,008,188
Investment earnings	112,418	104,640
Proceeds from sale of assets	23,037	170
Miscellaneous	47,866	34,443
Total general cash receipts	<u>11,692,811</u>	<u>11,390,351</u>
Total cash receipts	<u>14,435,931</u>	<u>14,564,251</u>
<b>Program Cash Disbursements</b>		
Instruction:		
Regular	5,477,521	5,897,530
Special	1,677,962	1,399,614
Vocational	184,968	177,693
Student intervention services	54,961	60,860
Other	700,408	639,218
Support services:		
Pupils	500,987	455,204
Instructional staff	551,756	504,689
Board of education	41,575	30,762
Administration	938,972	925,767
Fiscal	306,649	331,844
Operation and maintenance of plant	736,467	730,849
Pupil transportation	905,981	874,692
Central	11,503	18,249
Operation of food service	471,835	614,354
Extracurricular activities	471,113	421,636
Capital outlay	2,290,881	7,472,818
Debt service:		
Principal retirement	325,000	310,000
Interest and fiscal charges	396,368	409,068
Total cash disbursements	<u>16,044,907</u>	<u>21,274,847</u>
Change in net assets	(1,608,976)	(6,710,596)
Net assets at beginning of year	<u>6,961,216</u>	<u>13,671,812</u>
Net assets at end of year	<u>\$ 5,352,240</u>	<u>\$ 6,961,216</u>

**Norwayne Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2012  
Unaudited

Program cash receipts of \$2,743,120, which are primarily represented by charges for services and sales, operating grants, contributions and interest, made up 19% of total cash receipts. General cash receipts of \$11,692,811 which are primarily represented by property taxes and unrestricted grants and entitlements, made up 81% of total cash receipts.

Program cash disbursements for instruction were \$8,095,820 or 50.5% of all program cash disbursements. Regular instruction represents 67.7% of this amount and 34.1% of all program cash disbursements.

Another significant cash program disbursement was for capital outlay. This amount represents the continued progress on the construction and furnishing of new school facilities. Capital outlays amounted to \$2,290,881 or 14.3% of all program cash disbursements.

Other significant programs include administration and transportation which account for 5.8% and 5.6%, respectively of program cash disbursements.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

**Table 3**

	Governmental Activities		Governmental Activities	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
<b>Program Cash Disbursements</b>				
Instruction:				
Regular	\$ 5,477,521	\$ (4,482,370)	\$ 5,897,530	\$ (4,264,454)
Special	1,677,962	(1,052,886)	1,399,614	(805,585)
Vocational	184,968	(184,968)	177,693	(177,693)
Student intervention services	54,961	(54,961)	60,860	(60,860)
Other	700,408	(700,408)	639,218	(639,218)
Support services:				
Pupils	500,987	(422,405)	455,204	(389,415)
Instructional staff	551,756	(277,275)	504,689	(274,699)
Board of education	41,575	(41,575)	30,762	(30,762)
Administration	938,972	(938,972)	925,767	(921,172)
Fiscal	306,649	(306,649)	331,844	(331,844)
Operation and maintenance of plant	736,467	(730,729)	730,849	(729,328)
Pupil transportation	905,981	(905,981)	874,692	(874,692)
Central	11,503	(7,903)	18,249	(6,424)
Operation of food service	471,835	30,806	614,354	(152,713)
Extracurricular activities	471,113	(213,262)	421,636	(250,202)
Capital outlay	2,290,881	(2,290,881)	7,472,818	(7,472,818)
Debt service:				
Principal retirement	325,000	(325,000)	310,000	(310,000)
Interest and fiscal charges	396,368	(396,368)	409,068	(409,068)
Total	<u>\$ 16,044,907</u>	<u>\$ (13,301,787)</u>	<u>\$ 21,274,847</u>	<u>\$ (18,100,947)</u>

**Norwayne Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
Unaudited

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The dependence upon tax revenues and unrestricted state entitlements is apparent as program receipts only provided for \$2,743,120 of the total program cash disbursements of \$16,044,907 for 2012.

