



Dave Yost • Auditor of State



**NORWAYNE LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**TABLE OF CONTENTS**

TITLE	PAGE
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis .....	13
Statement of Activities – Cash Basis .....	14
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances Governmental Funds .....	15
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances Governmental Funds .....	16
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual (Budget Basis) General Fund .....	17
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual (Budget Basis) Classroom Facilities Maintenance Fund.....	18
Statement of Fiduciary Net Position – Cash Basis Fiduciary Funds .....	19
Statement of Changes in Fiduciary Net Position – Cash Basis Private Purpose Trust Fund.....	20
Notes to the Basic Financial Statements .....	21
Federal Awards Receipts and Expenditures Schedule.....	41
Notes to the Federal Awards Receipts and Expenditures Schedule .....	42
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	43
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A133 .....	45
Schedule of Findings.....	47
Schedule of Prior Audit Findings.....	49
Independent Accountants' Report on Applying Agreed-Upon Procedure .....	51

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Norwayne Local School District  
Wayne County  
350 South Main Street  
Creston, Ohio 44217

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norwayne Local School District, Wayne County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Norwayne Local School District, Wayne County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund and Classroom Facilities Maintenance Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, changes in net position, governmental activities and general obligation bonds outstanding. This information provides additional analysis and is not a required part of the basic financial statements.

The Federal Awards Receipts and Expenditures Schedule also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 29, 2014

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**Norwayne Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
Unaudited

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The discussion and analysis of Norwayne Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

## **HIGHLIGHTS**

### **Key financial highlights for the fiscal year 2013 are as follows:**

- Net position of governmental activities decreased \$616,716.
- General cash receipts accounted for \$11,163,180 or 82.4% of all cash receipts. Program cash receipts in the form of charges for services, operating grants, contributions and interest, accounted for \$2,384,355 or 17.6% of total cash receipts of \$13,547,535.
- The District had \$14,164,251 in cash disbursements related to governmental activities; which only \$2,384,355 of these cash disbursements were offset by program cash receipts.
- The District's major governmental funds are the general fund and the classroom facilities maintenance fund.
- The general fund had \$10,762,293 in receipts and other financing receipts and \$11,282,157 in disbursements. During fiscal year 2013, the general fund's fund balance decreased \$519,864 from \$3,514,447 to \$2,994,583.
- The District's only other major governmental fund is the classroom facilities maintenance fund. This special revenue fund had \$100,080 in receipts and \$84,360 in disbursements. During fiscal year 2013, the classroom facilities maintenance fund increased \$15,720 from \$458,739 to \$474,459.

## **USING THE BASIC FINANCIAL STATEMENTS**

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

## **REPORT COMPONENTS**

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

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

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

**Norwayne Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
Unaudited

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**BASIS OF ACCOUNTING**

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

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

**REPORTING THE DISTRICT AS A WHOLE**

*Statement of Net Position and Statement of Activities*

The statement of net position and the statement of activities reflect how the District did financially during 2013, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances and investments of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

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

*Fund Financial Statements*

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District had two major funds in 2013: the general fund and the classroom facilities maintenance fund.

**Norwayne Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
 Unaudited

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**Governmental Funds**

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

**Fiduciary Funds**

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

**THE DISTRICT AS A WHOLE**

Recall that the Statement of Net Position provides the perspective of the District as a whole on a cash basis of accounting. Table 1 provides a summary of the District's net position for 2013 compared to 2012.

**Table 1**  
**Net Position**

	Governmental Activities		Increase/ (Decrease)
	2013	2012	
<b>Assets</b>			
Equity in pooled cash and investments	\$ 4,735,524	\$ 5,352,240	\$ (616,716)
Total assets	4,735,524	5,352,240	(616,716)
<b>Net Position</b>			
Restricted for debt service	343,076	333,297	9,779
Restricted for capital projects	738,011	905,319	(167,308)
Restricted for other purposes	641,955	581,454	60,501
Restricted for permanent fund			
Expendable	1,835	1,659	176
Nonexpendable	16,064	16,064	-
Unrestricted	2,994,583	3,514,447	(519,864)
Total net position	\$ 4,735,524	\$ 5,352,240	\$ (616,716)

Total assets of the District, as a whole, decreased \$616,716. The decrease in total assets is primarily due to the District utilizing existing cash for the Ohio School Facilities Commission construction project.

