

Norton City School District
Summit County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2012



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Norton City School District, Summit County, prepared by Rea & Associates, Inc., for the audit period July 1, 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 Norton City 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

February 14, 2013

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**NORTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

JUNE 30, 2012

Table of Contents

	<i>Page</i>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund	20
Statement of Fund Net Assets – Internal Service Fund.....	21
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Fund	22
Statement of Cash Flows – Internal Service Fund	23
Statement of Fiduciary Net Assets –Fiduciary Funds	24
Statement of Changes in Fiduciary Net Assets –Private Purpose Trust Fund.....	25

**NORTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

JUNE 30, 2012

*Table of Contents
(Continued)*

	<i>Page</i>
Notes to the Basic Financial Statements.....	26-52
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53-54
Independent Auditor’s Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	55-56
Schedule of Expenditures of Federal Awards	57
Notes to Schedule of Expenditures of Federal Awards	58
Schedule of Findings & Questioned Costs	59

December 21, 2012

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

INDEPENDENT AUDITOR'S REPORT

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2012, and the respective changes in financial position and the cash flows, where applicable, and the respective budgetary comparison for the general fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Rea & Associates, Inc.

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

This discussion and analysis of Norton City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- Net assets of governmental activities increased \$239,339, representing a 2.4% increase from fiscal year 2011.
- General revenues accounted for \$16,424,414 in revenue or 70.5% of all revenues. Program specific revenues in the form of charges for services, and operating grants, contributions and interest accounted for \$6,878,991 or 29.5% of total revenues of \$23,303,405.
- The School District had \$23,064,066 in expenses related to governmental activities; only \$6,878,991 of these expenses was offset by program specific revenues that include charges for services, operating grants, contributions and interest. General revenues of \$16,424,414 contributed to support these programs.
- The School District had two major governmental funds, the general fund and the permanent improvement capital projects fund. The general fund's balance decreased \$282,086 from \$3,506,687 at June 30, 2011 to \$3,224,601 at June 30, 2012. The permanent improvement capital projects fund balance increased \$496,669 from \$2,541,690 at June 30, 2011 to \$3,038,359 at June 30, 2012.

Using this Annual Financial Report

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

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

Norton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2012?" These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis, of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental funds are the general fund and the permanent improvement capital projects fund.

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

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2012
 Unaudited

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2012 compared to 2011:

		Table 1 Net Assets	
		<u>Governmental Activities</u>	
		<u>2012</u>	<u>2011</u>
Assets			
Current and other assets	\$	17,533,452	\$ 17,358,543
Capital assets, net of depreciation		<u>3,139,323</u>	<u>3,327,380</u>
Total assets		<u>20,672,775</u>	<u>20,685,923</u>
Liabilities			
Current and other liabilities		9,459,853	9,497,103
Long-term liabilities:			
Due within one year		138,517	255,291
Due in more than one year		<u>749,185</u>	<u>847,648</u>
Total liabilities		<u>10,347,555</u>	<u>10,600,042</u>
Net Assets			
Invested in capital assets, net of debt		3,119,304	3,268,872
Restricted		3,751,997	3,215,453
Unrestricted		<u>3,453,919</u>	<u>3,601,556</u>
Total net assets	\$	<u>10,325,220</u>	\$ <u>10,085,881</u>

Over time, net assets can serve as a useful indicator of a government's financial position. During fiscal year 2012, the School District had an increase in net assets of \$239,339.

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

A portion of the School District's net assets, \$3,751,997, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$683,018 is restricted for food services, \$3,038,359 is restricted for capital projects, and \$30,620 is restricted for other purposes. The remaining balance of net assets of \$3,453,919 is unrestricted.

Norton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2 shows changes in net assets for fiscal year 2012 compared to fiscal year 2011.

	<u>2012</u>	<u>2011</u>
Revenues		
Program revenues:		
Charges for services	\$ 4,864,762	\$ 4,104,067
Operating grants, contributions and interest	2,014,229	2,124,877
General revenues:		
Property taxes	8,012,464	8,509,525
Grants and entitlements	8,361,228	8,628,017
Investment earnings	12,262	17,030
Miscellaneous	38,460	534
Total revenues	<u>23,303,405</u>	<u>23,384,050</u>
Program Expenses		
Instruction:		
Regular	10,789,154	11,320,512
Special	2,027,798	2,138,015
Vocational	629,414	853,375
Adult/continuing	5,485	2,952
Student intervention services	403,966	329,227
Support services:		
Pupil	717,737	737,222
Instructional staff	1,190,789	1,399,762
Board of education	45,677	93,231
Administration	1,633,282	1,801,356
Fiscal	571,635	577,535
Business	233,743	306,628
Operation and maintenance of plant	1,755,455	1,884,584
Pupil transportation	1,563,633	1,506,979
Central	113,405	76,944
Operation non-instructional services	11,492	4,455
Operation of food services	882,585	925,626
Extracurricular activities	486,769	541,994
Interest and fiscal charges	2,047	3,916
Total expenses	<u>23,064,066</u>	<u>24,504,313</u>
Change in net assets	239,339	(1,120,263)
Net assets beginning of year	<u>10,085,881</u>	<u>11,206,144</u>
Net assets end of year	<u>\$ 10,325,220</u>	<u>\$ 10,085,881</u>

Norton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Governmental Activities

