



Balestra, Harr & Scherer, CPAs, Inc.

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

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NORWAYNE LOCAL SCHOOL DISTRICT
WAYNE COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2011
Fiscal Year Audited Under GAGAS: 2011



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Norwayne Local School District, Wayne County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 1, 2011

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NORWAYNE LOCAL SCHOOL DISTRICT

Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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Balestra, Harr & Scherer, CPAs, Inc.

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

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Norwayne Local School District, Wayne County, Ohio, (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Norwayne Local School District, Wayne County, Ohio, as of June 30, 2011, and the respective changes in cash financial position and the budgetary comparison of the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3 to the financial statements, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.



Balestra, Harr & Scherer, CPAs, Inc.
October 21, 2011

Norwayne Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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, 2011, 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 2011 are as follows:

- For 2011 the District implemented GASB Statement No. 54 as it applies to cash basis reporting and has restated certain fund balances.
- Net assets of governmental activities decreased \$6,710,596.
- General cash receipts accounted for \$11,390,351 or 78% of all cash receipts. Program cash receipts in the form of charges for services, operating grants, contributions and interest, as well as capital grants and contributions, accounted for \$3,173,900 or 22% of total cash receipts of \$14,564,251.
- The District had \$21,274,847 in cash disbursements related to governmental activities; which only \$3,173,900 of these cash disbursements were offset by program cash receipts.
- The District's major governmental funds are the general fund, building fund and OSFC project fund.
- The general fund had \$10,097,488 in receipts and \$10,160,879 in disbursements. During fiscal year 2011, the general fund's fund balance decreased \$63,391 from \$4,143,744 to \$4,080,353.
- The District's other major governmental funds are the building and the OSFC Project funds. These capital project funds had \$1,168,109 and \$7,148,023 in disbursements, respectively to pay contractors on the construction of school facilities.

USING THE BASIC FINANCIAL STATEMENTS

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

REPORT COMPONENTS

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

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

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

Norwayne Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

BASIS OF ACCOUNTING

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

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

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during 2011, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District had three major funds in 2011: the general fund, the building fund and the OSFC project fund.

Norwayne Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
 Unaudited

Governmental Funds

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

Fiduciary Funds

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

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the District as a whole on a cash basis of accounting. Table 1 provides a summary of the District's net assets for 2011 compared to 2010.

Table 1
Net Assets

	Governmental Activities		Increase/ (Decrease)
	2011	Restated 2010	
Assets			
Equity in pooled cash and investments	\$ 6,961,216	\$ 13,671,812	\$ (6,710,596)
Total assets	6,961,216	13,671,812	(6,710,596)
Net Assets			
Restricted for debt service	316,648	270,198	46,450
Restricted for capital projects	2,147,527	8,802,432	(6,654,905)
Restricted for other purposes	440,742	437,264	3,478
Restricted for permanent fund			
Expendable	1,724	2,110	(386)
Nonexpendable	16,064	16,064	-
Unrestricted	4,038,511	4,143,744	(105,233)
Total net assets	\$ 6,961,216	\$ 13,671,812	\$ (6,710,596)

Total assets of the District, as a whole, decreased \$6,710,596. 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, 2011
 Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011.