**Norwayne Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
 Unaudited

Table 2 shows the changes in net position for the fiscal year ended June 30, 2013.

**Table 2**  
**Change in Net Position**

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
<b>Cash Receipts</b>		
Program cash receipts		
Charges for services and sales	\$ 1,463,618	\$ 1,446,298
Operating grants, contributions and interest	<u>920,737</u>	<u>1,296,822</u>
Total program cash receipts	<u>2,384,355</u>	<u>2,743,120</u>
General cash receipts		
Property taxes	3,938,750	3,852,438
Grants and entitlements not restricted to specific programs	6,607,892	6,474,240
Grants from Ohio School Facilities Commission	500,509	1,182,812
Investment earnings	62,653	112,418
Proceeds from sale of assets	5,629	23,037
Miscellaneous	<u>47,747</u>	<u>47,866</u>
Total general cash receipts	<u>11,163,180</u>	<u>11,692,811</u>
Total cash receipts	<u>13,547,535</u>	<u>14,435,931</u>
<b>Program Cash Disbursements</b>		
Instruction:		
Regular	5,186,851	5,477,521
Special	1,556,652	1,677,962
Vocational	186,284	184,968
Student intervention services	52,967	54,961
Other	774,625	700,408
Support services:		
Pupils	517,218	500,987
Instructional staff	529,952	551,756
Board of education	53,265	41,575
Administration	937,369	938,972
Fiscal	296,136	306,649
Operation and maintenance of plant	748,226	736,467
Pupil transportation	884,673	905,981
Central	13,559	11,503
Operation of food service	493,068	471,835
Extracurricular activities	457,867	471,113
Capital outlay	757,371	2,290,881
Debt service:		
Principal retirement	335,000	325,000
Interest and fiscal charges	<u>383,168</u>	<u>396,368</u>
Total cash disbursements	<u>14,164,251</u>	<u>16,044,907</u>
Change in net position	(616,716)	(1,608,976)
Net position at beginning of year	<u>5,352,240</u>	<u>6,961,216</u>
Net position at end of year	<u>\$ 4,735,524</u>	<u>\$ 5,352,240</u>

**Norway Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
 Unaudited

Program cash receipts of \$2,384,355, which are primarily represented by charges for services and sales, operating grants, contributions and interest, made up 17.6% of total cash receipts. General cash receipts of \$11,163,180 which are primarily represented by property taxes and unrestricted grants and entitlements, made up 82.4% of total cash receipts.

Program cash disbursements for instruction were \$7,757,379 or 54.8% of all program cash disbursements. Regular instruction represents 66.9% of this amount and 36.6% of all program cash disbursements.

Another significant cash program disbursement was for capital outlay. This amount represents the continued progress on the construction and furnishing of new school facilities. Capital outlays amounted to \$757,371 or 5.4% of all program cash disbursements.

Other significant programs include administration and transportation which account for 6.6% and 6.3%, respectively of program cash disbursements.

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

**Table 3**

	Governmental Activities		Governmental Activities	
	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>
<b>Program Cash Disbursements</b>				
Instruction:				
Regular	\$ 5,186,851	\$ 4,403,448	\$ 5,477,521	\$ 4,482,370
Special	1,556,652	992,455	1,677,962	1,052,886
Vocational	186,284	186,284	184,968	184,968
Student intervention services	52,967	52,967	54,961	54,961
Other	774,625	774,625	700,408	700,408
Support services:				
Pupils	517,218	428,028	500,987	422,405
Instructional staff	529,952	316,722	551,756	277,275
Board of education	53,265	53,265	41,575	41,575
Administration	937,369	937,369	938,972	938,972
Fiscal	296,136	296,136	306,649	306,649
Operation and maintenance of plant	748,226	742,402	736,467	730,729
Pupil transportation	884,673	884,673	905,981	905,981
Central	13,559	9,959	11,503	7,903
Operation of food service	493,068	(16,853)	471,835	(30,806)
Extracurricular activities	457,867	242,877	471,113	213,262
Capital outlay	757,371	757,371	2,290,881	2,290,881
Debt service:				
Principal retirement	335,000	335,000	325,000	325,000
Interest and fiscal charges	383,168	383,168	396,368	396,368
Total	<u>\$ 14,164,251</u>	<u>\$ 11,779,896</u>	<u>\$ 16,044,907</u>	<u>\$ 13,301,787</u>

**Norwayne Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
Unaudited

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The dependence upon tax revenues and unrestricted state entitlements is apparent as program receipts only provided for \$2,384,355 of the total program cash disbursements of \$14,164,251 for 2013.