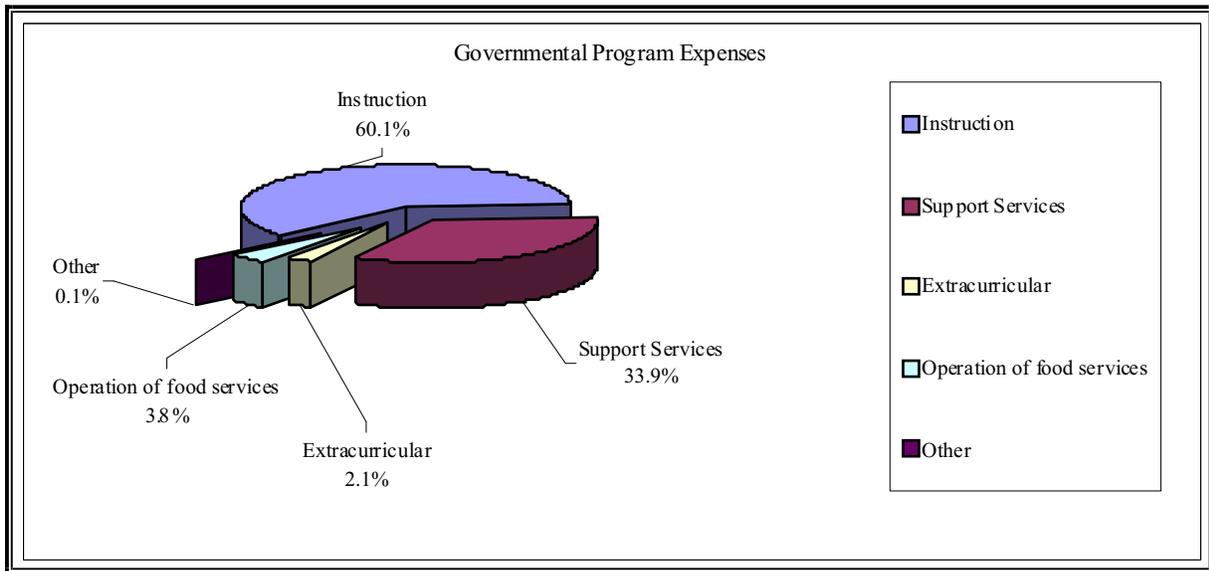
Norton City School District depends on both property taxes and State funding.

Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated over \$8.0 million in 2012. The decrease in property tax revenue from 2011 to 2012 is due to fluctuations in the amount available for advance at year-end, which can vary based on when the tax bills are sent. General revenues from grants and entitlements, such as the school foundation program, generated over \$8.4 million. Due to the combination of taxes and intergovernmental funding representing nearly 70.3% of all revenues, the School District monitors both of these sources very closely for fluctuations.

A review of Table 2 reflects that the total cost of instructional services was \$13,855,817, or 60.1% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. As compared to the prior year, these expenses decreased \$788,264, or 5.4%. These expenses decreased due to the lack of revenues from certain special federal programs.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching pupils. These expenses represent \$1,908,526 of the total governmental program expenses, or 8.3%. These expenses decreased over the prior year in the amount of \$228,458, or 10.7% due to a decrease in instructional staff as compared to the prior year.

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



Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Board of Education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost was \$2,484,337, or 10.8% of governmental program expenses. Expenses of these programs decreased \$294,413, or 10.6%, as compared to fiscal year 2011, driven mostly by decreases in administration expenses.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District's operations. The total cost for the operation and maintenance services was \$1,755,455, or 7.6% of the governmental program expenses. Expenses for providing this program decreased \$129,129, or 6.9% as compared to the prior year. The primary cause of this decrease was due to a decrease in operating expenses.

Pupil transportation expenses are expenses related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. Total transportation cost was \$1,563,633, or 6.8% of the total governmental program expenditures. Expenses for providing this program increased \$56,654, or 7.3% as compared to the prior year.

Overall, the School District's fiscal year revenues exceeded expenses by \$239,339. This is due to conservative spending and reduced staffing.

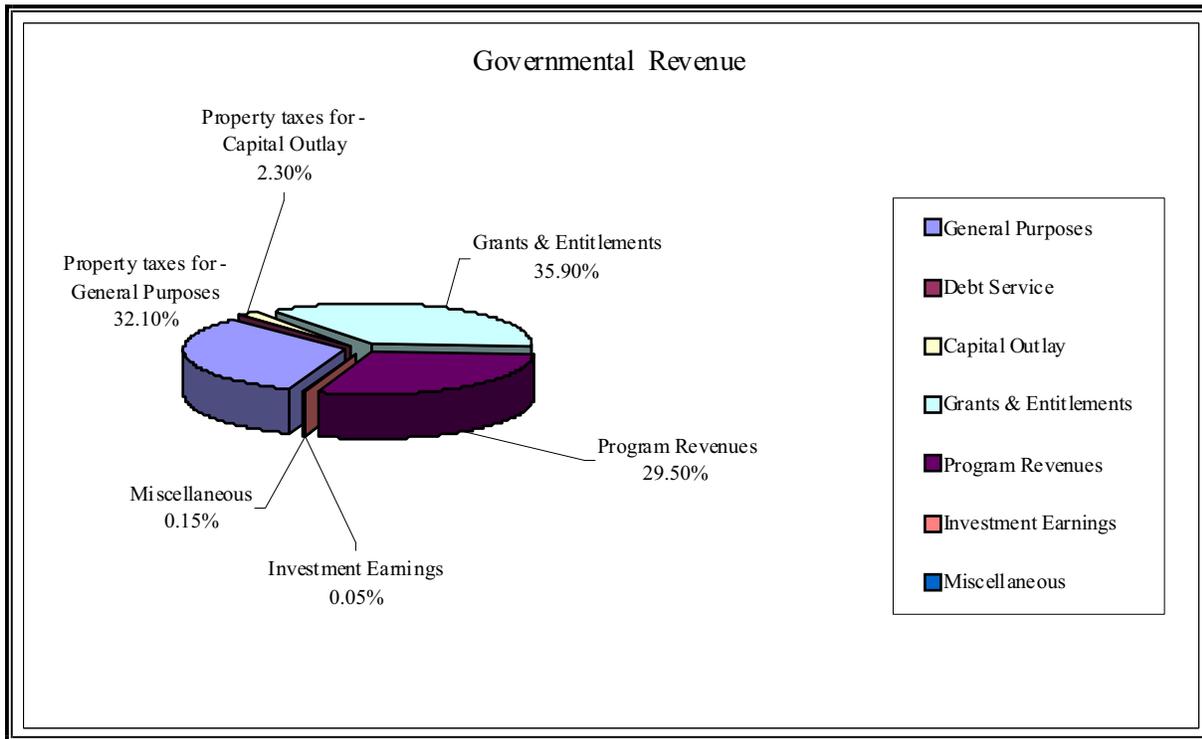
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services as compared to fiscal year 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Norton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 3
Governmental Activities