**THE DISTRICT FUNDS**

The District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing receipts of \$14,789,078 and cash disbursements of \$16,398,054.

**General Fund** - The District's general fund cash fund balance decreased by \$565,906 due to a slight decrease in property tax receipts and an increase in various support service related disbursements but not significant to any specific activity.

**Building Fund** - Another District major governmental fund is the building fund. This fund had \$133,360 in disbursements. During fiscal year 2012, the building fund's cash balance decreased \$486,305 from progress made on the District's share of the new construction projects.

**OSFC Projects Capital Projects Fund** - The last of the District's major governmental funds is the classroom facilities fund. The OSFC projects capital projects fund had \$1,183,078 in receipts and \$2,160,038 in disbursements. During fiscal year 2012, this fund's cash balance decreased \$623,813 from \$1,001,751.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During 2012, revisions were made to the general fund estimated receipts and appropriations from the original budget to the final budget. The general fund's ending unobligated cash balance was \$3,418,198.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The District had capital outlay disbursements of \$2,290,881 during fiscal year 2012.

**Debt**

Under the cash basis of accounting the District does not report bonds, long-term notes or short-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about the District's bonds. At June 30, 2012, the District had \$10,033,168 in bonds for governmental activities. For additional information regarding debt, please see note 7 of the notes to the basic financial statements.

**Norwayne Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
 Unaudited

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

**Table 4**  
 General Obligation Bonds Outstanding  
 Governmental Activities

Description of Bonds	Interest Rate	Principal Outstanding 2012	Principal Outstanding 2011
2007 Classroom Facility Improvement	4.30%	\$ 8,679,986	\$ 8,954,986
2007 Various Purpose	3.8 - 4.15%	<u>1,353,182</u>	<u>1,403,182</u>
Total		<u>\$ 10,033,168</u>	<u>\$ 10,358,168</u>

**CURRENT ISSUES**

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

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Robert Rinehart, Treasurer at Norwayne Local School District, 161 South Main Street, Creston, Ohio 44217.

**Norwayne Local School District**  
Statement of Net Assets - Cash Basis  
June 30, 2012

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash investments	\$ 5,352,240
<u>Net assets:</u>	
Restricted for:	
Capital projects	905,319
Debt service	333,297
Permanent fund purpose - scholarships	
Expendable	1,659
Nonexpendable	16,064
Other purposes	581,454
Unrestricted	3,514,447
Total net assets	\$ 5,352,240

See accompanying notes to the basic financial statements.



**Norwayne Local School District**  
Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2012

	Program Cash Receipts			Net (Cash Disbursements) Cash Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services	Operating Grants, Contributions and Interest	Governmental Activities	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 5,477,521	\$ 617,726	\$ 377,425	\$ (4,482,370)
Special	1,677,962	295,467	329,609	(1,052,886)
Vocational	184,968	-	-	(184,968)
Student intervention services	54,961	-	-	(54,961)
Other	700,408	-	-	(700,408)
Support services:				
Pupils	500,987	53,818	24,764	(422,405)
Instructional staff	551,756	-	274,481	(277,275)
Board of education	41,575	-	-	(41,575)
Administration	938,972	-	-	(938,972)
Fiscal	306,649	-	-	(306,649)
Operation and maintenance of plant	736,467	5,565	173	(730,729)
Pupil transportation	905,981	-	-	(905,981)
Central	11,503	-	3,600	(7,903)
Operation of food service	471,835	252,191	250,450	30,806
Extracurricular activities	471,113	221,531	36,320	(213,262)
Capital outlay	2,290,881	-	-	(2,290,881)
Debt service:				
Principal retirement	325,000	-	-	(325,000)
Interest and fiscal charges	396,368	-	-	(396,368)
Total governmental activities	\$ 16,044,907	\$ 1,446,298	\$ 1,296,822	(13,301,787)
 <u>General Receipts:</u>				
Property taxes levied for:				
General purposes				3,050,130
Debt service				650,253
Capital outlay				88,347
Classroom maintenance				63,708
Grants and entitlements not restricted to specific programs				6,474,240
Grant from school facilities commission				1,182,812
Investment earnings				112,418
Proceeds from sale of capital asset				23,037
Miscellaneous				47,866
Total general receipts				11,692,811
Change in net assets				(1,608,976)
Net assets at beginning of year				6,961,216
Net assets at end of year				\$ 5,352,240

See accompanying notes to the basic financial statements.