Table 2
Change in Net Assets

	Governmental Activities	
	2011	2010
Cash Receipts		
Program cash receipts		
Charges for services and sales	\$ 1,068,075	\$ 1,185,425
Operating grants, contributions and interest	1,513,361	2,132,970
Capital grants and contributions	592,464	-
Total program cash receipts	3,173,900	3,318,395
General cash receipts		
Property taxes	3,890,626	3,850,417
Shared revenue restricted for permanent improvements	14,010	-
Grants and entitlements not restricted to specific programs	6,338,274	5,668,245
Grants from Ohio School Facilities Commission	1,008,188	5,165,024
Investment earnings	104,640	226,067
Proceeds from sale of assets	170	64,907
Miscellaneous	34,443	162,943
Total general cash receipts	11,390,351	15,137,603
Total cash receipts	14,564,251	18,455,998
Program Cash Disbursements		
Instruction:		
Regular	5,897,530	6,445,275
Special	1,399,614	1,148,064
Vocational	177,693	166,320
Student intervention services	60,860	-
Other	639,218	580,127
Support services:		
Pupils	455,204	456,510
Instructional staff	504,689	716,640
Board of education	30,762	28,256
Administration	925,767	996,282
Fiscal	331,844	314,741
Operation and maintenance of plant	730,849	723,612
Pupil transportation	874,692	854,441
Central	18,249	22,561
Operation of food service	614,354	615,900
Extracurricular activities	421,636	545,757
Capital outlay	7,472,818	12,437,433
Debt service:		
Principal retirement	310,000	300,000
Interest and fiscal charges	409,068	421,268
Total cash disbursements	21,274,847	26,773,187
Change in net assets	(6,710,596)	(8,317,189)
Restatement	-	(17,062)
Net assets at beginning of year	13,671,812	22,006,063
Net assets at end of year	\$ 6,961,216	\$ 13,671,812

Norwayne Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
 Unaudited

Program cash receipts of \$3,173,900, which are primarily represented by charges for services and sales, operating grants, contributions and interest, and capital grants and contributions, made up 21.8% of total cash receipts. General cash receipts of \$11,390,351 which are primarily represented by property taxes and unrestricted grants and entitlements, made up 78.2% of total cash receipts.

Program cash disbursements for instruction were \$8,174,915 or 38.4% of all program cash disbursements. Regular instruction represents 72.1% of this amount and 27.7% 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 \$7,472,818 or 35.1% of all program cash disbursements.

Other significant programs include administration and transportation which account for 4.4% and 4.1%, 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 on the following page 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>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Program Cash Disbursements				
Instruction:				
Regular	5,897,530	(4,264,454)	6,445,275	(5,552,204)
Special	1,399,614	(805,585)	1,148,064	(467,670)
Vocational	177,693	(177,693)	166,320	(157,386)
Student intervention services	60,860	(60,860)	-	-
Other	639,218	(639,218)	580,127	(515,497)
Support services:				
Pupils	455,204	(389,415)	456,510	(369,292)
Instructional staff	504,689	(274,699)	716,640	(440,597)
Board of education	30,762	(30,762)	28,256	(26,738)
Administration	925,767	(921,172)	996,282	(944,588)
Fiscal	331,844	(331,844)	314,741	(262,589)
Operation and maintenance of plant	730,849	(729,328)	723,612	(687,212)
Pupil transportation	874,692	(874,692)	854,441	(463,994)
Central	18,249	(6,424)	22,561	(5,109)
Operation of food service	614,354	(152,713)	615,900	(131,952)
Extracurricular activities	421,636	(250,202)	545,757	(271,263)
Capital outlay	7,472,818	(7,472,818)	12,437,433	(12,437,433)
Debt service:				
Principal retirement	310,000	(310,000)	300,000	(300,000)
Interest and fiscal charges	<u>409,068</u>	<u>(409,068)</u>	<u>421,268</u>	<u>(421,268)</u>
Total	<u>21,274,847</u>	<u>(18,100,947)</u>	<u>26,773,187</u>	<u>(23,454,792)</u>

Norwayne Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

It should be noted that the operation of food service program disbursements were not covered by program cash receipts. This is primarily due to disbursements charged to this program with the construction and furnishing of new food service facilities and equipment.

The dependence upon tax revenues and unrestricted state entitlements is apparent as program receipts only provided for \$3,173,900 of the total program cash disbursements of \$21,274,847 for 2011.

THE DISTRICT FUNDS

The District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing receipts of \$14,564,251 and cash disbursements of \$21,274,847.