	Total Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2012</u>	Net Cost of Services <u>2011</u>
Program Expenses:				
Instruction:				
Regular	\$ 10,789,154	\$ 11,320,512	\$ (6,353,502)	\$ (7,414,594)
Special	2,027,798	2,138,015	(1,257,743)	(1,548,397)
Vocational	629,414	853,375	(629,414)	(853,375)
Adult/continuing	5,485	2,952	(5,485)	(2,952)
Student intervention services	403,966	329,227	(403,966)	(304,857)
Support services:				
Pupil	717,737	737,222	(639,327)	(663,273)
Instructional staff	1,190,789	1,399,762	(960,411)	(1,112,983)
Board of education	45,677	93,231	(45,677)	(93,231)
Administration	1,633,282	1,801,356	(1,520,192)	(1,695,879)
Fiscal	571,635	577,535	(571,153)	(577,535)
Business	233,743	306,628	(233,743)	(306,628)
Operation and maintenance of plant	1,755,455	1,884,584	(1,751,775)	(1,879,521)
Pupil transportation	1,563,633	1,506,979	(1,440,253)	(1,361,891)
Central	113,405	76,944	(113,405)	(71,944)
Operation non-instructional services	11,492	4,455	(11,492)	(4,455)
Operation of food services	882,585	925,626	91,809	14,740
Extracurricular activities	486,769	541,994	(337,299)	(394,678)
Interest and fiscal charges	2,047	3,916	(2,047)	(3,916)
Total expenses	<u>\$ 23,064,066</u>	<u>\$ 24,504,313</u>	<u>\$ (16,185,075)</u>	<u>\$ (18,275,369)</u>

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2012
 Unaudited



Program revenues include charges for services, grants, contributions and interest that are program specific. Surrounding schools whose resident students are educated by the Norton City School District pay the School District \$5,732 per pupil under Ohio's open enrollment entitlement.

Property taxes made up 34.4% of total revenues for governmental activities for the Norton City Schools in fiscal year 2012. Program revenues for governmental activities provided 29.5% of governmental revenues with 70.5% of all governmental activities supported through property taxes, grants and entitlement, and other general revenues. The 35.9% provided by the grants and entitlements portion of general revenues includes monies received from the Ohio Department of Education, State Foundation Program and property tax relief such as the homestead exemptions and rollbacks provided by HB 920.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$23,197,450 and total expenditures were \$22,801,844. The net change in fund balance was significant in the general fund with a decrease of \$282,086. This decrease is attributed to decreases in revenues including taxes and intergovernmental revenues. The net change in fund balance in the permanent improvement capital projects fund increased \$496,669. This increase is attributed to current year revenues exceeding current year expenditures and due to the fact that the School District is in the planning stage for future projects and not incurring large expenses.

The net change in fund balance for other governmental funds was an increase of \$181,023. For the current fiscal year, other governmental funds consist of special revenue funds only.

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

General Fund Budgeting Highlights

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

For the general fund, the original budgeted revenue and other financing source estimate was \$19,244,673. This amount was not changed during the year, resulting in a final revenue budget of \$19,244,673. Actual revenue and other financing sources reported was \$19,968,618 which is \$723,945 greater than the final and original budgeted amounts.

The original and final expenditures estimate of \$22,455,242 was significantly higher than the actual. The actual expenditures were \$20,530,497, with a significant change in the amount of \$1,902,346 from the original and final budgeted amounts. This was the result of conservative spending by the district.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the School District had \$3,139,323 invested in land and land improvements, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2012 balances compared to fiscal year 2011:

Table 4
Capital Assets, at Fiscal Year End
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 71,000	\$ 71,000
Land improvements	460,431	509,858
Buildings and improvements	1,984,658	2,060,828
Furniture and equipment	221,864	262,367
Vehicles	<u>401,370</u>	<u>423,327</u>
Total capital assets	<u>\$ 3,139,323</u>	<u>\$ 3,327,380</u>

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

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2012
 Unaudited

Debt

Table 5 summarizes the capital leases outstanding:

Table 5
 Outstanding Debt, at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Capital Leases	\$ 20,019	\$ 58,508
Total outstanding debt	<u>\$ 20,019</u>	<u>\$ 58,508</u>

