

**NORWOOD CITY SCHOOL DISTRICT**



**Basic Financial Statements**

**June 30, 2012**





# Dave Yost • Auditor of State

Board of Education  
Norwood City School District  
2132 Williams Ave.  
Norwood, Ohio 45212

We have reviewed the *Independent Auditor's Report* of the Norwood City School District, Hamilton County, prepared by Plattenburg & 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 Norwood 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

January 13, 2013

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Norwood City School District

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 District, as of June 30, 2012, and the respective changes in financial position 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 October 26, 2012, on our consideration of the District's internal control over financial reporting and on 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 management's discussion and analysis and budgetary comparison information 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.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
October 26, 2012

**Norwood City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

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

**Financial Highlights**

Key financial highlights for 2012 are as follows:

- Net assets of governmental activities increased \$3,085,808 which represents a 38% increase from 2011.
- General revenues accounted for \$26,355,858 in revenue or 86% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,188,524 or 14% of total revenues of \$30,544,382 .
- The District had \$27,458,574 in expenses related to governmental activities; \$4,188,524 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$26,355,858 were also used to provide for these programs.

**Overview of the Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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 District, presenting both an aggregate view of the 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 tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund is the only major fund of the District.

**Government-wide Financial Statements**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2012?" The Government-wide Financial Statements answers this question. 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.

**Norwood City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

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These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

**Fund Financial Statements**

The analysis of the District's major funds begins on the balance sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

**Governmental Funds** Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end 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 District's general government operations and the basic services it provides. Governmental fund information helps you 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.

**Fiduciary Funds** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

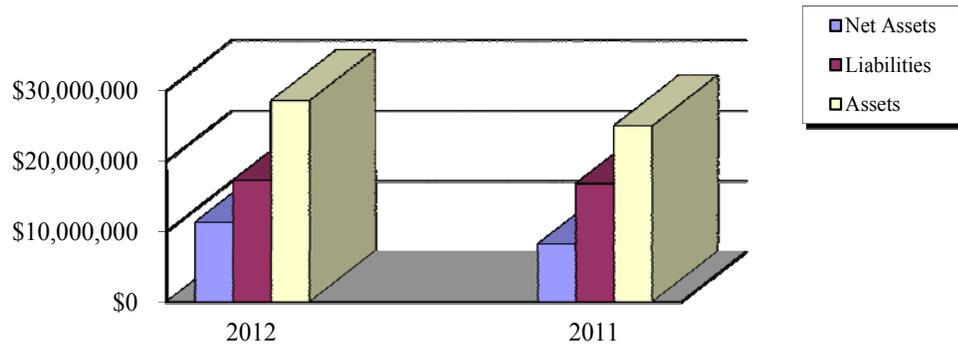
**The District as a Whole**

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for fiscal year 2012 compared to fiscal year 2011:

**Norwood City School District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

**Table 1  
Net Assets**

	Governmental Activities	
	2012	2011
Assets:		
Current and Other Assets	\$22,761,375	\$18,588,608
Capital Assets	5,796,504	6,388,999
<b>Total Assets</b>	<b>28,557,879</b>	<b>24,977,607</b>
Liabilities:		
Other Liabilities	11,530,045	10,852,530
Long-Term Liabilities	5,733,397	5,916,448
<b>Total Liabilities</b>	<b>17,263,442</b>	<b>16,768,978</b>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,132,079	1,488,874
Restricted	320,880	1,270,184
Unrestricted	9,841,478	5,449,571
<b>Total Net Assets</b>	<b>\$11,294,437</b>	<b>\$8,208,629</b>



Over time, net assets can serve as a useful indicator of a government’s financial position. At June 30, 2012, the District’s assets exceeded liabilities by \$10,694,437.

**Norwood City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

At year-end, capital assets represented 20% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2012, was \$1,132,079. These capital assets are used to provide services to the students and are not available for future spending. Although the 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 District's net assets, \$320,880 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Net assets of governmental activities increased \$3,085,808 from 2011 to 2012. Total assets increased due to an increase in taxes receivable from 2011 to 2012. Total liabilities increased approximately 3% from 2011 to 2012.

Table 2 shows the changes in net assets for fiscal years 2012 and 2011.

**Table 2  
Changes in Net Assets**

	Governmental Activities	
	2012	2011
Revenues:		
Program Revenues		
Charges for Services	\$718,854	\$810,093
Operating Grants, Contributions	3,069,670	5,078,877
Capital Grants and Contributions	400,000	0
General Revenues:		
Property Taxes	14,607,648	11,678,882
Grants and Entitlements	10,919,697	11,345,686
Other	828,513	454,999
Total Revenues	<u>30,544,382</u>	<u>29,368,537</u>
Expenses:		
Instruction	16,579,779	16,765,311
Support Services:		
Pupil and Instructional Staff	3,535,177	3,537,347
School Administrative, General		
Administration and Fiscal	2,321,368	2,264,307
Operations and Maintenance	2,137,409	2,454,629
Pupil Transportation	467,711	524,594
Central	379,972	166,224
Operation of Non-Instructional Services	1,280,001	1,170,735
Extracurricular Activities	518,463	590,953
Interest and Fiscal Charges	238,694	245,343
Total Expenses	<u>27,458,574</u>	<u>27,719,443</u>
Changes in Net Assets	3,085,808	1,649,094
Net Assets Beginning of Year	\$8,208,629	\$6,559,535
Net Assets End of Year	<u>\$11,294,437</u>	<u>\$8,208,629</u>

**Norwood City School District  
 Management’s Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2012  
 (Unaudited)**

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Of the total governmental activities revenues of \$30,544,382, \$4,188,524 is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, \$14,607,648 (55%) comes from property tax levies and \$10,919,699 (41%) is from state funding. This District’s operations are reliant upon its property tax levy and the state’s foundation program.