**THE DISTRICT FUNDS**

The District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing receipts of \$13,547,535 and cash disbursements of \$14,164,251.

**General Fund** - The District's general fund cash fund balance decreased by \$519,864 due to an increase in instructional disbursements over the prior year.

**Classroom Facilities Maintenance Fund** - The District's other major governmental funds is the classroom facilities maintenance fund. This special revenue fund had \$100,080 in receipts and \$84,360 in disbursements. During fiscal year 2013, this fund's cash balance increased \$15,720 from \$458,739 to \$474,459.

**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. The general fund's ending unencumbered cash balance was \$2,861,917.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The District had capital outlay disbursements of \$757,371 during fiscal year 2013.

**Debt**

Under the cash basis of accounting the District does not report bonds, long-term notes or short-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about the District's bonds. At June 30, 2013, the District had \$9,698,168 in bonds for governmental activities. For additional information regarding debt, please see note 7 of the notes to the basic financial statements.

**Norway Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
 Unaudited

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

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

Description of Bonds	Interest Rate	Principal Outstanding 2013	Principal Outstanding 2012
2007 Classroom Facility Improvement	4.30%	\$ 8,394,986	\$ 8,679,986
2007 Various Purpose	3.8 - 4.15%	<u>1,303,182</u>	<u>1,353,182</u>
Total		<u>\$ 9,698,168</u>	<u>\$ 10,033,168</u>

**CURRENT ISSUES**

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

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

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

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# Norwayne Local School District

## Statement of Net Position - Cash Basis

June 30, 2013

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash investments	\$ 4,735,524
<u>Net position:</u>	
Restricted for:	
Capital projects	738,011
Debt service	343,076
Permanent fund purpose - scholarships	
Expendable	1,835
Nonexpendable	16,064
Other purposes	641,955
Unrestricted	<u>2,994,583</u>
Total net position	<u>\$ 4,735,524</u>

See accompanying notes to the basic financial statements.

**Norwayne Local School District**  
Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2013

	Cash Disbursements	Program Cash Receipts		Net (Cash Disbursements) Cash Receipts and Changes in Net Position
		Charges for Services	Operating Grants, Contributions and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 5,186,851	\$ 741,437	\$ 41,966	\$ (4,403,448)
Special	1,556,652	231,464	332,733	(992,455)
Vocational	186,284	-	-	(186,284)
Student intervention services	52,967	-	-	(52,967)
Other	774,625	-	-	(774,625)
Support services:				
Pupils	517,218	56,008	33,182	(428,028)
Instructional staff	529,952	-	213,230	(316,722)
Board of education	53,265	-	-	(53,265)
Administration	937,369	-	-	(937,369)
Fiscal	296,136	-	-	(296,136)
Operation and maintenance of plant	748,226	5,522	302	(742,402)
Pupil transportation	884,673	-	-	(884,673)
Central	13,559	-	3,600	(9,959)
Operation of food service	493,068	244,647	265,274	16,853
Extracurricular activities	457,867	184,540	30,450	(242,877)
Capital outlay	757,371	-	-	(757,371)
Debt service:				
Principal retirement	335,000	-	-	(335,000)
Interest and fiscal charges	383,168	-	-	(383,168)
Total governmental activities	<u>\$ 14,164,251</u>	<u>\$ 1,463,618</u>	<u>\$ 920,737</u>	<u>(11,779,896)</u>

General Receipts:

Property taxes levied for:	
General purposes	3,136,700
Debt service	645,034
Capital outlay	91,678
Classroom maintenance	65,338
Grants and entitlements not restricted to specific programs	6,607,892
Grant from school facilities commission	500,509
Investment earnings	62,653
Proceeds from sale of capital asset	5,629
Miscellaneous	47,747
Total general receipts	<u>11,163,180</u>
Change in net position	(616,716)
Net position at beginning of year	5,352,240
Net position at end of year	<u>\$ 4,735,524</u>

See accompanying notes to the basic financial statements.