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

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

Current Issues Affecting Financial Condition

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

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

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

Contacting the School District's Financial Management

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

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Norton City School District

Statement of Net Assets

June 30, 2012

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 8,026,237
Cash and cash equivalents:	
In segregated accounts	236,221
Receivables:	
Taxes	8,608,651
Accounts	476,576
Intergovernmental	149,456
Accrued interest	686
Prepaid items	6,630
Inventory held for resale	6,802
Materials and supplies inventory	22,193
Capital assets:	
Land	71,000
Depreciable capital assets, net	3,068,323
Total capital assets	<u>3,139,323</u>
Total assets	<u>20,672,775</u>
<u>Liabilities:</u>	
Accounts payable	102,187
Accrued wages	1,386,539
Intergovernmental payable	520,481
Compensated absences payable	72,352
Deferred revenue	7,378,294
Long-term liabilities:	
Due within one year	138,517
Due in more than one year	749,185
Total liabilities	<u>10,347,555</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	3,119,304
Restricted for:	
Capital projects	3,038,359
Food services	683,018
Other purposes	30,620
Unrestricted	3,453,919
Total net assets	<u>\$ 10,325,220</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Revenue and Changes in Net Assets
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 10,789,154	\$ 3,622,810	\$ 812,842	\$ (6,353,502)
Special	2,027,798	416,559	353,496	(1,257,743)
Vocational	629,414	-	-	(629,414)
Adult/continuing	5,485	-	-	(5,485)
Student intervention services	403,966	-	-	(403,966)
Support services:				
Pupils	717,737	-	78,410	(639,327)
Instructional staff	1,190,789	-	230,378	(960,411)
Board of education	45,677	-	-	(45,677)
Administration	1,633,282	-	113,090	(1,520,192)
Fiscal	571,635	482	-	(571,153)
Business	233,743	-	-	(233,743)
Operation and maintenance of plant	1,755,455	3,680	-	(1,751,775)
Pupil transportation	1,563,633	123,380	-	(1,440,253)
Central	113,405	-	-	(113,405)
Operation of non-instructional services	11,492	-	-	(11,492)
Operation of food services	882,585	552,805	421,589	91,809
Extracurricular activities	486,769	145,046	4,424	(337,299)
Interest and fiscal charges	2,047	-	-	(2,047)
Total governmental activities	<u>\$ 23,064,066</u>	<u>\$ 4,864,762</u>	<u>\$ 2,014,229</u>	<u>(16,185,075)</u>

General Revenues:

Property taxes levied for:

General purposes	7,479,962
Capital outlay	532,502
Grants and entitlements not restricted to specific programs	8,361,228
Investment earnings	12,262
Miscellaneous	38,460
Total general revenues	<u>16,424,414</u>
Change in net assets	239,339
Net assets at beginning of year	<u>10,085,881</u>
Net assets at end of year	<u>\$ 10,325,220</u>

See accompanying notes to the basic financial statements.

Norton City School District

Balance Sheet

Governmental Funds

June 30, 2012

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 4,228,344	\$ 2,979,861	\$ 796,796	\$ 8,005,001
<u>Receivables:</u>				
Taxes	8,002,574	606,077	-	8,608,651
Accounts	476,576	-	-	476,576
Intergovernmental	136,463	-	12,993	149,456
Interfund	17,993	-	-	17,993
Accrued interest	660	-	-	660
Prepaid items	6,040	-	590	6,630
Inventory held for resale	-	-	6,802	6,802
Materials and supplies inventory	19,960	-	2,233	22,193
Advances to other funds	50,411	-	-	50,411
Equity in pooled cash and cash equivalents (restricted)	15,909	-	-	15,909
Total assets	<u>\$ 12,954,930</u>	<u>\$ 3,585,938</u>	<u>\$ 819,414</u>	<u>\$ 17,360,282</u>
<u>Liabilities and fund balances:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 97,024	\$ 635	\$ 4,528	\$ 102,187
Accrued wages	1,376,016	-	10,523	1,386,539
Interfund payable	-	-	12,993	12,993
Compensated absences payable	72,352	-	-	72,352
Intergovernmental payable	508,127	-	12,354	520,481
Deferred revenue	7,676,810	546,944	-	8,223,754
Advances from other funds	-	-	50,411	50,411
Total liabilities	<u>9,730,329</u>	<u>547,579</u>	<u>90,809</u>	<u>10,368,717</u>
<u>Fund balances:</u>				
Nonspendable	92,320	-	9,625	101,945
Restricted	-	3,038,359	726,553	3,764,912
Committed	11,000	-	-	11,000
Assigned	3,121,281	-	-	3,121,281
Unassigned	-	-	(7,573)	(7,573)
Total fund balances	<u>3,224,601</u>	<u>3,038,359</u>	<u>728,605</u>	<u>6,991,565</u>
Total liabilities and fund balances	<u>\$ 12,954,930</u>	<u>\$ 3,585,938</u>	<u>\$ 819,414</u>	<u>\$ 17,360,282</u>

See accompanying notes to the basic financial statements.

Norton City School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2012

Total governmental funds balances		\$ 6,991,565
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,139,323
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 413,113	
Tuition and fees	429,282	
Intergovernmental	3,065	
Total	<u>845,460</u>	845,460
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		236,574
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences	\$ (867,683)	
Capital leases	(20,019)	
Total	<u>(887,702)</u>	<u>(887,702)</u>
Net assets of governmental activities		<u>\$ 10,325,220</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Taxes	\$ 7,495,538	\$ 562,905	\$ -	\$ 8,058,443
Intergovernmental	8,488,310	132,219	1,843,787	10,464,316
Interest	11,219	-	1,106	12,325
Tuition and fees	3,680,351	-	-	3,680,351
Extracurricular activities	44,663	-	144,461	189,124
Gifts and donations	9,484	-	5,424	14,908
Charges for services	126,510	-	544,406	670,916
Rent	3,680	-	-	3,680
Miscellaneous	76,113	-	27,274	103,387
Total revenues	<u>19,935,868</u>	<u>695,124</u>	<u>2,566,458</u>	<u>23,197,450</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,889,391	82,268	601,543	10,573,202
Special	1,711,201	-	302,381	2,013,582
Vocational	633,464	-	-	633,464
Adult/continuing	5,485	-	-	5,485
Student intervention services	403,966	-	-	403,966
Support services:				
Pupils	622,827	-	78,410	701,237
Instructional staff	924,951	958	226,224	1,152,133
Board of education	43,483	-	-	43,483
Administration	1,503,445	-	120,146	1,623,591
Fiscal	553,084	11,341	-	564,425
Business	196,883	-	-	196,883
Operation and maintenance of plant	1,716,653	-	-	1,716,653
Pupil transportation	1,472,221	-	-	1,472,221
Central	113,053	-	-	113,053
Operation of non-instructional services	-	-	586	586
Operation of food services	-	-	860,280	860,280
Extracurricular activities	336,327	-	149,006	485,333
Capital outlay	50,984	103,888	46,859	201,731
Debt service:				
Principal retirement	38,489	-	-	38,489
Interest and fiscal charges	2,047	-	-	2,047
Total expenditures	<u>20,217,954</u>	<u>198,455</u>	<u>2,385,435</u>	<u>22,801,844</u>
Net change in fund balances	(282,086)	496,669	181,023	395,606
Fund balances at beginning of year	<u>3,506,687</u>	<u>2,541,690</u>	<u>547,582</u>	<u>6,595,959</u>
Fund balances at end of year	<u>\$ 3,224,601</u>	<u>\$ 3,038,359</u>	<u>\$ 728,605</u>	<u>\$ 6,991,565</u>