General Fund - The District's general fund cash fund balance decreased by \$63,391 due to a decrease in certain intergovernmental receipts and an increase in various support service related disbursements but not significant to any specific activity.

Building Fund - Another District major governmental fund is the building fund. This fund had \$1,168,109 in disbursements. During fiscal year 2011, the building fund's cash balance decreased \$574,700 from progress made on the District's share of the new construction projects.

OSFC Projects Capital Projects Fund - The last of the District's major governmental funds is the classroom facilities fund. The OSFC projects capital projects fund had \$1,025,847 in receipts and \$7,148,023 in disbursements. During fiscal year 2011, this fund's cash balance decreased \$6,122,176 from \$7,123,927.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During 2011, no revisions were made to the general fund estimated receipts and appropriations from the original budget to the final budget. The general fund's ending unobligated cash balance was \$4,008,837.

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 \$7,472,818 during fiscal year 2011.

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, 2011, the District had \$10,358,168 in bonds for governmental activities. For additional information regarding debt, please see note 8 of the notes to the basic financial statements.

Norwayne Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
 Unaudited

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 2011	Principal Outstanding 2010
2007 Classroom Facility Improvement	4.30%	\$ 8,954,986	\$ 9,219,986
2007 Various Purpose	3.8 - 4.15%	<u>1,403,182</u>	<u>1,448,182</u>
Total		<u>\$ 10,358,168</u>	<u>\$ 10,668,168</u>

CURRENT ISSUES

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

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Norwayne Local School District
Statement of Net Assets - Cash Basis
June 30, 2011

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash investments	\$ 6,961,216
<u>Net assets:</u>	
Restricted for:	
Capital projects	2,147,527
Debt service	316,648
Permanent fund purpose - scholarships	
Expendable	1,724
Nonexpendable	16,064
Other purposes	440,742
Unrestricted	4,038,511
Total net assets	\$ 6,961,216

See accompanying notes to the basic financial statements.

Norwayne Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2011

	Program Cash Receipts				Net (Cash Disbursements) Cash Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 5,897,530	\$ 492,893	\$ 547,719	\$ 592,464	\$ (4,264,454)
Special	1,399,614	150,140	443,889	-	(805,585)
Vocational	177,693	-	-	-	(177,693)
Student intervention services	60,860	-	-	-	(60,860)
Other	639,218	-	-	-	(639,218)
Support services:					
Pupils	455,204	47,510	18,279	-	(389,415)
Instructional staff	504,689	-	229,990	-	(274,699)
Board of education	30,762	-	-	-	(30,762)
Administration	925,767	-	4,595	-	(921,172)
Fiscal	331,844	-	-	-	(331,844)
Operation and maintenance of plant	730,849	1,180	341	-	(729,328)
Pupil transportation	874,692	-	-	-	(874,692)
Central	18,249	-	11,825	-	(6,424)
Operation of food service	614,354	228,659	232,982	-	(152,713)
Extracurricular activities	421,636	147,693	23,741	-	(250,202)
Capital outlay	7,472,818	-	-	-	(7,472,818)
Debt service:					
Principal retirement	310,000	-	-	-	(310,000)
Interest and fiscal charges	409,068	-	-	-	(409,068)
Total governmental activities	<u>\$ 21,274,847</u>	<u>\$ 1,068,075</u>	<u>\$ 1,513,361</u>	<u>\$ 592,464</u>	<u>(18,100,947)</u>
<u>General Receipts:</u>					
Property taxes levied for:					
General purposes					3,059,009
Debt service					678,367
Capital outlay					89,140
Classroom maintenance					64,110
Shared revenue restricted for:					
Permanent improvement projects					14,010
Grants and entitlements not restricted to specific programs					6,338,274
Grant from school facilities commission					1,008,188
Investment earnings					104,640
Proceeds from sale of capital asset					170
Miscellaneous					34,443
Total general receipts					<u>11,390,351</u>
Change in net assets					(6,710,596)
Net assets at beginning of year, as restated					<u>13,671,812</u>
Net assets at end of year					<u>\$ 6,961,216</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, 2011