**Norwayne Local School District**  
Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
June 30, 2013

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in pooled cash and cash investments	\$2,994,583	\$ 474,459	\$ 1,266,482	\$ 4,735,524
Total assets	<u>\$2,994,583</u>	<u>\$ 474,459</u>	<u>\$ 1,266,482</u>	<u>\$ 4,735,524</u>
<u>Fund balances:</u>				
Nonspendable	\$ -	\$ -	\$ 16,064	\$ 16,064
Restricted	-	474,459	1,248,583	1,723,042
Committed	-	-	1,835	1,835
Assigned	2,290,309	-	-	2,290,309
Unassigned	704,274	-	-	704,274
Total fund balances	<u>\$2,994,583</u>	<u>\$ 474,459</u>	<u>\$ 1,266,482</u>	<u>\$ 4,735,524</u>

See accompanying notes to the basic financial statements.

**Norwayne Local School District**  
Statement of Cash Receipts, Cash Disbursements  
and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2013

	General	Classroom Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
<u>Cash Receipts:</u>				
Property taxes	\$ 3,122,054	\$ 65,338	\$ 751,358	\$ 3,938,750
Intergovernmental	6,457,588	34,440	1,476,980	7,969,008
Interest	62,482	302	485	63,269
Tuition and fees	972,902	-	-	972,902
Extracurricular activities	56,007	-	184,541	240,548
Gifts and donations	25,451	-	26,028	51,479
Customer services	-	-	244,648	244,648
Rent	5,522	-	-	5,522
Miscellaneous	55,780	-	-	55,780
Total cash receipts	<u>10,757,786</u>	<u>100,080</u>	<u>2,684,040</u>	<u>13,541,906</u>
<u>Cash Disbursements</u>				
Current:				
Instruction:				
Regular	5,125,465	-	61,386	5,186,851
Special	1,226,582	-	330,070	1,556,652
Vocational	186,284	-	-	186,284
Student intervention services	52,967	-	-	52,967
Other	774,625	-	-	774,625
Support services:				
Pupils	513,006	-	4,212	517,218
Instructional staff	316,722	-	213,230	529,952
Board of education	53,265	-	-	53,265
Administration	937,369	-	-	937,369
Fiscal	279,707	1,335	15,094	296,136
Operation and maintenance of plant	665,201	83,025	-	748,226
Pupil transportation	867,752	-	16,921	884,673
Central	9,959	-	3,600	13,559
Operation of food service	-	-	493,068	493,068
Extracurricular activities	273,253	-	184,614	457,867
Capital outlay	-	-	757,371	757,371
Debt service:				
Principal retirement	-	-	335,000	335,000
Interest and fiscal charges	-	-	383,168	383,168
Total cash disbursements	<u>11,282,157</u>	<u>84,360</u>	<u>2,797,734</u>	<u>14,164,251</u>
Excess of cash receipts over (under) cash disbursements	<u>(524,371)</u>	<u>15,720</u>	<u>(113,694)</u>	<u>(622,345)</u>
<u>Other financing receipts:</u>				
Proceeds from sale of capital assets	<u>4,507</u>	<u>-</u>	<u>1,122</u>	<u>5,629</u>
Net change in fund balances	(519,864)	15,720	(112,572)	(616,716)
Fund balances at beginning of year	<u>3,514,447</u>	<u>458,739</u>	<u>1,379,054</u>	<u>5,352,240</u>
Fund balances at end of year	<u>\$ 2,994,583</u>	<u>\$ 474,459</u>	<u>\$ 1,266,482</u>	<u>\$ 4,735,524</u>

See accompanying notes to the basic financial statements.