**Norwayne Local School District**  
**Statement of Cash Basis Assets and Fund Balances**  
**Governmental Funds**  
**June 30, 2012**

	<u>General</u>	<u>Building</u>	<u>OSFC Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>					
Equity in pooled cash and cash investments	\$ 3,514,447	\$ 249,150	\$ 377,938	\$ 1,210,705	\$ 5,352,240
Total assets	<u>\$ 3,514,447</u>	<u>\$ 249,150</u>	<u>\$ 377,938</u>	<u>\$ 1,210,705</u>	<u>\$ 5,352,240</u>
<u>Fund balances:</u>					
Nonspendable	\$ -	\$ -	\$ -	\$ 16,064	\$ 16,064
Restricted	-	249,150	377,938	1,192,982	1,820,070
Committed	-	-	-	1,659	1,659
Assigned	96,260	-	-	-	96,260
Unassigned	3,418,187	-	-	-	3,418,187
Total fund balances	<u>\$ 3,514,447</u>	<u>\$ 249,150</u>	<u>\$ 377,938</u>	<u>\$ 1,210,705</u>	<u>\$ 5,352,240</u>

See accompanying notes to the basic financial statements.

**Norwayne Local School District**  
**Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Basis Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2012**

	General	Building	OSFC Project	Other Governmental Funds	Total Governmental Funds
<b><u>Cash Receipts:</u></b>					
Property taxes	\$ 3,035,546	\$ -	\$ -	\$ 816,892	\$ 3,852,438
Intergovernmental	6,318,245	-	1,182,812	1,390,581	8,891,638
Interest	112,217	202	266	386	113,071
Tuition and fees	913,192	-	-	-	913,192
Extracurricular activities	53,819	-	-	221,530	275,349
Gifts and donations	20,077	-	-	31,028	51,105
Customer services	-	-	-	252,193	252,193
Rent	5,565	-	-	-	5,565
Miscellaneous	58,342	-	-	-	58,342
<b>Total receipts</b>	<b>10,517,003</b>	<b>202</b>	<b>1,183,078</b>	<b>2,712,610</b>	<b>14,412,893</b>
<b><u>Cash Disbursements</u></b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	4,853,661	20,633	220,984	382,243	5,477,521
Special	1,348,351	-	-	329,611	1,677,962
Vocational	184,968	-	-	-	184,968
Student intervention services	54,961	-	-	-	54,961
Other	700,408	-	-	-	700,408
<b>Support services:</b>					
Pupils	500,437	-	-	550	500,987
Instructional staff	319,118	-	-	232,638	551,756
Board of education	41,575	-	-	-	41,575
Administration	938,972	-	-	-	938,972
Fiscal	293,144	-	-	13,505	306,649
Operation and maintenance of plant	694,775	-	-	41,692	736,467
Pupil transportation	887,708	-	-	18,273	905,981
Central	7,903	-	-	3,600	11,503
Operation of food service	-	-	18,893	452,942	471,835
Extracurricular activities	259,640	-	-	211,473	471,113
Capital outlay	588	112,727	1,920,161	257,405	2,290,881
<b>Debt service:</b>					
Principal retirement	-	-	-	325,000	325,000
Interest and fiscal charges	-	-	-	396,368	396,368
<b>Total disbursements</b>	<b>11,086,209</b>	<b>133,360</b>	<b>2,160,038</b>	<b>2,665,300</b>	<b>16,044,907</b>
Excess of cash receipts over (under) disbursements	(569,206)	(133,158)	(976,960)	47,310	(1,632,014)
<b><u>Other financing receipts (disbursements):</u></b>					
Proceeds from sale of capital assets	3,300	-	-	19,738	23,038
Transfers in	-	-	353,147	-	353,147
Transfers out	-	(353,147)	-	-	(353,147)
<b>Total other financing receipts (disbursements)</b>	<b>3,300</b>	<b>(353,147)</b>	<b>353,147</b>	<b>19,738</b>	<b>23,038</b>
<b>Net change in fund balances</b>	<b>(565,906)</b>	<b>(486,305)</b>	<b>(623,813)</b>	<b>67,048</b>	<b>(1,608,976)</b>
Fund balances at beginning of year	4,080,353	735,455	1,001,751	1,143,657	6,961,216
Fund balances at end of year	<u>\$ 3,514,447</u>	<u>\$ 249,150</u>	<u>\$ 377,938</u>	<u>\$ 1,210,705</u>	<u>\$ 5,352,240</u>