The District revenues are mainly from two sources. Property taxes levied for general purposes and grants and entitlements comprised 84% of the District’s revenues for governmental activities.

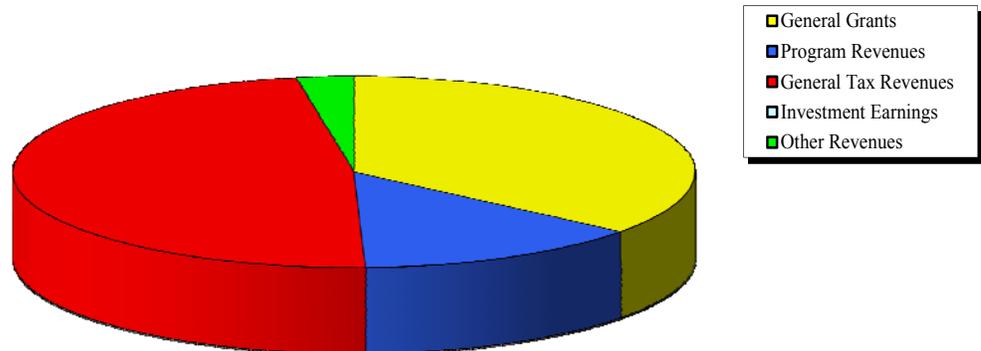
The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts do not collect additional property tax revenue on the increased value of homes that is due to appreciation and must regularly return to the voters to maintain a constant level of service. Property taxes made up 48% of revenue for governmental activities for the District in fiscal year 2012.

**Governmental Activities  
 Revenue Sources**

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Revenue Sources	2012	Percentage
General Grants	\$10,919,697	35.75%
Program Revenues	4,188,524	13.71%
General Tax Revenues	14,607,648	47.82%
Investment Earnings	3,671	0.01%
Other Revenues	824,842	2.71%
	<u>\$30,544,382</u>	<u>100.00%</u>



Instruction comprises 60.4% of governmental program expenses. Support services expenses were 32.2% of governmental program expenses. All other program expenses including interest expense were 7.4%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

**Norwood City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

Property tax revenue increased in 2012 compared to 2011. Investment earnings decreased due to the decline in investment rates available to the District. Total expenses decreased around 1% from 2011 to 2012.

**Governmental Activities**

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. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction	\$16,579,779	\$16,765,311	(\$14,433,215)	(\$13,630,915)
Support Services:				
Pupil and Instructional Staff	3,535,177	3,537,347	(2,700,875)	(2,273,821)
School Administrative, General Administration and Fiscal	2,321,368	2,264,307	(2,244,240)	(2,235,855)
Operations and Maintenance	2,137,409	2,454,629	(2,029,747)	(1,744,752)
Pupil Transportation	467,711	524,594	(382,083)	(446,748)
Central	379,972	166,224	(319,011)	(82,884)
Operation of Non-Instructional Services	1,280,001	1,170,735	(973,378)	(693,890)
Extracurricular Activities	518,463	590,953	51,193	(476,265)
Interest and Fiscal Charges	238,694	245,343	(238,694)	(245,343)
Total Expenses	\$27,458,574	\$27,719,443	(\$23,270,050)	(\$21,830,473)

**The District's Funds**

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$19,540,859 (85%) of the total \$22,985,715 governmental funds assets.

**General Fund:** Fund balance at June 30, 2012 was \$7,099,135, an increase in fund balance of \$1,553,675 from 2011. The primary reason for the increase in fund balance was the decrease in total expenses due to the District reducing spending and an increase in taxes revenue.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2012, the District amended its general fund budget at times, however none were significant. The District's budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with unexpected changes in revenues and expenditures.

**Norwood City School District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

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For the General Fund, the final budgeted revenue was \$24,475,189 and the original budgeted revenue was \$24,411,057. The difference was \$64,132. Of this difference, most was due to change in estimates of tax and intergovernmental revenue.

The District’s final budgeted revenue and expenditures when compared to the actual revenue and expenditures did not have any significant variances. The District’s ending unobligated actual fund balance for the General fund was \$3,036,645.

**Capital Assets and Long-Term Obligations**

*Capital Assets*

At the fiscal year end, the District had \$5,796,504 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2012 balances compared to fiscal year 2011:

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

	Governmental Activities	
	2012	2011
Land	\$524,809	\$524,809
Buildings and Improvements	4,696,699	5,077,814
Equipment	574,996	786,376
Total Net Capital Assets	<u>\$5,796,504</u>	<u>\$6,388,999</u>

Overall, capital assets decreased due to depreciation expense being greater than current fiscal year additions.

See note 5 in the notes to the basic financial statements for further details on the District’s capital assets.

*Long-Term Obligations*

At June 30, 2012, the District had \$4,664,425 in lease-purchase agreement and copier lease outstanding, \$242,700 due within one year. Table 5 summarizes bonds outstanding.

**Norwood City School District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

**Table 5  
Outstanding Debt at Year End**

	Governmental Activities	
	2012	2011
Lease - Purchase Agreement	\$4,360,000	\$4,485,000
Copier Lease	304,425	415,125
Total	\$4,664,425	\$4,900,125

See note 10 in the notes to the basic financial statements for further details on the District’s outstanding debt.