	General	Building	OSFC Project	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in pooled cash and cash investments	\$ 4,080,353	\$ 735,455	\$ 1,001,751	\$ 1,143,657	\$ 6,961,216
Total assets	<u>\$ 4,080,353</u>	<u>\$ 735,455</u>	<u>\$ 1,001,751</u>	<u>\$ 1,143,657</u>	<u>\$ 6,961,216</u>
<u>Fund balances:</u>					
Nonspendable	-	-	-	16,064	16,064
Restricted	-	735,455	1,001,751	1,167,711	2,904,917
Committed	-	-	-	1,724	1,724
Assigned	71,516	-	-	-	71,516
Unassigned	4,008,837	-	-	(41,842)	3,966,995
Total fund balances	<u>\$ 4,080,353</u>	<u>\$ 735,455</u>	<u>\$ 1,001,751</u>	<u>\$ 1,143,657</u>	<u>\$ 6,961,216</u>

See accompanying notes to the basic financial statements.

Norwayne Local School District
Statement of Cash Receipts, Disbursements
and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Building	OSFC Project	Other Governmental Funds	Total Governmental Funds
<u>Cash Receipts:</u>					
Property taxes	\$ 3,059,009	\$ -	\$ -	\$ 831,617	\$ 3,890,626
Intergovernmental	6,176,987	-	1,008,188	1,616,276	8,801,451
Interest	103,695	945	17,659	506	122,805
Tuition and fees	643,033	-	-	-	643,033
Extracurricular activities	50,022	-	-	145,182	195,204
Gifts and donations	17,931	592,464	-	24,024	634,419
Customer services	-	-	-	228,658	228,658
Rent	1,180	-	-	-	1,180
Miscellaneous	45,631	-	-	1,074	46,705
Total receipts	<u>10,097,488</u>	<u>593,409</u>	<u>1,025,847</u>	<u>2,847,337</u>	<u>14,564,081</u>
<u>Cash Disbursements</u>					
Current:					
Instruction:					
Regular	4,550,522	125,282	627,070	594,656	5,897,530
Special	938,615	-	-	460,999	1,399,614
Vocational	177,693	-	-	-	177,693
Student intervention services	60,860	-	-	-	60,860
Other	626,359	-	-	12,859	639,218
Support services:					
Pupils	454,154	-	-	1,050	455,204
Instructional staff	253,460	-	-	251,229	504,689
Board of education	30,762	-	-	-	30,762
Administration	920,688	-	-	5,079	925,767
Fiscal	314,999	-	-	16,845	331,844
Operation and maintenance of plant	702,618	-	-	28,231	730,849
Pupil transportation	854,457	-	-	20,235	874,692
Central	6,424	-	-	11,825	18,249
Operation of food service	-	7,850	148,138	458,366	614,354
Extracurricular activities	266,825	-	-	154,811	421,636
Capital outlay	2,443	1,034,977	6,372,815	62,583	7,472,818
Debt service:					
Principal retirement	-	-	-	310,000	310,000
Interest and fiscal charges	-	-	-	409,068	409,068
Total disbursements	<u>10,160,879</u>	<u>1,168,109</u>	<u>7,148,023</u>	<u>2,797,836</u>	<u>21,274,847</u>
Excess of cash receipts over (under) disbursements	<u>(63,391)</u>	<u>(574,700)</u>	<u>(6,122,176)</u>	<u>49,501</u>	<u>(6,710,766)</u>
<u>Other financing receipts:</u>					
Proceeds from sale of capital assets	-	-	-	170	170
Net change in fund balances	(63,391)	(574,700)	(6,122,176)	49,671	(6,710,596)
Fund balances at beginning of year, as restated	4,143,744	1,310,155	7,123,927	1,093,986	13,671,812
Fund balances at end of year	<u>\$ 4,080,353</u>	<u>\$ 735,455</u>	<u>\$ 1,001,751</u>	<u>\$ 1,143,657</u>	<u>\$ 6,961,216</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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts:				