See accompanying notes to the basic financial statements.

**Norwayne Local School District**  
Statement of Receipts, Disbursements and Changes in Fund Balance -  
Budget and Actual (Budget Basis) - General Fund  
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts:</b>				
Property taxes	\$ 3,524,500	\$ 3,200,500	\$ 3,035,546	\$ (164,954)
Intergovernmental	6,620,000	6,296,000	6,318,245	22,245
Interest	100,000	100,000	112,217	12,217
Tuition and fees	581,000	257,000	859,062	602,062
Rent	1,500	1,500	5,565	4,065
Gifts and donations	15,000	15,000	700	(14,300)
Miscellaneous	41,500	41,500	47,860	6,360
<b>Total receipts</b>	<b>10,883,500</b>	<b>9,911,500</b>	<b>10,379,195</b>	<b>467,695</b>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,743,800	4,743,800	4,805,388	(61,588)
Special	1,064,800	1,064,800	1,348,351	(283,551)
Vocational	206,600	206,600	184,968	21,632
Student intervention services	101,400	101,400	54,961	46,439
Other	336,661	721,661	702,080	19,581
<b>Support services:</b>				
Pupils	442,950	442,950	432,748	10,202
Instructional staff	317,800	317,800	319,118	(1,318)
Board of education	41,000	41,000	45,183	(4,183)
Administration	1,041,850	1,041,850	943,028	98,822
Fiscal	363,315	363,315	293,144	70,171
Operation and maintenance of plant	811,920	811,920	694,894	117,026
Pupil transportation	1,041,133	1,041,133	887,750	153,383
Central	33,200	33,200	7,903	25,297
Extracurricular activities	315,100	315,100	254,409	60,691
Capital outlay	10,000	10,000	588	9,412
<b>Total disbursements</b>	<b>10,871,529</b>	<b>11,256,529</b>	<b>10,974,513</b>	<b>282,016</b>
Excess of receipts over (under) disbursements	11,971	(1,345,029)	(595,318)	749,711
<b>Other financing receipts (disbursements):</b>				
Proceeds from sale of capital assets	-	-	3,300	3,300
Refund of prior year receipts	(8,000)	(8,000)	-	8,000
<b>Total other financing receipts (disbursements)</b>	<b>(8,000)</b>	<b>(8,000)</b>	<b>3,300</b>	<b>11,300</b>
Net change in fund balance	3,971	(1,353,029)	(592,018)	761,011
Fund balance at beginning of year	4,008,837	4,008,837	4,008,837	-
Prior year encumbrances appropriated	1,379	1,379	1,379	-
<b>Fund balance at end of year</b>	<b>\$ 4,014,187</b>	<b>\$ 2,657,187</b>	<b>\$ 3,418,198</b>	<b>\$ 761,011</b>

See accompanying notes to the basic financial statements.

**Norwayne Local School District**  
Statement of Fiduciary Net Assets - Cash Basis  
Fiduciary Funds  
June 30, 2012

	Private Purpose Trust	
	Scholarships	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 15,534	\$ 45,262
Total assets	\$ 15,534	\$ 45,262
 <u>Net assets:</u>		
Held in trust for unclaimed money	\$ 1,115	\$ -
Held in trust for scholarships	14,419	-
Unrestricted	-	45,262
Total net assets	\$ 15,534	\$ 45,262

See accompanying notes to the basic financial statements.