**For the Future**

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither “adequate” nor “equitable.” Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not “equitable” nor “adequate”. The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court’s concerns.

In July, 2009, the Ohio’s Governor signed HB 1, the state biennium budget bill. Included in this bill was a complete overhaul of the school funding model for all school districts in Ohio. The new Ohio Evidence-Based Model (OEBM) replaces the long-standing foundation formula that was declared unconstitutional by the Ohio Supreme Court. If ever fully-funded, the new model has the potential to drive funding based on student needs and could result in additional revenue. However, the current economic crisis has reduced revenue at the state level prompting budget reduction measures across the State. As such, the funding for the OEBM started in FY10 by allocating the funding for each year based on 99% of the FY09 funding and 98% of the FY10 funding, respectively. Federal stimulus funds are being used in Ohio to balance the education budget and as such, funding for public education at the current level is not secure beyond FY11. This uncertainty could have a major impact on our instructional and operational programs. The need for additional revenue and or expenditure reductions will need to be monitored closely.

On June 30, 2011, Ohio’s Governor signed HB 153, the state biennium budget bill. The Governor has indicated that he will prepare a new school funding model for Ohio school districts for fiscal year 2012-13. At this time, we do not know the details of the changes or the impact that these changes may have on our future state funding. This uncertainty could have an impact on our instructional and operational programs. The need for additional revenue and or expenditure reductions will need to be closely monitored.

**Norwood City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

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All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at Norwood City School District, 2132 Williams Avenue, Norwood, Ohio 45212.

Norwood City School District  
Statement of Net Assets  
June 30, 2012

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$6,017,135
Restricted Cash and Investments	20,000
Receivables:	
Taxes	15,358,967
Accounts	405,493
Interest	481
Intergovernmental	938,164
Inventory	21,135
Nondepreciable Capital Assets	524,809
Depreciable Capital Assets, Net	<u>5,271,695</u>
 Total Assets	 <u>28,557,879</u>
Liabilities:	
Accounts Payable	689,576
Accrued Wages and Benefits	2,659,088
Accrued Interest Payable	19,656
Unearned Revenue	8,161,725
Long-Term Liabilities:	
Due Within One Year	345,412
Due In More Than One Year	<u>5,387,985</u>
 Total Liabilities	 <u>17,263,442</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	1,132,079
Restricted for:	
Other Purposes	105,216
Federal Grants	166,227
Nonexpendable	20,000
Expendable	29,437
Unrestricted	<u>9,841,478</u>
 Total Net Assets	 <u>\$11,294,437</u>

See accompanying notes to the basic financial statements.

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

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$11,933,527	\$167,898	\$374,388	\$0	(\$11,391,241)
Special	3,587,883	55,812	1,486,122	0	(2,045,949)
Vocational	0	0	2,787	0	2,787
Other	1,058,369	0	59,557	0	(998,812)
<b>Support Services:</b>					
Pupil	1,791,417	0	392,329	0	(1,399,088)
Instructional Staff	1,743,760	0	441,973	0	(1,301,787)
General Administration	31,880	0	4,732	0	(27,148)
School Administration	1,575,852	0	0	0	(1,575,852)
Fiscal	617,061	0	0	0	(617,061)
Business	96,575	0	72,396	0	(24,179)
Operations and Maintenance	2,137,409	107,544	118	0	(2,029,747)
Pupil Transportation	467,711	0	85,628	0	(382,083)
Central	379,972	0	60,961	0	(319,011)
Operation of Non-Instructional Services	1,280,001	217,944	88,679	0	(973,378)
Extracurricular Activities	518,463	169,656	0	400,000	51,193
Interest and Fiscal Charges	238,694	0	0	0	(238,694)
<b>Total Governmental Activities</b>	<b>\$27,458,574</b>	<b>\$718,854</b>	<b>\$3,069,670</b>	<b>\$400,000</b>	<b>(23,270,050)</b>

<b>General Revenues:</b>	
<b>Property Taxes Levied for:</b>	
General Purposes	14,607,648
Grants and Entitlements not Restricted	10,919,697
Revenue in Lieu of Taxes	382,953
Unrestricted Contributions	183,443
Investment Earnings	3,671
Other Revenues	258,446
<b>Total General Revenues</b>	<b>26,355,858</b>
Change in Net Assets	3,085,808
Net Assets Beginning of Year	8,208,629
<b>Net Assets End of Year</b>	<b>\$11,294,437</b>

See accompanying notes to the basic financial statements.

Norwood City School District  
Balance Sheet  
Governmental Funds  
June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$3,750,454	\$2,266,681	\$6,017,135
Restricted Cash and Investments	0	20,000	20,000
Receivables:			
Taxes	15,358,967	0	15,358,967
Accounts	5,493	400,000	405,493
Interest	470	11	481
Intergovernmental	180,000	758,164	938,164
Interfund	224,340	0	224,340
Inventory	21,135	0	21,135
<b>Total Assets</b>	<b>19,540,859</b>	<b>3,444,856</b>	<b>22,985,715</b>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	305,308	384,268	689,576
Accrued Wages and Benefits	2,391,533	267,555	2,659,088
Compensated Absences	0	38,806	38,806
Interfund Payable	0	224,340	224,340
Deferred Revenue	9,744,883	1,158,164	10,903,047
<b>Total Liabilities</b>	<b>12,441,724</b>	<b>2,073,133</b>	<b>14,514,857</b>
Fund Balances:			
Nonspendable	21,135	9,487	30,622
Restricted	0	107,304	107,304
Committed	0	600,000	600,000
Assigned	258,678	1,501,396	1,760,074
Unassigned	6,819,322	(846,464)	5,972,858
<b>Total Fund Balances</b>	<b>7,099,135</b>	<b>1,371,723</b>	<b>8,470,858</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$19,540,859</b>	<b>\$3,444,856</b>	<b>\$22,985,715</b>

See accompanying notes to the basic financial statements.