Property taxes	\$ 3,185,350	\$ 3,185,350	\$ 3,059,009	\$ (126,341)
Intergovernmental	6,435,800	6,435,800	6,176,987	(258,813)
Interest	120,250	120,250	103,695	(16,555)
Tuition and fees	602,250	602,250	596,003	(6,247)
Rent	2,500	2,500	1,180	(1,320)
Gifts and donations	13,600	13,600	11,700	(1,900)
Miscellaneous	36,250	36,250	33,582	(2,668)
Total receipts	<u>10,396,000</u>	<u>10,396,000</u>	<u>9,982,156</u>	<u>(413,844)</u>
Disbursements:				
Current:				
Instruction:				
Regular	4,876,658	4,801,658	4,497,523	304,135
Special	1,088,600	1,088,600	938,615	149,985
Vocational	205,400	205,400	177,693	27,707
Student intervention services	92,200	92,200	60,860	31,340
Other	561,000	636,000	626,359	9,641
Support services:				
Pupils	433,400	433,400	398,444	34,956
Instructional staff	304,550	304,550	253,460	51,090
Board of education	37,550	37,550	30,762	6,788
Administration	1,013,651	1,013,651	920,838	92,813
Fiscal	352,940	352,940	315,064	37,876
Operation and maintenance of plant	742,500	742,500	703,238	39,262
Pupil transportation	992,329	992,329	854,990	137,339
Central	32,900	32,900	6,424	26,476
Extracurricular activities	293,611	293,611	259,841	33,770
Capital outlay	130,000	130,000	2,443	127,557
Total disbursements	<u>11,157,289</u>	<u>11,157,289</u>	<u>10,046,554</u>	<u>1,110,735</u>
Excess of receipts over (under) disbursements	<u>(761,289)</u>	<u>(761,289)</u>	<u>(64,398)</u>	<u>696,891</u>
Other financing disbursements:				
Refund of prior year receipts	(8,000)	(8,000)	-	8,000
Transfers out	(500,000)	(500,000)	-	500,000
Total other financing disbursements	<u>(508,000)</u>	<u>(508,000)</u>	<u>-</u>	<u>508,000</u>
Net change in fund balance	(1,269,289)	(1,269,289)	(64,398)	1,204,891
Fund balance at beginning of year	4,071,057	4,071,057	4,071,057	-
Prior year encumbrances appropriated	2,178	2,178	2,178	-
Fund balance at end of year	<u>\$ 2,803,946</u>	<u>\$ 2,803,946</u>	<u>\$ 4,008,837</u>	<u>\$ 1,204,891</u>

See accompanying notes to the basic financial statements.

Norwayne Local School District
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
June 30, 2011

	Private Purpose Trust	
	Scholarships	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 16,938	\$ 37,453
Total assets	\$ 16,938	\$ 37,453
 <u>Net assets:</u>		
Held in trust for unclaimed money	1,115	-
Held in trust for scholarships	15,823	-
Unrestricted	-	37,453
Total net assets	\$ 16,938	\$ 37,453

See accompanying notes to the basic financial statements.

Norwayne Local School District
Statement of Changes in Fiduciary Net Assets - Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust
	Scholarship
<u>Additions:</u>	
Interest	\$ 1,126
Gift and donations	150
Total additions	1,276
 <u>Deductions:</u>	
Scholarship awards	1,400
Change in net assets	(124)
Net assets beginning of year	17,062
Net assets end of year	\$ 16,938

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, 2011

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 1,396 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 12 and 13.