**Norwayne Local School District**  
Statement of Receipts, Disbursements and Changes in Fund Balance -  
Budget and Actual (Budget Basis) - General Fund  
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property taxes	\$ 3,097,500	\$ 3,097,500	\$ 3,122,054	\$ 24,554
Intergovernmental	6,160,000	6,160,000	6,457,588	297,588
Interest	110,000	110,000	62,482	(47,518)
Tuition and fees	466,500	466,500	923,018	456,518
Rent	6,000	6,000	5,522	(478)
Gifts and donations	15,000	15,000	-	(15,000)
Miscellaneous	56,500	56,500	47,745	(8,755)
Total receipts	9,911,500	9,911,500	10,618,409	706,909
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	5,019,859	5,099,909	5,072,900	27,009
Special	1,409,300	1,390,300	1,226,582	163,718
Vocational	202,500	202,500	186,284	16,216
Student intervention services	94,300	94,300	52,967	41,333
Other	626,672	626,672	774,625	(147,953)
Support services:				
Pupils	446,670	437,670	448,126	(10,456)
Instructional staff	375,500	374,500	316,722	57,778
Board of education	48,408	48,408	53,265	(4,857)
Administration	1,056,556	1,051,056	939,510	111,546
Fiscal	335,550	319,000	293,507	25,493
Operation and maintenance of plant	896,719	882,719	670,601	212,118
Pupil transportation	1,065,042	1,053,042	873,752	179,290
Central	33,400	33,400	9,959	23,441
Extracurricular activities	325,100	322,100	271,003	51,097
Capital outlay	52,000	52,000	-	52,000
Total disbursements	11,987,576	11,987,576	11,189,803	797,773
Excess of receipts under disbursements	(2,076,076)	(2,076,076)	(571,394)	1,504,682
<u>Other financing receipts (disbursements):</u>				
Proceeds from sale of capital assets	-	-	4,507	4,507
Refund of prior year receipts	(8,000)	(8,000)	-	8,000
Transfers out	(300,000)	(300,000)	-	300,000
Total other financing receipts (disbursements)	(308,000)	(308,000)	4,507	312,507
Net change in fund balance	(2,384,076)	(2,384,076)	(566,887)	1,817,189
Fund balance at beginning of year	3,418,198	3,418,198	3,418,198	-
Prior year encumbrances appropriated	10,606	10,606	10,606	-
Fund balance at end of year	\$ 1,044,728	\$ 1,044,728	\$ 2,861,917	\$ 1,817,189

See accompanying notes to the basic financial statements.

**Norwayne Local School District**  
Statement of Receipts, Disbursements and Changes in Fund Balance -  
Budget and Actual (Budget Basis) - Classroom Facilities Maintenance Fund  
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property taxes	\$ 65,338	\$ 65,338	\$ 65,338	\$ -
Intergovernmental	32,360	32,360	34,440	2,080
Interest	302	302	302	-
Total receipts	98,000	98,000	100,080	2,080
<u>Disbursements:</u>				
Current:				
Support services:				
Fiscal	1,500	1,500	1,335	165
Operation and maintenance of plant	194,641	194,641	136,106	58,535
Total disbursements	196,141	196,141	137,441	58,700
Net change in fund balance	(98,141)	(98,141)	(37,361)	60,780
Fund balance at beginning of year	434,097	434,097	434,097	-
Prior year encumbrances appropriated	24,641	24,641	24,641	-
Fund balance at end of year	\$ 360,597	\$ 360,597	\$ 421,377	\$ 60,780

See accompanying notes to the basic financial statements.

**Norwayne Local School District**  
Statement of Fiduciary Net Position - Cash Basis  
Fiduciary Funds  
June 30, 2013

	Private Purpose Trust	
	Scholarships	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 8,582	\$ 47,460
Total assets	\$ 8,582	\$ 47,460
 <u>Net position:</u>		
Held in trust for unclaimed money	\$ 1,115	\$ -
Held in trust for scholarships	7,467	-
Held for student activities	-	47,460
Total net position	\$ 8,582	\$ 47,460

See accompanying notes to the basic financial statements.

**Norwayne Local School District**  
Statement of Changes in Fiduciary Net Position - Cash Basis  
Private Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust
	Scholarship
<u>Additions:</u>	
Interest	\$ 1,166
Gift and donations	2,335
Total additions	3,501
<u>Deductions:</u>	
Scholarship awards	10,453
Change in net position	(6,952)
Net position beginning of year	15,534
Net position end of year	\$ 8,582

See accompanying notes to the basic financial statements.

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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

**Description of the Entity**

Norwayne Local School District (the District), formerly known as North Central Local School District, is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services to approximately 1,392 students and community members as authorized by state statute and/or federal guidelines. The District was established in 1952 through the consolidation of existing school districts. The District serves an area of approximately 79 square miles, is located in Medina and Wayne County, and includes all of the Villages of Burbank, Creston, and Sterling.