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

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Total Governmental Fund Balance		\$8,470,858
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.		5,796,504
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	\$1,583,158	
Intergovernmental	758,164	
Other	<u>400,000</u>	
		2,741,322
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(19,656)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(1,030,166)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(4,664,425)</u>
Net Assets of Governmental Activities		<u>\$11,294,437</u>

See accompanying notes to the basic financial statements.

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$13,838,096	\$0	\$13,838,096
Revenue in lieu of taxes	382,953	0	382,953
Tuition and Fees	186,207	0	186,207
Investment Earnings	3,597	74	3,671
Intergovernmental	11,579,043	2,212,073	13,791,116
Extracurricular Activities	95,508	119,693	215,201
Charges for Services	217,944	0	217,944
Gifts and Donations	0	100,000	100,000
Other Revenues	264,856	117,585	382,441
Total Revenues	<u>26,568,204</u>	<u>2,549,425</u>	<u>29,117,629</u>
Expenditures:			
Current:			
Instruction:			
Regular	10,660,099	803,800	11,463,899
Special	2,411,615	1,054,518	3,466,133
Other	1,046,516	11,853	1,058,369
Support Services:			
Pupil	1,356,939	404,832	1,761,771
Instructional Staff	1,419,829	311,736	1,731,565
General Administration	26,753	5,127	31,880
School Administration	1,554,272	0	1,554,272
Fiscal	611,708	0	611,708
Business	25,667	70,908	96,575
Operations and Maintenance	2,097,208	18,961	2,116,169
Pupil Transportation	452,896	14,815	467,711
Central	263,513	72,079	335,592
Operation of Non-Instructional Services	1,181,779	76,793	1,258,572
Extracurricular Activities	401,057	116,007	517,064
Capital Outlay	13,387	81,892	95,279
Debt Service:			
Principal Retirement	235,700	0	235,700
Interest and Fiscal Charges	239,258	0	239,258
Total Expenditures	<u>23,998,196</u>	<u>3,043,321</u>	<u>27,041,517</u>
Excess of Revenues Over (Under) Expenditures	<u>2,570,008</u>	<u>(493,896)</u>	<u>2,076,112</u>
Other Financing Sources (Uses):			
Transfers In	0	1,016,333	1,016,333
Transfers (Out)	(1,016,333)	0	(1,016,333)
Total Other Financing Sources (Uses)	<u>(1,016,333)</u>	<u>1,016,333</u>	<u>0</u>
Net Change in Fund Balance	1,553,675	522,437	2,076,112
Fund Balance Beginning of Year	<u>5,545,460</u>	<u>849,286</u>	<u>6,394,746</u>
Fund Balance End of Year	<u><u>\$7,099,135</u></u>	<u><u>\$1,371,723</u></u>	<u><u>\$8,470,858</u></u>

See accompanying notes to the basic financial statements.

Norwood City School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2012

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Net Change in Fund Balance - Total Governmental Funds \$2,076,112

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

Governmental funds report capital asset additions as expenditures.  
 However, in the statement of activities, the cost of those assets is  
 allocated over their estimated useful lives as depreciation  
 expense. This is the amount of the difference between capital  
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	\$38,420	
Depreciation Expense	<u>(630,915)</u>	(592,495)

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

Delinquent Property Taxes	\$769,552	
Intergovernmental	257,201	
Other	<u>400,000</u>	1,426,753

Repayment of bond principal is an expenditure in the  
 governmental funds, but the repayment reduces long-term  
 liabilities in the statement of net assets. 235,700

In the statement of activities interest expense is accrued when incurred,  
 whereas in governmental funds an interest expenditure is reported  
 when due. 564

Some expenses 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.

Compensated Absences		<u>(60,826)</u>
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Change in Net Assets of Governmental Activities \$3,085,808

See accompanying notes to the basic financial statements.

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

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	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Investments	<u>\$23,532</u>	<u>\$45,626</u>
Total Assets	<u>23,532</u>	<u>45,626</u>
Liabilities:		
Accounts Payable	0	350
Other Liabilities	<u>0</u>	<u>45,276</u>
Total Liabilities	<u>0</u>	<u>\$45,626</u>
Net Assets:		
Held in Trust	<u>23,532</u>	
Total Net Assets	<u>\$23,532</u>	

See accompanying notes to the basic financial statements.

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

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	Private Purpose Trust
Additions:	
Investment Earnings	\$16
Total Additions	16
Deductions:	
Scholarships	26,471
Total Deductions	26,471
Change in Net Assets	(26,455)
Net Assets Beginning of Year	49,987
Net Assets End of Year	\$23,532

See accompanying notes to the basic financial statements.

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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**Note 1 – Summary of Significant Accounting Policies**

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The financial statements of the Norwood City School District, Ohio (the "School District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

**Reporting Entity**

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 Board of Education (five members) and is responsible for the education of the residents of the School District.

The reporting entity is comprised of the primary government, which 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. 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 component units.