See accompanying notes to the basic financial statements.

Norton City School District

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012**

Net change in fund balances - total governmental funds \$ 395,606

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

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

In the current period, these amounts are:

Capital asset additions	\$ 201,731	
Depreciation expense	<u>(342,618)</u>	
Excess of depreciation expense over capital asset additions		(140,887)

Governmental funds only report the disposal of capital assets to the extent proceeds are
received from the sale. In the statement of activities, a gain or loss is reported for
each disposal. (47,170)

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

Property taxes	\$ (45,979)	
Intergovernmental	(104,873)	
Tuition and fees	<u>255,764</u>	
Net change in deferred revenues during the year		104,912

Repayment of debt and capital lease principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net assets. 38,489

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

Decrease in compensated absences		176,748
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The internal service fund used by management to charge the costs of medical, prescription
drug, dental and vision claims to individual funds are not reported in the statement of
activities. Governmental fund expenditures and related internal service fund revenues
are eliminated. (288,359)

Change in net assets of governmental activities \$ 239,339

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 7,456,011	\$ 7,533,490	\$ 7,750,141	\$ 216,651
Intergovernmental	8,435,444	8,180,133	8,491,974	311,841
Interest	12,276	14,222	13,920	(302)
Tuition and fees	3,177,073	3,304,739	3,492,394	187,655
Gifts and donations	-	3,320	3,530	210
Charges for services	125,324	137,419	144,502	7,083
Rent	5,078	2,614	2,280	(334)
Miscellaneous	15,185	30,928	32,130	1,202
Total revenues	<u>19,226,391</u>	<u>19,206,865</u>	<u>19,930,871</u>	<u>724,006</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	10,808,212	10,670,054	9,778,243	891,811
Special	1,798,978	1,824,991	1,687,288	137,703
Vocational	841,955	704,937	649,223	55,714
Adult/continuing	4,159	5,793	5,097	696
Student intervention services	333,055	432,132	403,966	28,166
Support services:				
Pupils	696,892	690,138	632,546	57,592
Instructional staff	1,040,541	1,071,659	940,882	130,777
Board of education	44,044	107,897	92,266	15,631
Administration	1,751,945	1,723,811	1,589,133	134,678
Fiscal	580,010	571,965	556,871	15,094
Business	363,184	356,432	321,954	34,478
Operation and maintenance of plant	2,005,462	1,967,214	1,806,397	160,817
Pupil transportation	1,609,741	1,721,974	1,544,313	177,661
Central	95,737	115,638	106,633	9,005
Extracurricular activities	400,820	416,800	375,285	41,515
Capital outlay	80,507	51,408	40,400	11,008
Total expenditures	<u>22,455,242</u>	<u>22,432,843</u>	<u>20,530,497</u>	<u>1,902,346</u>
Excess of revenues under expenditures	<u>(3,228,851)</u>	<u>(3,225,978)</u>	<u>(599,626)</u>	<u>2,626,352</u>
<u>Other financing sources (uses):</u>				
Refund of prior year expenditures	16,601	37,727	37,727	-
Insurance recoveries	1,681	81	20	(61)
Advances out	-	(17,993)	(17,993)	-
Transfers out	-	(4,406)	(4,406)	-
Total other financing sources (uses)	<u>18,282</u>	<u>15,409</u>	<u>15,348</u>	<u>(61)</u>
Net change in fund balance	(3,210,569)	(3,210,569)	(584,278)	2,626,291
Fund balances at beginning of year	3,933,231	3,933,231	3,933,231	-
Prior year encumbrances appropriated	455,242	455,242	455,242	-
Fund balances at end of year	<u>\$ 1,177,904</u>	<u>\$ 1,177,904</u>	<u>\$ 3,804,195</u>	<u>\$ 2,626,291</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2012

	<u>Self Insurance</u>
<u>Assets:</u>	
Current:	
Equity in pooled cash and cash equivalents	\$ 5,327
Cash and cash equivalents in segregated accounts	236,221
Interest receivable	<u>26</u>
Total assets	<u><u>\$ 241,574</u></u>
<u>Liabilities:</u>	
Current:	
Interfund payable	<u>\$ 5,000</u>
<u>Net assets:</u>	
Unrestricted	<u>236,574</u>
Total liabilities and net assets	<u><u>\$ 241,574</u></u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2012

	<u>Self Insurance</u>
<u>Operating revenues:</u>	
Charges for services	<u>\$ 35,959</u>
<u>Operating expenses:</u>	
Purchased services	<u>325,361</u>
Operating loss	<u>(289,402)</u>
<u>Non-operating revenues:</u>	
Interest	<u>1,043</u>
Change in net assets	(288,359)
Net assets at beginning of year	<u>524,933</u>
Net assets at end of year	<u><u>\$ 236,574</u></u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2012