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, 2011

Governmental Funds

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

General Fund

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

Building Fund

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

OSFC Projects Capital Projects Fund

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

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

Fiduciary Funds

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

Basis of Presentation

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

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Basis of Accounting

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

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

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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, 2010 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, 2011

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, 2011

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, 2011. 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, 2011

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

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

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

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

Net Assets

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

Interfund Transactions

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

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE AND NET ASSETS

Change in Accounting Principles

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the District's financial statements.

Restatement of Prior Year's Fund Balance and Net Assets

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>OSFC Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances at						
June 30, 2010	\$ 4,125,125	\$ 270,198	\$ -	\$ 7,123,927	\$ 2,169,624	\$ 13,688,874
Fund classified as major in 2010	-	(270,198)	-	-	270,198	-
Fund classified as nonmajor in 2010	-	-	1,310,155	-	(1,310,155)	-
Change in fund structure	<u>18,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,681)</u>	<u>(17,062)</u>
Restated Fund balances at						
June 30, 2010	<u>\$ 4,143,744</u>	<u>\$ -</u>	<u>\$ 1,310,155</u>	<u>\$ 7,123,927</u>	<u>\$ 1,093,986</u>	<u>\$ 13,671,812</u>

As a result of the restatement of fund balances; beginning net assets were restated from \$13,688,874 to \$13,671,812.

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

4. FUND BALANCES

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

Fund Balances	<u>General</u>	<u>Building</u>	<u>OSFC Project</u>	<u>Other Governmental Funds</u>
<i>Nonspendable</i>				
Endowments	\$ -	\$ -	\$ -	\$ 16,064
<i>Restricted for</i>				
Food service	-	-	-	985
Athletics and music	-	-	-	31,502
Elementary education	-	-	-	4,792
Classroom facilities maintenance	-	-	-	403,463
Debt service payments	-	-	-	316,648
Capital improvements	-	<u>735,455</u>	<u>1,001,751</u>	<u>410,321</u>
<i>Total Restricted</i>	<u>-</u>	<u>735,455</u>	<u>1,001,751</u>	<u>1,167,711</u>
<i>Committed</i>				
Scholarships	-	-	-	1,724
<i>Assigned</i>				
Other purposes	71,516	-	-	-
<i>Unassigned (Deficit)</i>	<u>4,008,837</u>	<u>-</u>	<u>-</u>	<u>(41,842)</u>
<i>Total Fund Balances</i>	<u>\$ 4,080,353</u>	<u>\$ 735,455</u>	<u>\$ 1,001,751</u>	<u>\$ 1,143,657</u>

5. DEPOSITS AND INVESTMENTS

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

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

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

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

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

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 2011, investments were limited to STAR Ohio, and Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Corporation (FNMA) bonds. Investments are reported at cost.

All interest receipts are reported in the general fund except those specifically related to those funds deemed appropriate according to Board policy. For fiscal year 2011, interest receipts in the general fund are \$103,695 and of that amount, \$21,208 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, 2011, the District's deposits of \$1,338,490 were either cover by FDIC or collateralized by the financial institution's public entity deposit pool in the District's name.

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Investments:

As of June 30, 2011, the District had the following investments and maturities:

Investments:	Single Issuer Ratio	Portfolio Ratio	Maturity (Years)					
			Less than 1 year	2 years	3 years	4 years	5 years	
Government sponsored securities:								
Federal Farm Credit Bank	\$ 104,612	3%	2%	\$ 104,612	\$ -	\$ -	\$ -	\$ -
Federal Home Loan Bank	1,145,436	29%	20%	204,546	309,383	631,507	-	-
Federal Home Loan Mortgage Corp.	1,211,997	30%	21%	101,142	107,538	251,084	302,418	449,815
Federal National Mortgage Assn.	1,504,171	38%	27%	405,007	403,138	101,856	376,671	217,499
Total	3,966,216			815,307	820,059	984,447	679,089	667,314
StarOhio	1,710,901		30%	58.3 days (average)				
Total investments	<u>\$ 5,677,117</u>							