**Reporting Entity**

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**Governmental Funds**

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

*General Fund*

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

*Classroom Facilities Maintenance Fund*

The classroom facilities maintenance special revenue fund is used to account for the proceeds of a levy for the maintenance of facilities.

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

**Fiduciary Funds**

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District's private purpose trust funds account for programs that provide college scholarships to students after graduation and unclaimed money. Agency funds are custodial in nature. The District's agency fund accounts for various student-managed activities.

**Basis of Presentation**

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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***Government-wide Financial Statements***

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

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

***Fund Financial Statements***

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

**Basis of Accounting**

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

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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

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

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

**Cash Disbursements**

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

**Budgetary Process**

**Budget**

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

**Tax Budget**

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

**Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. Budget receipts as shown in the accompanying financial statements do not include July 1, 2012 unencumbered fund balances. However, those fund balances were available for appropriation.

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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

**Appropriations**

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

**Encumbrances**

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

**Lapsing of Appropriations**

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**Cash and Cash Equivalents and Investments**

Cash and cash equivalents consist of the total of fund cash balances of all funds as of June 30, 2013. To improve cash management, cash received by the District is pooled. Individual fund integrity is maintained throughout the District's records. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as part of "equity in pooled cash and investments".

**Capital Assets**

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

**Compensated Absences**

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

**Long-Term Obligations**

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

**Fund Balance**

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

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

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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

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

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

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

### **Net Position**

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

### **Interfund Transactions**

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**3. FUND BALANCES**

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

Fund Balances	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable</i>				
Endowments	\$ -	\$ -	\$ 16,064	\$ 16,064
<i>Restricted for</i>				
Food service	-	-	67,539	67,539
Athletics and music	-	-	97,293	97,293
Special education	-	-	2,664	2,664
Classroom facilities maintenance	-	474,459	-	474,459
Debt service payments	-	-	343,076	343,076
Capital improvements	-	-	738,011	738,011
<i>Total Restricted</i>	<u>-</u>	<u>474,459</u>	<u>1,248,583</u>	<u>1,723,042</u>
<i>Committed</i>				
Scholarships	<u>-</u>	<u>-</u>	<u>1,835</u>	<u>1,835</u>
<i>Assigned</i>				
Next years budget	2,157,642	-	-	2,157,642
Encumbrances	36,425	-	-	36,425
Uniform school supplies	43,524	-	-	43,524
Public school support	<u>52,718</u>	<u>-</u>	<u>-</u>	<u>52,718</u>
<i>Total Assigned</i>	<u>2,290,309</u>	<u>-</u>	<u>-</u>	<u>2,290,309</u>
<i>Unassigned</i>	<u>704,274</u>	<u>-</u>	<u>-</u>	<u>704,274</u>
<i>Total Fund Balances</i>	<u>\$ 2,994,583</u>	<u>\$ 474,459</u>	<u>\$ 1,266,482</u>	<u>\$ 4,735,524</u>

**4. DEPOSITS AND INVESTMENTS**

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

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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

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 five years from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by the least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

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

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

During fiscal year 2013, investments were limited to STAR Ohio, Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA) bonds and a US T-Note. Investments are reported at cost.

All interest receipts are reported in the general fund except those specifically related to those funds deemed appropriate according to Board policy. For fiscal year 2013, interest receipts in the general fund are \$62,482 and of that amount, \$14,723 was assigned from other funds.

**Deposits:**

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

At June 30, 2013, the District's deposits of \$1,305,659 were either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the District's name.

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**Investments:**

As of June 30, 2013, the District had the following investments and maturities:

Investments:		Single Issuer Ratio	Portfolio Ratio	Maturity (Years)			
				Less than 1 year	2 years	3 years	4 years
Government sponsored securities:							
Federal Home Loan Bank	\$ 210,456	9%	6%	\$ 210,456	\$ -	\$ -	\$ -
Federal Home Loan Mortgage Corp.	1,374,533	59%	39%	-	302,418	866,063	206,052
Federal National Mortgage Assn.	742,385	32%	21%	-	326,052	217,499	198,834
Total	<u>2,327,374</u>			<u>\$ 210,456</u>	<u>\$ 628,470</u>	<u>\$ 1,083,562</u>	<u>\$ 404,886</u>
US Treasury Note	150,001		4%	06/30/14			
StarOhio	<u>1,008,432</u>		29%	57.5 days (average)			
Total investments	<u>\$ 3,485,807</u>						

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2013.