Activities for Cornerstone New Christian School are also included in the reporting entity to the extent that state legislation provides funding to this parochial school. The money is received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. This activity is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with three organizations, two of which are defined as jointly governed organizations and one as an insurance purchasing pool. These organizations include Hamilton/Clermont Cooperative Association, Great Oaks Institute of Technology and Career Development and the Greater Cincinnati Insurance Consortium. These organizations are presented in Notes 11.

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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**Basis of Presentation**

***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 statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore 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. Revenues which 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*** Fund financial statements report detailed information about the School District. 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. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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**Fund Accounting**

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial 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 funds of the School District are grouped into the categories governmental and fiduciary.

**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 following is the School District's major governmental fund:

**General Fund** -The General Fund 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.

**Fiduciary Funds** report on net assets and changes in net assets. The School District's fiduciary funds consist of a private-purpose trust fund and agency funds. The School District's private-purpose trust fund accounts for scholarship programs for students. These assets are not available for the School District's use. Agency funds, which are used to account for student activities, employee insurance and employee flexible spending are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made.

The modified accrual basis of accounting is used by the governmental funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, tuition, student fees, and grants.

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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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 except for unmatured principal and interest on general long-term debt which is recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, private-purpose trust and agency funds utilize accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

***Revenues - 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.

Non-exchange transactions, in which the School District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes were 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.

***Deferred Revenue*** Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2012 which are intended to finance fiscal year 2013 operations have been recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Unearned Revenue*** Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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**Equity in Pooled Cash and Investments**

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 Investments" on the balance sheet.

During fiscal year 2012, the District's investments were limited to STAR Ohio. Investments are reported at fair value, which is based on quoted market prices.

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

Under existing Ohio statutes, all investment earnings accrue to the General Fund except those specifically related to agency funds, certain trust funds, and those other funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balance.

**Inventory**

Inventories of governmental funds are stated at cost, determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when consumed rather than when purchased.

**Capital Assets**

Capital assets, which include land, buildings, building improvements, and equipment, are reported in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. 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 an asset's life are not capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and Improvements	10-30 years
Equipment	3-5 years

**Interfund Balances**

On fund financials, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable/payable." These amounts are eliminated in the governmental activities column of the statement of net assets.

**Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' 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. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that have matured, for example, as a result of employee resignations and retirements.

**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 those, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, 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 in the current year. Bonds, and capital leases that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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**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. Of the District's \$320,880 in restricted net assets, none were restricted for enabling legislation.

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

**Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net assets are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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**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, laws of other government or imposed by enabling legislation. Restricted assets included the amount for non expendable amount related to the permanent fund.

**Estimates**

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

**Note 2 - Deposits and Investments**

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current two-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 that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; 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.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures":

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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**Deposits**

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 to it. The School District's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. As of June 30, 2012, \$5,478,412 of the District's bank balance of \$5,785,201 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. ORC Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

**Investments**

The School District's investments at June 30, 2012 are as summarized as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
STAROhio	\$352,589	0.14

It is the School District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations. The School District's investment policy does not address concentration of credit risk. Investments in STAR Ohio were rated AAAm by Standard & Poor's.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a failure of a counter party, 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 investment securities are registered in the name of the School District.

Interest Rate Risk - In accordance with the investment policy, the School District manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to five years.

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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**Note 3 – Property Taxes**

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Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property tax revenue received during calendar year 2012 (other than public utility property tax) represents the collection of 2012 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after April 1, 2011, on the value as of December 31, 2011. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20<sup>th</sup>; 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. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2013 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2012. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance (\$5,643,000) at June 30 is intended to finance current fiscal year operations in the General Fund.

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$362,511,980
Public Utility Personal	<u>13,213,000</u>
Total	<u><u>\$375,724,980</u></u>

**Note 4 – Interfund Transactions**

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On the fund financial statements, the General Fund has a receivable of \$224,340 that consists of amounts due from other governmental funds. These interfund loans were made to provide operating capital. These amounts are eliminated in the governmental activities column of the statement of net assets.

During the year ended June 30, 2012, the General Fund made transfers of \$1,016,333 to other governmental funds. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 5 – Capital Assets**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$524,809	\$0	\$0	\$524,809
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	16,039,301	4,870	0	16,044,171
Equipment	<u>5,043,773</u>	<u>33,550</u>	<u>0</u>	<u>5,077,323</u>
Totals at Historical Cost	<u><u>21,607,883</u></u>	<u><u>38,420</u></u>	<u><u>0</u></u>	<u><u>21,646,303</u></u>
Less Accumulated Depreciation:				
Buildings and Improvements	10,961,487	385,985	0	11,347,472
Equipment	<u>4,257,397</u>	<u>244,930</u>	<u>0</u>	<u>4,502,327</u>
Total Accumulated Depreciation	<u><u>15,218,884</u></u>	<u><u>630,915</u></u>	<u><u>0</u></u>	<u><u>15,849,799</u></u>
Governmental Activities Capital Assets, Net	<u><u>\$6,388,999</u></u>	<u><u>(\$592,495)</u></u>	<u><u>\$0</u></u>	<u><u>\$5,796,504</u></u>

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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Instruction:	
Regular	\$428,478
Special	87,484
Support Services:	
Pupil	15,439
Instructional Staff	7,604
School Administration	16,092
Fiscal	637
Operations and Maintenance	34,575
Central	29,738
Operation of Non-Instructional Services	9,469
Extracurricular Activities	1,399
Total Depreciation Expense	<u>\$630,915</u>

**Note 6 – Risk Management**

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The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted with Ohio Casualty for general liability insurance with a \$5,000,000 aggregate limit covering all employees and volunteers of the School District.