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

Credit risk – Investments in STAR Ohio were rated AAAM by Standard & Poor’s. In addition, Standard and Poor’s has assigned the investments in FFCB, 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 FFCB, FHLB, FHLMC and FNMA are held by the counterparty’s trust department or agent and not in the School District’s name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

6. 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:

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Wayne County
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For the Fiscal Year Ended June 30, 2011

	<u>General Fund</u>
Budgetary basis fund balance	\$ 4,008,837
Budgeted as part of special revenue funds:	
Beginning cash fund balances	70,509
Receipts	115,332
Disbursements	(115,693)
Encumbrances	1,368
Cash basis fund balance	<u>\$ 4,080,353</u>

7. PROPERTY TAX

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after October 1, 2010 and are collected in 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

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

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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, 2011, are available to finance fiscal year 2011 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 2011 taxes collected are:

2010 <u>Property Category</u>	Wayne <u>County</u>	Medina <u>County</u>
<u>Real Property</u>		
Residential and agricultural	\$ 129,350,350	\$ 5,167,110
Commercial, industrial and minerals	13,591,740	10,017,850
Public utilities	99,300	3,240
<u>Tangible Personal Property</u>		
Public utilities	181,760	276,480
General	2,957,410	47,818
Total	<u>\$ 146,180,560</u>	<u>\$ 15,512,498</u>

8. 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 2011 were as follows:

	<u>Interest Rate</u>	<u>Principal Outstanding 7/1/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/11</u>	<u>Due Within One Year</u>
General Obligation Bonds:						
2007 Classroom						
Facility Improvement	4.30%	\$ 9,219,986	\$ -	\$ 265,000	\$ 8,954,986	\$ 275,000
2007 Various Purpose	3.8 - 4.15%	<u>1,448,182</u>	<u>-</u>	<u>45,000</u>	<u>1,403,182</u>	<u>50,000</u>
Total		<u>\$ 10,668,168</u>	<u>\$ -</u>	<u>\$ 310,000</u>	<u>\$ 10,358,168</u>	<u>\$ 325,000</u>

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

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2011 are as follows:

Fiscal Year Ending June 30	Classroom Facility Bonds			Various Improvement Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 275,000	\$ 344,100	\$ 619,100	\$ 50,000	\$ 52,268	\$ 102,268
2013	285,000	332,900	617,900	50,000	50,268	100,268
2014	295,000	321,300	616,300	25,910	78,358	104,268
2015	305,000	309,300	614,300	23,142	81,126	104,268
2016	113,882	509,318	623,200	20,669	83,598	104,267
2017-2021	1,461,104	1,628,696	3,089,800	238,461	265,877	504,338
2022-2026	2,030,000	1,047,400	3,077,400	325,000	170,637	495,637
2027-2031	2,460,000	599,400	3,059,400	390,000	99,494	489,494
2032-2033	1,730,000	105,600	1,835,600	280,000	18,052	298,052
Total	\$ 8,954,986	\$ 5,198,014	\$ 14,153,000	\$ 1,403,182	\$ 899,678	\$ 2,302,860

9. RISK MANAGEMENT

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

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

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

10. 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, 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 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$204,219, \$187,713, and \$125,084, 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.

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

Funding Policy - For the fiscal year ended June 30, 2011, 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 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$652,035, \$676,851, and \$646,575, 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, 2011, 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
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$24,728, \$6,756, and \$57,244 respectively, which equaled the required allocations for those years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009 was \$13,142, \$11,163 and \$10,320, 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 or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, 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, 2011, 2010, and 2009 were \$50,157, \$52,065 and \$49,713, respectively, which equaled the required allocations for those years.

11. 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 purchase of textbooks and other instructional materials and an equal amount 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 textbooks and capital maintenance.