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

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

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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

**5. BUDGETARY BASIS FUND BALANCES**

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

	General Fund	Classroom Facilities Maintenance Fund
Budgetary basis fund balance	\$ 2,861,917	\$ 421,377
Budgeted as part of special revenue funds:		
Beginning cash fund balances	85,643	-
Receipts	139,377	-
Disbursements	(128,779)	-
Encumbrances	36,425	53,082
Cash basis fund balance	\$ 2,994,583	\$ 474,459

**6. PROPERTY TAX**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in public utility) located in the District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after October 1, 2012 and are collected in 2012 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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

The Wayne County and Medina County Treasurers collect property tax on behalf of all taxing districts within the respective counties. The District receives property taxes from both counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the second half of fiscal year 2013 taxes collected are:

<u>2012 Property Category</u>	<u>Wayne County</u>	<u>Medina County</u>
<u>Real Property</u>		
Residential and agricultural	\$ 131,312,250	\$ 4,898,850
Commercial, industrial and minerals	10,179,250	8,113,770
<u>Tangible Personal Property</u>		
Public utilities	3,393,140	310,720
Total	<u>\$ 144,884,640</u>	<u>\$ 13,323,340</u>

**7. LONG-TERM DEBT**

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

The changes in the District's long-term obligations during fiscal year 2013 were as follows:

	<u>Interest Rate</u>	<u>Principal Outstanding 7/1/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/13</u>	<u>Due Within One Year</u>
General Obligation Bonds:						
2007 Classroom						
Facility Improvement	4.30%	\$ 8,679,986	\$ -	\$ 285,000	\$ 8,394,986	\$ 295,000
2007 Various Purpose	3.8 - 4.15%	1,353,182	-	50,000	1,303,182	25,910
Total		<u>\$ 10,033,168</u>	<u>\$ -</u>	<u>\$ 335,000</u>	<u>\$ 9,698,168</u>	<u>\$ 320,910</u>

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2013 are as follows:

Fiscal Year Ending June 30	Classroom Facility Bonds			Various Improvement Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 295,000	\$ 321,300	\$ 616,300	\$ 25,910	\$ 78,358	\$ 104,268
2015	305,000	309,300	614,300	23,142	81,126	104,268
2016	113,882	509,318	623,200	20,669	83,598	104,267
2017	101,104	522,096	623,200	18,461	85,807	104,268
2018	320,000	296,800	616,800	50,000	48,268	98,268
2019-2023	1,805,000	1,277,100	3,082,100	295,000	207,837	502,837
2024-2028	2,195,000	878,500	3,073,500	345,000	143,837	488,837
2029-2033	2,660,000	394,600	3,054,600	425,000	66,236	491,236
2034	600,000	12,000	612,000	100,000	2,075	102,075
Total	<u>\$ 8,394,986</u>	<u>\$ 4,521,014</u>	<u>\$ 12,916,000</u>	<u>\$ 1,303,182</u>	<u>\$ 797,142</u>	<u>\$ 2,100,324</u>

**8. RISK MANAGEMENT**

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

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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

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

**A. DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

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

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2013, 13.10 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$181,932, \$191,767, and \$204,219, respectively, which represents the required annual contribution each year.

**State Teachers Retirement System**

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

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

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

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

**Funding Policy** - For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2012, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$665,148, \$645,001, and \$652,035, respectively, which represents the required annual contribution for each year.

### **Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2013, none of the members of the Board of Education has elected Social Security. The Board's liability would be 6.2 percent of wages paid.

## **B. POSTEMPLOYMENT BENEFITS**

### **School Employees Retirement System**

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105 (e). For 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2013, this amount was \$20,525. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$2,222, \$23,220, and \$24,728 respectively, which equaled the required allocations for those years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 was \$10,277, \$12,341 and \$13,142, respectively, which equaled the required allocations for those years.

**State Teachers Retirement System**

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

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$51,165, \$49,615 and \$50,157, respectively, which equaled the required allocations for those years.