**Norwayne Local School District**  
Statement of Changes in Fiduciary Net Assets - Cash Basis  
Private Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2012

	Private Purpose Trust
	Scholarship
<u>Additions:</u>	
Interest	\$ 96
Gift and donations	900
Total additions	996
 <u>Deductions:</u>	
Scholarship awards	2,400
Change in net assets	(1,404)
Net assets beginning of year	16,938
Net assets end of year	\$ 15,534

See accompanying notes to the basic financial statements.

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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

**Description of the Entity**

Norwayne Local School District (the District), formerly known as North Central Local School District, is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services to approximately 1,368 students and community members as authorized by state statute and/or federal guidelines. The District was established in 1952 through the consolidation of existing school districts. The District serves an area of approximately 79 square miles, is located in Medina and Wayne County, and includes all of the Villages of Burbank, Creston, and Sterling.

**Reporting Entity**

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

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

The District is associated with a jointly governed organization and a public entity risk pool. These organizations are the Tri-County Computer Services Association (TCCSA) and the Wayne County Schools Council for Health Care Benefit Program. These organizations are presented in Notes 11 and 12.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Governmental Funds**

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

*General Fund*

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

*Building Fund*

The building fund is used to account for the receipts and expenditures related to proceeds from the sale of notes. Expenditures recorded here represent the costs of the local share of the OSFC construction projects.

*OSFC Projects Capital Projects Fund*

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

The other governmental funds of the District account for grants and other resources, debt service, and capital projects, whose use is restricted to a particular purpose.

**Fiduciary Funds**

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 District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District's private purpose trust funds account for programs that provide college scholarships to students after graduation and unclaimed money. Agency funds are custodial in nature. The District's agency fund accounts for various student-managed activities.

**Basis of Presentation**

The District uses the provisions of GASB Statement No. 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB Statement No. 38, for certain financial statement note disclosures. The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.



**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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***Government-wide Financial Statements***

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

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

***Fund Financial Statements***

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

**Basis of Accounting**

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

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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

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

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

**Cash Disbursements**

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

**Budgetary Process**

**Budget**

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

**Tax Budget**

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

**Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. Budget receipts as shown in the accompanying financial statements do not include July 1, 2011 unencumbered fund balances. However, those fund balances were available for appropriation.

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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

**Appropriations**

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

**Encumbrances**

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

**Lapsing of Appropriations**

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Cash and Cash Equivalents and Investments**

Cash and cash equivalents consist of the total of fund cash balances of all funds as of June 30, 2012. To improve cash management, cash received by the District is pooled. Individual fund integrity is maintained throughout the District's records. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as part of "equity in pooled cash and investments".

**Capital Assets**

Property, plant, and equipment acquired or constructed by the District are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting as described in Note 2, capital assets and the related depreciation are not reported separately on the financial statements.

**Compensated Absences**

Accumulated unpaid vacation leave, sick leave, and personal leave are not accrued under the cash basis of accounting as described in Note 2. All leave will either be utilized by time off from work or, within certain limitations, be paid to employees.

**Long-Term Obligations**

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

**Fund Balance**

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

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

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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

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

***Unassigned:*** The unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

### **Net Assets**

Net assets represent the difference between assets and liabilities. On the cash basis of accounting net assets equal assets since liabilities are not recorded. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted for other purposes is comprised of net assets restricted for grants. The District applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net assets are available. The District does not have net assets restricted by enabling legislation.

### **Interfund Transactions**

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide financial statements transfers within governmental activities are eliminated.

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**3. FUND BALANCES**

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

Fund Balances	<u>General</u>	<u>Building</u>	<u>OSFC Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable</i>					
Endowments	\$ -	\$ -	\$ -	\$ 16,064	\$ 16,064
<i>Restricted for</i>					
Food service	-	-	-	50,686	50,686
Athletics and music	-	-	-	72,029	72,029
Classroom facilities maintenance	-	-	-	458,739	458,739
Debt service payments	-	-	-	333,297	333,297
Capital improvements	-	249,150	377,938	278,231	905,319
<i>Total Restricted</i>	<u>-</u>	<u>249,150</u>	<u>377,938</u>	<u>1,192,982</u>	<u>1,820,070</u>
<i>Committed</i>					
Scholarships	-	-	-	1,659	1,659
<i>Assigned</i>					
Other purposes	96,260	-	-	-	96,260
<i>Unassigned (Deficit)</i>					
	<u>3,418,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,418,187</u>
<i>Total Fund Balances</i>	<u>\$ 3,514,447</u>	<u>\$ 249,150</u>	<u>\$ 377,938</u>	<u>\$ 1,210,705</u>	<u>\$ 5,352,240</u>