Ohio Casualty also provides property and fleet insurance and property holds a \$1,000 deductible and the maintenance vehicles have a \$500 deductible for comprehensive and collision and a \$1,000,000 limit per occurrence. The Ohio Farmer’s Insurance Company maintains a \$20,000 performance bond for the Board President and Superintendent and maintains a \$100,000 public official bond for the Treasurer. Ohio School Plan maintains a \$10,000 employee dishonesty blanket bond for all employees.

Settled claims have not exceeded coverage in any of the past three years. There has been no significant reduction in the coverage from last year.

**Note 7 - Pension Plans**

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**School Employees Retirement System of Ohio**

Plan Description

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

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2012, 2011, and 2010 were \$449,856, \$472,512, and \$383,688, respectively; 58% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

**State Teachers Retirement System of Ohio**

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

**Funding Policy**

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2012, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2012, 2011, and 2010 were \$1,582,596, \$1,695,336, and \$1,749,708, respectively; 84% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

**Note 8- Post Employment Benefits**

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**School Employees Retirement System of Ohio**

**Plan Description**

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$96.40 for most participants, but could be as high as \$369.10 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2012, 2011 and 2010 were \$24,421, \$25,651 and \$20,829, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2012, the health care allocation was 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were \$45,950, \$48,264, and \$12,607, respectively; 58% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

**State Teachers Retirement System of Ohio**

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2012, 2011 and 2010. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2012, 2011, and 2010 were \$113,043, \$121,095, and \$124,979, respectively; 84% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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**Note 9 – Employee Benefits**

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**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements, Board resolutions and State laws. Eligible classified employees and administrators earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who are not on a twelve-month contract do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 sick days of leave for each year under contract. During regular employment, sick leave may be accumulated, up to a maximum of 250 days for teachers, 310 days for administrators and 260 days for classified. Upon retirement, severance pay is based upon one-fourth of the accrual of sick days up to a maximum of 50 days for teachers, 60 days for administrators and 45 days for classified.

**Note 10 – Long-Term Obligations**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
Bonds Payable:					
Lease-Purchase Agreement	\$4,485,000	\$0	\$125,000	\$4,360,000	\$132,000
Capital Lease Payable:					
Copier Lease	415,125	0	110,700	304,425	110,700
	<u>4,900,125</u>	<u>0</u>	<u>235,700</u>	<u>4,664,425</u>	<u>242,700</u>
Compensated Absences	<u>1,016,323</u>	<u>196,177</u>	<u>143,528</u>	<u>1,068,972</u>	<u>102,712</u>
Total Governmental Activities	<u>\$5,916,448</u>	<u>\$196,177</u>	<u>\$379,228</u>	<u>\$5,733,397</u>	<u>\$345,412</u>

In the year ended June 30, 2003, the School District entered into a lease-purchase agreement for the renovation of Shea Stadium and the construction of a new track and synthetic field. In the year ended June 30, 2004, the School District entered into a second similar lease purchase agreement for building renovations. These agreements were recorded in a manner similar to a capital lease payable. During the year ended June 30, 2007, the School District combined both lease-purchase agreements and used unspent proceeds to pay down outstanding balances. The School District is leasing the improvements from Rickenbacker Port Authority. Rickenbacker Port Authority retains title to the projects during the lease term. Rickenbacker Port Authority assigned National City Bank as trustee. The capital assets (building and improvements) acquired under the capital lease totaled \$14,416,306. The lease-purchase agreement matures on December 1, 2032 and pays interest at 5.26% annually.

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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In prior years, the District has entered into a capital lease for copiers. The lease for the copiers meet the criteria of a capital lease, which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. The capital assets (equipment) acquired under the capital lease for the copiers totaled \$553,500. The copier lease matures in March 2015.

All general obligation debt is supported by the full faith and credit of the School District. Lease-purchase agreement and copier lease payments will be made from the General Fund. Compensated absences will be paid from the fund from which the employees' salaries are paid.

The following is a schedule of future minimum lease payments under the lease-purchase and copier lease, together with the net present value of the minimum lease payments as of June 30, 2012:

Fiscal Year Ending June 30	Principal
2013	\$475,005
2014	472,728
2015	443,479
2016	354,664
2017	362,388
2018-2022	1,793,386
2023-2027	1,766,493
2028-2032	1,741,645
Total Minimum Lease Payments	\$7,409,788
Amount Representing Interest and Additional program cost component	(2,745,363)
Present Value of Minimum Lease Payments	<u>\$4,664,425</u>

**Note 11 – Jointly Governed Organizations / Insurance Purchasing Pool**

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*The Great Oaks Institute of Technology and Career Development*

The Great Oaks Institute of Technology and Career Development (Great Oaks), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the School District. The School District has no ongoing financial interest in or responsibility for Great Oaks. To obtain financial information, write to Great Oaks at 3254 East Kemper Road, Cincinnati, Ohio 45241.