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received for charges for services	\$ 32,837
Cash payments to suppliers for goods and services	<u>(325,361)</u>
Net cash used for operating activities	<u>(292,524)</u>
<u>Cash flows from noncapital financing activities:</u>	
Advances in	<u>5,000</u>
Net cash provided by noncapital financing activities	<u>5,000</u>
<u>Cash flows from investing activities:</u>	
Interest on investments	<u>1,353</u>
Net cash provided by investing financing	<u>1,353</u>
Net decrease in cash and cash equivalents	(286,171)
Cash and cash equivalents at beginning of year	<u>527,719</u>
Cash and cash equivalents at end of year	<u>\$ 241,548</u>
 <u>Reconciliation of operating loss to net cash used for operating activities:</u>	
Operating loss	\$ (289,402)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Change in assets and liabilities:	
Increase (decrease) in liabilities:	
Unearned revenue	<u>(3,122)</u>
Total adjustments	<u>(3,122)</u>
Net cash used for operating activities	<u>\$ (292,524)</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	
	Scholarships	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 46,383	\$ 56,222
Cash and cash equivalents:		
In segregated accounts	59,742	-
Interest receivable	55	-
Total assets	<u>\$ 106,180</u>	<u>\$ 56,222</u>
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ 47
Due to students	-	56,175
Total liabilities	<u>-</u>	<u>\$ 56,222</u>
<u>Net assets:</u>		
Held in trust for scholarships	<u>\$ 106,180</u>	

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2012

	Private Purpose Trust <u>Scholarships</u>
<u>Additions:</u>	
Interest	\$ 238
Gifts and donations	2,510
Total additions	<u>2,748</u>
 <u>Deductions:</u>	
Payments in accordance with trust agreements	<u>6,632</u>
Change in net assets	(3,884)
Net assets at beginning of year	<u>110,064</u>
Net assets at end of year	<u>\$ 106,180</u>

See accompanying notes to the basic financial statements.

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

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

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's six instructional/support facilities staffed by 153 non-certificated employees and 188 certificated teaching and support personnel, including 17 administrators that provide services to 2,593 students and other community members.

Reporting Entity

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

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

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

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

Notes to the Basic Financial Statements

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

A. Basis of Presentation - Fund Accounting

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Fund Types:

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

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

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

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

Proprietary Fund Type

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

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

Fiduciary Fund Types

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

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

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

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

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

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

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

Revenue - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

**D. Budgets and
Budgetary
Accounting**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2012. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

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

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

F. Prepaids Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

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

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

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

Notes to the Basic Financial Statements

I. Restricted Assets

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

J. Capital Assets

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

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

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

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

K. Compensated Absences

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

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

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

L. Net Assets

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

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

M. Accrued Liabilities and Long-term Obligations

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

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

N. Fund Balance

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

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

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

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

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

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

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

O. Operating Revenues and Expenses

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

P. Interfund Transactions

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

Q. Estimates

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

Norton City School District

NOTE 2 – FUND BALANCES

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

Fund Balances	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>				
Materials and supplies inventory	\$ 19,960	\$ -	\$ 9,035	\$ 28,995
Prepays	6,040	-	590	6,630
Advances to other funds	50,411	-	-	50,411
Unclaimed monies	<u>15,909</u>	<u>-</u>	<u>-</u>	<u>15,909</u>
Total nonspendable	<u>92,320</u>	<u>-</u>	<u>9,625</u>	<u>101,945</u>
<u>Restricted for</u>				
Food service	-	-	695,933	695,933
Local grants	-	-	13,435	13,435
Federal grants	-	-	17,185	17,185
Capital improvements	<u>-</u>	<u>3,038,359</u>	<u>-</u>	<u>3,038,359</u>
Total restricted	<u>-</u>	<u>3,038,359</u>	<u>726,553</u>	<u>3,764,912</u>
<u>Committed</u>				
Underground storage tanks	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>11,000</u>
<u>Assigned for</u>				
Public school support	83,506	-	-	83,506
Encumbrance	273,647	-	-	273,647
Next years budget	<u>2,764,128</u>	<u>-</u>	<u>-</u>	<u>2,764,128</u>
Total assigned	<u>3,121,281</u>	<u>-</u>	<u>-</u>	<u>3,121,281</u>
Unassigned (deficit)	<u>-</u>	<u>-</u>	<u>(7,573)</u>	<u>(7,573)</u>
Total fund balances	<u>\$ 3,224,601</u>	<u>\$ 3,038,359</u>	<u>\$ 728,605</u>	<u>\$ 6,991,565</u>

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance	
	<u>General</u>
GAAP basis	\$ (282,086)
Net adjustment for revenue accruals	177,716
Net adjustment for expenditure accruals	(137,536)
Advances out	(17,993)
Encumbrances (Budget basis) outstanding at year-end	(302,843)
Perspective differences from funds budgeted as special revenue funds:	
Revenues	(144,966)
Transfers from general fund	(4,406)
Expenditures	<u>127,836</u>
Budget basis	<u>\$ (584,278)</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

Notes to the Basic Financial Statements

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

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

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

A. Deposits:

For the fiscal year ended June 30, 2012, the School District reported \$15,909 in "Equity in pooled cash and cash equivalents (restricted)" on the balance sheet. This amount represents a reserve for unclaimed monies.

The carrying value of the School District's deposits totaled \$7,405,534, and the bank balances of the deposits totaled \$7,616,749; all of which was not exposed to custodial credit risk.

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

B. Investments:

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

Norton City School District

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Repurchase agreements	\$ 840,000	Daily	AAA ⁽¹⁾
STAROhio	<u>179,271</u>	52.5 ⁽³⁾	AAAm ⁽²⁾
	<u>\$ 1,019,271</u>		

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

⁽²⁾ Standard and Poor's rating

⁽³⁾ Days (Average)

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2012.