**10. REQUIRED SET-ASIDES**

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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		Capital Maintenance
Set-aside reserve balance as of June 30, 2012	\$	-
Current year set-aside requirement		237,706
Current year offsets		(212,688)
Qualifying disbursements		(258,404)
Totals		(233,386)
 Set-aside balance carried forward to future fiscal years	 \$	 -

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

**11. JOINTLY GOVERNED ORGANIZATION**

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 28 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support TCCSA based on a per-pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the treasurer at the Tri-County Educational Service Center which serves as the fiscal agent located in Wooster, Ohio.

**12. PUBLIC ENTITY RISK POOL**

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

**Norwayne Local School District**  
Wayne County  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**13. CONTINGENCIES**

**A. Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2013, if applicable, cannot be determined at this time.

In the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

**B. Litigation**

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

**14. CONTRACTUAL COMMITMENTS/ENCUMBRANCES**

As of June 30, 2013, the District had significant contractual commitments/encumbrances for the following:

<u>Fund/Project</u>	<u>Purchase Order Amount</u>	<u>Paid as of June 30, 2013</u>	<u>Remaining Commitment</u>
OSFC Project fund:			
Construction services	\$ 1,683,027	\$ 1,598,515	\$ 84,512
Building demolition	342,333	220,016	122,317
	<u>\$ 2,025,360</u>	<u>\$ 1,818,531</u>	<u>\$ 206,829</u>

**15. IMPLEMENTATION OF NEW ACCOUNTING STANDARD**

For fiscal year 2013, the District has implemented Governmental Accounting Standards Board Statement (GASBS) No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position".

GASBS No. 63 established standards for the reporting of net position which was previously referred to as net assets. The District's implementation had no effect on the amount of beginning net position.

For fiscal year 2013, the District has also implemented Governmental Accounting Standards Board Statement (GASBS) No. 65, "Items Previously Reported as Assets and Liabilities".

GASBS No. 65 established standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities. The District's implementation had no effect on the amount of beginning net position.

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**NORWAYNE LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 27,907	\$ 27,907
Cash Assistance:			
Breakfast Program	10.553	57,328	57,328
National School Lunch Program	10.555	189,223	189,223
Special Milk Program	10.556	14,801	14,801
Total Child Nutrition Cluster		<u>289,259</u>	<u>289,259</u>
Total U.S. Department of Agriculture		<u><b>289,259</b></u>	<u><b>289,259</b></u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	190,196	187,531
Special Education Grants to States	84.027	251,830	251,830
Improving Teacher Quality	84.367	40,689	40,689
Race to the Top - ARRA	84.395	<u>1,050</u>	<u>1,050</u>
Total U.S. Department of Education		<u><b>483,765</b></u>	<u><b>481,100</b></u>
<b>Total</b>		<u><b>\$ 773,024</b></u>	<u><b>\$ 770,359</b></u>

*The accompanying notes are an integral part of this schedule.*

**NORWAYNE LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Norwayne Local School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Norwayne Local School District  
Wayne County  
350 South Main Street  
Creston, Ohio 44217

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norwayne Local School District, Wayne County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 29, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

***District's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 29, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Norwayne Local School District  
Wayne County  
350 South Main Street  
Creston, Ohio 44217

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Norwayne Local School District's, Wayne County, Ohio (the District's), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, Norwayne Local School District, Wayne County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 29, 2014

**NORWAYNE LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #10.553, 10.555 & 10.558 – Child Nutrition Cluster
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

NORWAYNE LOCAL SCHOOL DISTRICT  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013  
(Continued)

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

**FINDING NUMBER 2013-001**

**Material Noncompliance**

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

**Ohio Admin. Code Section 117-2-03(B)** requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The District prepared its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from GAAP. There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. Failure to prepare proper GAAP financial statements may result in the District being fined or other administrative remedies.

The District should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

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

**3. FINDINGS FOR FEDERAL AWARDS**

None

NORWAYNE LOCAL SCHOOL DISTRICT  
WAYNE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Filing GAAP Financial Statements	No	Not Corrected. See Finding 2013-001.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Norwayne Local School District  
Wayne County  
350 South Main Street  
Creston, Ohio 44217

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Norwayne Local School District, Wayne County, Ohio, (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on September 27, 2010 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 29, 2014

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# Dave Yost • Auditor of State

**NORWAYNE LOCAL SCHOOL DISTRICT**

**WAYNE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 6, 2014**