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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*Hamilton/Clermont Cooperative Association*

The Hamilton/Clermont Cooperative Association (HCCA) was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the member schools of the two county consortium supports HCCA based upon per pupil charge dependent upon the software package utilized. HCCA is governed by a board of directors consisting of the superintendents of member school districts. The degree of control exercised by any participating School District is limited to its representation on the Board. To obtain financial information, write to HCCA, at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

*Greater Cincinnati Insurance Consortium*

The District is a member of the Greater Cincinnati Insurance Consortium (GCIC) which is a group insurance consortium. The consortium has 14 member schools and provides a wide range of group insurance benefits to each member schools employees and dependents and designated beneficiaries. The purpose of the consortium is to establish and maintain a fund to provide and/or purchase health insurance, dental insurance, life insurance and other insurance benefits to employees, their dependents and designated beneficiaries. The consortium is governed by a Board of Directors made up from one representative of each school district/service center.

**Note 12 – Contingencies**

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**Student Attendance Data Review**

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.

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, 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.

**Litigation**

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**Duke Energy Contingency**

In June, 2010 Duke Energy notified School District customers in southwest Ohio that it had appealed its personal property valuation with the Ohio Department of Taxation and was going to reduce its tax payments while the appeal was in process. The impact on the District is estimated at \$150,000 per year if Duke wins the appeal. Duke indicated that it would begin deducting half that amount from its tax payments beginning in fiscal year 2011. The District believes that the valuation method used by the Ohio Department of Taxation is correct and will be upheld. However, the District has adjusted its forecasted tax revenues to reflect this change and has sufficient cash reserves to cover the repayment of taxes that would be necessary if Duke wins the appeal.

**Note 13 – Required Set-Asides**

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

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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The following cash basis information describes the change in the year-end set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2011	(\$2,922,852)	\$20,592
Current Year Set Aside Requirements	0	380,205
Qualified Disbursements	0	(523,017)
Elimination per H.B. 30 of the Ohio 129th General Assembly	2,922,852	0
Set Aside Reserve Balance as of June 30, 2012	<u>\$0</u>	<u>(\$122,220)</u>
Restricted Cash as of June 30, 2012	<u>\$0</u>	<u>\$0</u>
Carried Forward to FY2013	<u>\$0</u>	

Since the School District had offsets and qualifying disbursements during the year that reduced the set aside amount for capital acquisitions to below zero, these extra amounts may not be used to reduce the set aside requirements of future years. The excess qualifying disbursements of the capital improvement set-aside may not be used to reduce the capital improvement set aside requirements of future years.

**Note 14 – Deficit Fund Balances**

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The following governmental funds had deficit fund balances at June 30, 2012:

	<u>Amounts</u>
Other Governmental Funds:	
Race to the Top	\$73,245
Title II	3,821
Title VI-B	114,570
Title I	276,183
Title VII-A	89,421
Educational Management Info Systems	531
Title III	10,044
Miscellaneous Federal Grants	278,649

**Norwood City School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2012**

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These deficit balances were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 15 – Fund Balances**

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Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the 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:

<b>Fund Balances</b>	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Nonspendable on:			
Inventory	\$21,135	\$0	\$21,135
Permanent	0	9,487	9,487
Total Nonspendable	21,135	9,487	30,622
Restricted for:			
Special Purposes	0	26,993	26,993
Local Grants	0	28,142	28,142
Auxiliary Services	0	3,876	3,876
K-12 Network Subsidy	0	6,000	6,000
High Schools That Work	0	1,356	1,356
Career Development	0	550	550
Miscellaneous State Grants	0	6,091	6,091
Drug Free Schools	0	1,538	1,538
Extracurricular Activities	0	32,758	32,758
Total Restricted	0	107,304	107,304
Committed:			
Debt Service	0	600,000	600,000
Total Committed	0	600,000	600,000
Assigned to:			
Encumbrances	258,678	0	258,678
Permanent	0	39,950	39,950
Capital Improvements	0	1,461,446	1,461,446
Total Assigned	258,678	1,501,396	1,760,074
Unassigned (Deficit)	6,819,322	(846,464)	5,972,858
Total Fund Balance	\$7,099,135	\$1,371,723	\$8,470,858

## **REQUIRED SUPPLEMENTARY INFORMATION**



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

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Taxes	\$12,800,909	\$12,834,539	\$12,746,012	(\$88,527)
Revenue in lieu of taxes	384,602	385,613	382,953	(2,660)
Tuition and Fees	187,009	187,500	186,207	(1,293)
Investment Earnings	3,373	3,382	3,359	(23)
Intergovernmental	10,773,230	10,801,533	10,727,029	(74,504)
Extracurricular Activities	5,925	5,941	5,900	(41)
Other Revenues	256,009	256,681	254,911	(1,770)
<b>Total Revenues</b>	<b>24,411,057</b>	<b>24,475,189</b>	<b>24,306,371</b>	<b>(168,818)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	10,569,774	10,754,752	10,749,394	5,358
Special	2,403,696	2,445,762	2,444,544	1,218
Other	1,029,029	1,047,038	1,046,516	522
<b>Support Services:</b>				
Pupil	1,317,635	1,340,695	1,340,027	668
Instructional Staff	1,382,304	1,406,496	1,405,795	701
General Administration	28,431	28,928	28,914	14
School Administration	1,531,876	1,558,684	1,557,908	776
Fiscal	617,716	628,526	628,213	313
Business	49,165	50,025	50,000	25
Operations and Maintenance	2,211,259	2,249,958	2,248,837	1,121
Pupil Transportation	448,064	455,905	455,678	227
Central	331,417	337,217	337,049	168
Extracurricular Activities	375,440	382,010	381,820	190
Capital Outlay	376,251	382,836	382,645	191
<b>Total Expenditures</b>	<b>22,672,057</b>	<b>23,068,832</b>	<b>23,057,340</b>	<b>11,492</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,739,000</b>	<b>1,406,357</b>	<b>1,249,031</b>	<b>(157,326)</b>
<b>Other Financing Sources (Uses):</b>				
Advances In	790,787	792,865	787,396	(5,469)
Advances (Out)	(234,631)	(238,737)	(238,618)	119
Transfers In	66,735	66,911	66,449	(462)
Transfers (Out)	(1,236,765)	(1,258,409)	(1,257,782)	627
<b>Total Other Financing Sources (Uses)</b>	<b>(613,874)</b>	<b>(637,370)</b>	<b>(642,555)</b>	<b>(5,185)</b>
<b>Net Change in Fund Balance</b>	<b>1,125,126</b>	<b>768,987</b>	<b>606,476</b>	<b>(162,511)</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>2,430,169</b>	<b>2,430,169</b>	<b>2,430,169</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$3,555,295</b>	<b>\$3,199,156</b>	<b>\$3,036,645</b>	<b>(\$162,511)</b>