**4. DEPOSITS AND INVESTMENTS**

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

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

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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

Interim monies are permitted to be deposited or invested in the following securities.

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by a federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the District;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by the least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

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

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

During fiscal year 2012, investments were limited to STAR Ohio, and Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Corporation (FNMA) bonds. Investments are reported at cost.

All interest receipts are reported in the general fund except those specifically related to those funds deemed appropriate according to Board policy. For fiscal year 2012, interest receipts in the general fund are \$112,217 and of that amount, \$41,675 was assigned from other funds.

**Deposits:**

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

At June 30, 2012, the District's deposits of \$595,256 were either cover by FDIC or collateralized by the financial institution's public entity deposit pool in the District's name.



**Norwayne Local School District**  
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For the Fiscal Year Ended June 30, 2012

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**Investments:**

As of June 30, 2012, the District had the following investments and maturities:

Investments:	Single Issuer Ratio	Portfolio Ratio	Maturity (Years)					
			Less than 1 year	2 years	3 years	4 years	5 years	
Government sponsored securities:								
Federal Home Loan Bank	\$ 656,798	24%	14%	\$ -	\$ 429,989	\$ 226,809	\$ -	\$ -
Federal Home Loan Mortgage Corp.	1,374,533	49%	29%	-	-	302,418	866,063	206,052
Federal National Mortgage Assn.	742,385	27%	16%	-	-	326,052	217,499	198,834
Total	<u>2,773,716</u>			<u>-</u>	<u>429,989</u>	<u>855,279</u>	<u>1,083,562</u>	<u>404,886</u>
StarOhio	2,044,064	42%	52.5 days (average)					
Total investments	<u>\$ 4,817,780</u>							

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

Credit risk – Investments in STAR Ohio were rated AAAM by Standard & Poor’s. In addition, Standard and Poor’s has assigned the investments in FHLB, FHLMC and FNMA an AAA rating. The District limits their investments to those authorized by state statute.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in FHLB, FHLMC and FNMA are held by the counterparty’s trust department or agent and not in the School District’s name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of credit risk – The District places no limit on the amount it may invest in any one issuer. More than 5% of the School District’s investments are in FHLB, FHLMC and FNMA. See above for the concentration of credit risk for the District’s investments in single issuers and the overall investment portfolio.

**5. BUDGETARY BASIS FUND BALANCES**

Differences between the budgetary basis fund balances and cash fund balances are due to encumbrances and perspective differences. The cash fund balance, as well as the cash receipts, cash disbursements, and other financing receipts and disbursements of the general fund include activity that is budgeted within special revenue funds. However, on the budgetary basis, the activity of special revenue funds is excluded resulting in perspective differences. The table below presents those differences for the District’s general fund:

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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	<u>General Fund</u>
Budgetary basis fund balance	\$ 3,418,198
Budgeted as part of special revenue funds:	
Beginning cash fund balances	70,148
Receipts	137,808
Disbursements	(122,312)
Encumbrances	10,605
Cash basis fund balance	<u>\$ 3,514,447</u>

**6. PROPERTY TAX**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year. The last reappraisal was completed for tax year 2008 for Wayne County and 2010 for Medina County.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after October 1, 2011 and are collected in 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Calendar year 2010 is the last year for the collection of tangible personal property taxes from telephone companies. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies.