All interest is legally required to be placed in the general fund, the food service special revenue fund and the scholarships private purpose trust fund. Interest revenue credited to the general fund during fiscal year 2012 amount to \$11,219, which includes \$4,623 assigned from other School District funds.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's \$840,000 investment in repurchase agreements is to be secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the School District's name, are Federal Home Loan Mortgage Corporation (FHLMC) bonds. These securities, held by the counterparty and not in the School District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

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

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

NOTE 5 - PROPERTY TAX

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School 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 April 1, 2011 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2011. The tax was phased out by reducing the assessment rate on the property over several years. The bill provided reimbursements to the School District equivalent to the revenue lost due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. House Bill No. 153 was signed into law on June 30, 2011. This bill dramatically reduced these reimbursements to the School District.

Norton City School District

The School District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at year-end was \$758,111 in the general fund and \$59,133 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

<u>Property Category</u>	<u>2011 Assessed Value</u>	<u>2010 Assessed Value</u>
<u>Real Property</u>		
Residential and agricultural	\$ 238,819,470	\$ 257,996,960
Commercial , industrial and mineral	35,728,540	42,745,480
Public utilities	63,000	58,260
<u>Tangible Personal Property</u>		
Public utilities	<u>6,916,650</u>	<u>6,489,340</u>
Total	<u>\$ 281,527,660</u>	<u>\$ 307,290,040</u>

NOTE 6 - RECEIVABLES

Receivables at year-end consisted of taxes, interfund, accrued interest, accounts, intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The general fund and nonmajor governmental funds reported intergovernmental receivables in the amounts of \$136,463 and \$12,993, respectively.

Notes to the Basic Financial Statements

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Capital assets, not being depreciated:				
Land	\$ 71,000	\$ -	\$ -	\$ 71,000
Capital assets, being depreciated:				
Land improvements	1,387,549	-	-	1,387,549
Buildings and improvements	7,324,684	80,809	(37,916)	7,367,577
Furniture and equipment	1,638,865	43,675	(28,505)	1,654,035
Vehicles	<u>2,052,705</u>	<u>77,247</u>	<u>(16,990)</u>	<u>2,112,962</u>
Total capital assets, being depreciated	<u>12,403,803</u>	<u>201,731</u>	<u>(83,411)</u>	<u>12,522,123</u>
Less: Accumulated depreciation				
Land improvements	(877,691)	(49,427)	-	(927,118)
Buildings and improvements	(5,263,856)	(125,389)	6,326	(5,382,919)
Furniture and equipment	(1,376,498)	(82,425)	26,752	(1,432,171)
Vehicles	<u>(1,629,378)</u>	<u>(85,377)</u>	<u>3,163</u>	<u>(1,711,592)</u>
Total accumulated depreciation	<u>(9,147,423)</u>	<u>(342,618)</u>	<u>36,241</u>	<u>(9,453,800)</u>
Total capital assets being depreciated, net	<u>3,256,380</u>	<u>(140,887)</u>	<u>(47,170)</u>	<u>3,068,323</u>
Governmental activities capital assets, net	<u>\$ 3,327,380</u>	<u>\$ (140,887)</u>	<u>\$ (47,170)</u>	<u>\$ 3,139,323</u>

Norton City School District

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 81,394
Special	4,284
Vocational	23,847
Support services:	
Pupils	3,811
Instructional staff	17,078
Board of education	2,194
Administration	2,338
Fiscal	1,097
Business	34,819
Operation and maintenance of plant	68,586
Pupil transportation	75,734
Operation of non-instructional services	10,906
Operation of food services	10,829
Extracurricular activities	<u>5,701</u>
Total depreciation expense	<u>\$ 342,618</u>

NOTE 8 – INTERFUND BALANCES

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

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Advances to other funds</u>	<u>Advances from other funds</u>
General fund	\$ 17,993	\$ -	\$ 50,411	\$ -
Nonmajor governmental funds	-	12,993	-	50,411
Internal service fund	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 17,993</u>	<u>\$ 17,993</u>	<u>\$ 50,411</u>	<u>\$ 50,411</u>

NOTE 9 – RISK MANAGEMENT

A. Property and Liability

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

B. Health Insurance

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

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

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011 (Latest information available), 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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$368,405, \$389,080 and \$459,313 respectively; 60 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**B. State Teachers
Retirement System**

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

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

lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2011 (Latest information available), plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,311,410, \$1,358,515 and \$1,307,198 respectively, 83.7 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$20,494 made by the School District and \$14,639 made by the plan members.

NOTE 11 - POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011 (Latest information available), 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 2011 (Latest information available), 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 School District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$89,330, \$91,806 and \$63,390 respectively; 74.9 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011 (Latest information available), this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011 and 2010 were \$23,708, \$25,038 and \$27,314 respectively; 60 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**B. State Teachers
Retirement System**

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011 (Latest information available), STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$100,878, \$104,501 and \$100,554, respectively; 83.7 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Notes to the Basic Financial Statements

NOTE 12 - LONG-TERM OBLIGATIONS

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

	Balance <u>July 1</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30</u>	Due within <u>one year</u>
<u>Other obligations</u>					
Compensated absences	\$ 1,044,431	\$ 148,406	\$ (325,154)	\$ 867,683	\$ 118,498
Capital leases payable	<u>58,508</u>	<u>-</u>	<u>(38,489)</u>	<u>20,019</u>	<u>20,019</u>
Total long-term liabilities	<u>\$ 1,102,939</u>	<u>\$ 148,406</u>	<u>\$ (363,643)</u>	<u>\$ 887,702</u>	<u>\$ 138,517</u>

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

NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital assets acquired by the 2008 lease have been capitalized as equipment in the amount of \$179,827, which is equal to the present value of the future minimum lease payments on the government-wide financial statements. Principal payments in the current fiscal year totaled \$38,489 for the lease.