See accompanying notes to the required supplementary information.

**Norwood City School District**  
**Notes to the Required Supplementary Information**  
**For The Year Fiscal Ended June 30, 2012**

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**Note 1 - Budgetary Process**

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All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. During the course of fiscal 2012, the District amended its budget at several times, however none were significant.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2012.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board during the year. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

While the 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 is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) 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 as follows:

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

**Norwood City School District**  
**Notes to the Required Supplementary Information**  
**For The Year Fiscal Ended June 30, 2012**

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4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$1,553,675
Revenue Accruals	(2,261,833)
Expenditure Accruals	1,515,444
Transfers In	66,449
Transfers Out	(241,449)
Advances In	787,396
Advances Out	(238,618)
Encumbrances	(494,519)
Funds Budgeted Elsewhere	(80,069)
Budget Basis	\$606,476

**NORWOOD CITY SCHOOL DISTRICT**



**Single Audit Reports**

**June 30, 2012**

**NORWOOD CITY SCHOOL DISTRICT**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed Through Ohio Department of Education:				
Nutrition Cluster:				
School Breakfast Program	3L70	10.553	\$175,919	\$175,919
National School Lunch Program	3L60	10.555	566,155	566,155
Summer Food Service Program for Children	3L60	10.559	42,693	42,693
Total Nutrition Cluster			<u>784,767</u>	<u>784,767</u>
Total U.S. Department of Agriculture			<u>784,767</u>	<u>784,767</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education-Grants to States	3M20	84.027	513,229	498,703
Special Education-Grants to States - ARRA	3DJ0	84.391	18,371	13,993
Special Education-Preschool Grants	3C50	84.173	12,319	12,319
Total Special Education Cluster			<u>543,919</u>	<u>525,015</u>
Title I Cluster:				
Title I Grants to Local Educational Agencies	3M00	84.010	1,134,692	1,093,843
Title I Grants to Local Educational Agencies - ARRA	3DK0	84.389	66,360	35,449
Total Title I Cluster			<u>1,201,052</u>	<u>1,129,292</u>
Safe and Drug Free Schools and Communities	3D10	84.186	74,850	73,312
Twenty First Century Community Learning Center	3Y20	84.287	519,361	500,667
Education Technology State Grants	3S20	84.318	3,617	5,038
Improving Teacher Quality	3Y60	84.367	186,654	133,168
English Language Acquisition Grants	3Y70	84.365	33,179	34,938
Education Jobs	ET11	84.410	394,316	0
Race to the Top - ARRA	3FD0	84.395	47,939	130,912
Passed Through Great Oaks Institute of Technology and Career Development				
Career & Technical Education Basic Grants to States	GO11	84.048	8,237	9,731
Total Department of Education			<u>3,013,124</u>	<u>2,542,073</u>
Total Federal Assistance			<u>\$3,797,891</u>	<u>\$3,326,840</u>

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**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**

To the Board of Education  
Norwood City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Norwood City School District (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 26, 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 District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, 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 a 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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 District in a separate letter dated October 26, 2012.

This report is intended solely for the information and use of management, the Auditor of State, 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 these specified parties.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
October 26, 2012

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

To the Board of Education  
Norwood City School District

Compliance

We have audited the Norwood City School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 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 of the District's compliance with those requirements.

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

## Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 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.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2012, and have issued our report thereon dated October 26, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. 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 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 financial statements as a whole.

This report is intended solely for the information and use of management, the Auditor of State, 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 these specified parties.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
October 26, 2012

**NORWOOD CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**Section I – Summary of Auditor’s Results**

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified	
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No	
(d)(1)(ii)	<i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i>	No	
(d)(1)(iii)	<i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i>	No	
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No	
(d)(1)(iv)	<i>Were there any other significant control deficiencies reported for major federal programs?</i>	No	
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified	
(d)(1)(vi)	<i>Are there any reportable findings under Section .510?</i>	No	
(d)(1)(vii)	<i>Major Programs (list):</i>	Title I Cluster:	
		Title I	CFDA# 84.010
		Title I - ARRA	CFDA# 84.389
		Nutrition Cluster:	
		Breakfast	CFDA# 10.553
		Lunch	CFDA# 10.555
		Summer Food	CFDA# 10.559
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others	
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No	

**Section II – Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**NORWOOD CITY SCHOOL DISTRICT  
JUNE 30, 2012**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
*OMB CIRCULAR A-133***

None noted.

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# Dave Yost • Auditor of State

**NORWOOD CITY SCHOOL DISTRICT**

**HAMILTON 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  
JANUARY 24, 2013**