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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The Wayne County and Medina County Treasurers collect property tax on behalf of all taxing districts within the respective counties. The District receives property taxes from both counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the second half of fiscal year 2012 taxes collected are:

2011 <u>Property Category</u>	<u>Wayne County</u>	<u>Medina County</u>
<u>Real Property</u>		
Residential and agricultural	\$ 130,263,300	\$ 4,869,520
Commercial, industrial and minerals	14,716,030	10,391,690
<u>Tangible Personal Property</u>		
Public utilities	<u>3,118,580</u>	<u>291,600</u>
Total	<u>\$ 148,097,910</u>	<u>\$ 15,552,810</u>

**7. LONG-TERM DEBT**

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

The changes in the District's long-term obligations during fiscal year 2012 were as follows:

	<u>Interest Rate</u>	<u>Principal Outstanding 7/1/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/12</u>	<u>Due Within One Year</u>
General Obligation Bonds:						
2007 Classroom						
Facility Improvement	4.30%	\$ 8,954,986	\$ -	\$ 275,000	\$ 8,679,986	\$ 285,000
2007 Various Purpose	3.8 - 4.15%	<u>1,403,182</u>	<u>-</u>	<u>50,000</u>	<u>1,353,182</u>	<u>50,000</u>
Total		<u>\$ 10,358,168</u>	<u>\$ -</u>	<u>\$ 325,000</u>	<u>\$ 10,033,168</u>	<u>\$ 335,000</u>

The 2007 Classroom Facility Improvement Bonds were approved by the voters on November 7, 2006 and issued in 2007 for \$9,799,986 in general obligation bonds. The bonds were used to redeem the bond anticipation notes issued by the District to provide for its share of the Ohio School Facility Commission classroom construction grant. The bonds were issued for a 27 year period with final maturity of December 1, 2033. The bonds will be retired from the debt service fund.

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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The 2007 Various Purpose Bonds were approved by the voters on November 7, 2006 and issued in 2007 for a total of \$1,598,182 in general obligation bonds. The bonds were used to redeem the bond anticipation notes issued by the District to provide for its share of the Ohio School Facility Commission classroom construction grant. The bonds were issued for a 27 year period with final maturity of December 1, 2033. The bonds will be retired from the debt service fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30	Classroom Facility Bonds			Various Improvement Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 285,000	\$ 332,900	\$ 617,900	\$ 50,000	\$ 50,268	\$ 100,268
2014	295,000	321,300	616,300	25,910	78,358	104,268
2015	305,000	309,300	614,300	23,142	81,126	104,268
2016	113,882	509,318	623,200	20,669	83,598	104,267
2017	101,104	522,096	623,200	18,461	85,807	104,268
2018-2022	1,735,000	1,347,900	3,082,900	280,000	219,337	499,337
2023-2027	2,110,000	964,600	3,074,600	335,000	157,437	492,437
2028-2032	2,560,000	499,000	3,059,000	405,000	83,282	488,282
2033	1,175,000	47,500	1,222,500	195,000	8,196	203,196
Total	<u>\$ 8,679,986</u>	<u>\$ 4,853,914</u>	<u>\$ 13,533,900</u>	<u>\$ 1,353,182</u>	<u>\$ 847,409</u>	<u>\$ 2,200,591</u>

**8. RISK MANAGEMENT**

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

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

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

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

**A. DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2012, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$191,767, \$204,219, and \$187,713, respectively, which represents the required annual contribution each year.

**State Teachers Retirement System**

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

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

**Norwayne Local School District**  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**Funding Policy** - For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$645,001, \$652,035, and \$676,851, respectively, which represents the required annual contribution for each year.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, none of the members of the Board of Education has elected Social Security. The Board's liability would be 6.2 percent of wages paid.

**B. POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2012, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2012, this amount was \$35,800. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$23,220, \$24,728, and \$6,756 respectively, which equaled the required allocations for those years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011 and 2010 was \$12,341, \$13,142 and \$11,163, respectively, which equaled the required allocations for those years.

**State Teachers Retirement System**

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

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$49,615, \$50,157 and \$52,065, respectively, which equaled the required allocations for those years.