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

Fiscal <u>Year</u>	Lease <u>Payments</u>
2013	\$ <u>20,268</u>
Total minimum lease payments	20,268
Less: amount representing interest	<u>(249)</u>
Total	<u>\$ 20,019</u>

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEOnet) is the computer service organization or Information Technology Center (ITC) used by the School District. NEOnet is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Metropolitan Regional Service Council acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges, and assessments as charged. NEOnet is governed by a board made up of superintendents from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEOnet are made from various funds. During fiscal year 2012, the School District contributed \$112,498 to NEOnet. Financial information can be obtained by contacting the Treasurer at the Metropolitan Regional Service Council, who serves as the fiscal agent, at 420 Washington Ave., Suite 200, Cuyahoga Falls, Ohio 44221.

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

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

The Ohio Schools' Council Association (Council) is a jointly governed organization among school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year.

Notes to the Basic Financial Statements

The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2012, the School District paid \$670 to the Council in the form of program fees. Financial information can be obtained by contacting David Cottrell, the Executive Directive/Treasurer of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

NOTE 15 – ACCOUNTABILITY

A. Deficit Fund Balances As of June 30, 2012, two nonmajor special revenue funds had deficit fund balances. This deficit was caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had a deficit at year-end:

<u>Fund</u>	<u>Deficit</u>
District Managed Student Activity	\$ 5,325
IDEA Grant	2,248

NOTE 16 - CONTINGENT LIABILITIES

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 School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 School 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 School District at June 30, 2012.

Norton City School District

NOTE 17 - SET-ASIDES

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

The following information describes the change in the year-end set-aside amounts for capital maintenance.

	Capital Maintenance Reserve
Set-aside reserve balance as of June 30, 2011	\$ -
Current year set-aside requirement	440,912
Current year offsets	(712,374)
Qualifying disbursements	<u>(318,553)</u>
Total	<u>\$ (590,015)</u>
Set-aside balance carried forward to future fiscal years	<u>\$ -</u>

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

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

NOTE 18 – SUBSEQUENT EVENTS

The Board of Education approved contracts for the purchase of land at a cost of \$1,100,000 and contracts totaling \$375,000 for renovations to the high school on August 20, 2012 and September 17, 2012 respectively.

In addition, on November 6, 2012, voters approved a 1.9 mill current expense operating levy.

December 21, 2012

To the Board of Education
Norton City School District
4128 Cleveland-Massillon Road
Norton, Ohio 44203

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

We have audited the governmental activities, each major fund and the aggregate remaining fund information of the Norton City School District, Summit County, Ohio (the School District), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

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

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 to be material weaknesses, as defined above.

Norton City School District
Report on Internal Control over Financial Reporting
And on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards
Page 2 of 2

Compliance and Other Matters

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

We noted certain matters that we reported to management of the School District in a separate letter dated December 21, 2012.

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

Hea & Associates, Inc.

December 21, 2012

To the Board of Education
Norton City School District
4128 Cleveland-Massillon Road
Norton, Ohio 44203

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Norton City School District, Summit County, Ohio (the School District) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion 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 expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 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.

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

Rea & Associates, Inc.

**NORTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Program Year	Federal Receipts	Federal Disbursements
U. S. Department of Education				
(Passed through the Ohio Department of Education):				
<i>Title I, Part A Cluster</i>				
Title I	84.010	2011	\$ 93,830	\$ 40,773
Title I	84.010	2012	270,439	252,833
ARRA-Title I	84.389	2011	12,521	-
Total Title I, Part A Cluster			<u>376,790</u>	<u>293,606</u>
<i>Special Education Cluster</i>				
IDEA-B	84.027	2011	19,905	-
IDEA-B	84.027	2012	431,128	431,128
Total IDEA-B			<u>451,033</u>	<u>431,128</u>
Preschool Grants	84.173	2012	3,559	3,559
Total Preschool Grants			<u>3,559</u>	<u>3,559</u>
Total Special Education Cluster			<u>454,592</u>	<u>434,687</u>
Safe and Drug-Free Schools and Communities	84.186	2012	9,352	9,352
Total Safe and Drug-Free Schools and Communities			<u>9,352</u>	<u>9,352</u>
Title II-D	84.318	2011	184	-
Title II-D	84.318	2012	1,827	1,827
Total Title II-D			<u>2,011</u>	<u>1,827</u>
Title II-A	84.367	2011	13,712	6,123
Title II-A	84.367	2012	57,255	60,661
Total Title II-A			<u>70,967</u>	<u>66,784</u>
Education Jobs	84.410	2012	524,509	523,253
Total U.S. Department of Education			<u>1,438,221</u>	<u>1,329,509</u>
U. S. Department of Agriculture				
(Passed through the Ohio Department of Education):				
<i>Child Nutrition Cluster</i>				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	2012	49,554	49,554
Cash Assistance:				
National School Lunch Program	10.555	2011	327,928	327,928
National School Breakfast Program	10.553	2011	54,374	54,374
Cash Assistance Subtotal:			<u>327,928</u>	<u>327,928</u>
Total Child Nutrition Cluster			<u>431,856</u>	<u>431,856</u>
Total U.S. Department of Agriculture			<u>431,856</u>	<u>431,856</u>
Total Federal Assistance			<u>\$ 1,870,077</u>	<u>\$ 1,761,365</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**NORTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Note A – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports the federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

Note B - Child Nutrition Cluster

Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

Note C – Food Donation Program

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 and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

**NORTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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 control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list): Child Nutrition Cluster Education Jobs	CFDA #'s: 10.553 and 10.555 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

2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

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Dave Yost • Auditor of State

NORTON CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 26, 2013**