**10. REQUIRED SET-ASIDES**

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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	Capital Maintenance
Set-aside reserve balance as of June 30, 2011	\$ -
Current year set-aside requirement	238,361
Current year offsets	(229,736)
Qualifying disbursements	(286,187)
Totals	(277,562)
 Set-aside balance carried forward to future fiscal years	 \$ -

Effective July 1, 2011, the textbook set aside is no longer required as the obligation was repealed by the 129<sup>th</sup> General Assembly in Amended Substitute House Bill Number 30.

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

**11. JOINTLY GOVERNED ORGANIZATION**

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

**12. PUBLIC ENTITY RISK POOL**

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



**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**13. INTERFUND ACTIVITY**

**Interfund Transfers**

Transfers made during the year ended June 30, 2012, were as follows:

<u>Fund:</u>	Transfer <u>To:</u>	Transfer <u>From:</u>
Building fund	\$ -	\$ 353,147
OSFC fund	353,147	-
Total	<u>\$ 353,147</u>	<u>\$ 353,147</u>

**14. CONTINGENCIES**

**A. Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State’s ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

**B. Litigation**

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

Norwayne Local School District  
Wayne County

Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
Child and Adult Care Food Program	3L80	10.558	\$ 15,173	\$ -	\$ 15,173	\$ -
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	55,763	-	55,763	-
National School Lunch Program	3L60	10.555	175,123	37,637	175,123	37,637
Total Nutrition Cluster			<u>230,886</u>	<u>37,637</u>	<u>230,886</u>	<u>37,637</u>
<b>Total United States Department of Agriculture</b>			246,059	37,637	246,059	37,637
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Title I, Part A Cluster</i>						
Title I Grants to Local Education Agencies	3M00	84.010	183,718	-	183,718	-
<i>Special Education Cluster:</i>						
Special Education Grants to States	3M20	84.027	311,260	-	269,417	-
<i>ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants</i>						
Education Technology State Grants	GRF	84.394	-	-	4,792	-
Improving Teacher Quality State Grants	3S20	84.318	1,112	-	1,112	-
Education Jobs	3Y60	84.367	40,374	-	40,374	-
	3ET0	84.410	336,084	-	336,084	-
<b>Total United States Department of Education</b>			<u>872,548</u>	<u>-</u>	<u>835,497</u>	<u>-</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,118,607</u>	<u>\$ 37,637</u>	<u>\$ 1,081,556</u>	<u>\$ 37,637</u>

N/A - Not Available

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

**Norwayne Local School District**  
*Wayne County*

*Notes to Schedule of Federal Awards Receipts and Expenditures*  
*For the Fiscal Year Ended June 30, 2012*

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B -FOOD DISTRIBUTIONS**

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

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



# Balestra, Harr & Scherer, CPAs, Inc.

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## Report on Internal Control over Financial Reporting and on Compliance and other Matters Required by *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Norwayne Local School District, Wayne County, (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 29, 2012 wherein we noted the District follows a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Governmental Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2012-001.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
October 29, 2012



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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## **Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133**

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

### **Compliance**

We have audited the compliance of Norwayne Local School District, Wayne County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Norwayne Local School District's major federal program for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Norwayne Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

### **Internal Control Over Compliance**

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

Members of the Board of Education  
Norwayne Local School District  
Report on Compliance with Requirements Applicable to each Major Federal Program and on  
Internal Control over Compliance Required by OMB Circular A-133  
Page 2

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

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

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

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
October 29, 2012

**Norwayne Local School District  
Wayne County, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2012**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Education Job Funds - CFDA# 84.410
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes



Norwayne Local School District  
Wayne County, Ohio

Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2012

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

**FINDING NUMBER 2012-001**

**Material Noncompliance Citation**

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

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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

**Client Response:**

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

**3. FINDINGS FOR FEDERAL AWARDS**

**None noted**

**Norwayne Local School District  
Wayne County, Ohio**

**Schedule of Prior Audit Findings  
June 30, 2012**

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<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2011-001	Material Non-Compliance: OAC 117-2-03(B) the District is required to file its annual financial report in accordance with GAAP.	No	Not Corrected



# Dave Yost • Auditor of State

**NORWAYNE LOCAL SCHOOL DISTRICT**

**WAYNE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 20, 2012**