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For the Fiscal Year Ended June 30, 2011

	Textbooks	Capital Maintenance
Set-aside reserve balance as of June 30, 2010	\$ (119)	\$ -
Current year set-aside requirement	200,034	200,034
Current year offsets	-	(215,103)
Qualifying disbursements	(150,127)	(289,975)
Totals	49,788	(305,044)
 Set-aside balance carried forward to future fiscal years	 \$ -	 \$ -

The District had qualifying disbursements during the fiscal year that reduced the set-aside amount to \$49,788 for the textbook set-aside. Effective July 1, 2011, the textbook set aside is no longer required as the obligation was repealed by the 129th General Assembly in Amended Substitute House Bill Number 30. This balance is therefore not presented as being carried forward to future fiscal year. 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.

12. JOINTLY GOVERNED ORGANIZATION

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

13. 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
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

14. FUND DEFICITS

As of June 30, 2011, one fund had a deficit fund balance. The deficit balance will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The IDEA Part B grant fund reported a deficit cash balance of \$41,842 on June 30, 2011. The District had a request pending at year-end with the State of Ohio's Department of Education sufficient to cover the amount of this deficit.

15. 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. Litigation

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

Norwayne Local School District
Wayne County

Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
Child and Adult Care Food Program	3L80	10.558	\$ 12,438	\$ -	\$ 12,438	\$ -
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	48,294	-	48,294	-
National School Lunch Program	3L60	10.555	164,518	42,118	164,518	42,118
Total Nutrition Cluster			<u>212,812</u>	<u>42,118</u>	<u>212,812</u>	<u>42,118</u>
Total United States Department of Agriculture			225,250	42,118	225,250	42,118
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I, Part A Cluster						
Title I Grants to Local Educational Agencies	3M00	84.010	187,424	-	187,153	-
ARRA - Title I Grants to Local Educational Agencies	3DK0	84.389	16,135	-	17,659	-
Total Title I, Part A Cluster			<u>203,559</u>	<u>-</u>	<u>204,812</u>	<u>-</u>
Special Education Cluster:						
Special Education_Grants to States	3M20	84.027	213,391	-	255,234	-
ARRA - Special Education Grants to States	3DJ0	84.391	152,359	-	149,058	-
Total Special Education Cluster			<u>365,750</u>	<u>-</u>	<u>404,292</u>	<u>-</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants						
Education Technology State Grants	3S20	84.318	502	-	502	-
Improving Teacher Quality State Grants	3Y60	84.367	49,440	-	49,440	-
Total United States Department of Education			1,091,546	-	1,165,580	-
Total Federal Financial Assistance			<u>\$ 1,316,796</u>	<u>\$ 42,118</u>	<u>\$ 1,390,830</u>	<u>\$ 42,118</u>

N/A - Not Available

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

Norwayne Local School District
Wayne County

Notes to Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -FOOD DISTRIBUTIONS

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

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



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Norwayne Local School District, Wayne County, (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 21, 2011, wherein we noted the School District implemented GASB Statement No.54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Governmental Auditing Standards*.

Internal Control over Financial Reporting

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

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

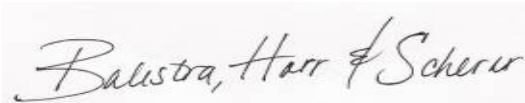
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2011-001.

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

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
October 21, 2011



Balestra, Harr & Scherer, CPAs, Inc.

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

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

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

Compliance

We have audited the compliance of Norwayne Local School District, Wayne County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Norwayne Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, Norwayne Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

Members of the Board of Education
Norwayne Local School District
Report on Compliance with Requirements Applicable to each Major Federal Program and on
Internal Control Over Compliance Required by OMB Circular A-133
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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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



Balestra, Harr & Scherer, CPAs, Inc.
October 21, 2011

Norwayne Local School District
Wayne County, Ohio

Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education Grants to States; CFDA# 84.027 Special Education Grants to States – ARRA; CFDA# 84.391 State Fiscal Stabilization Fund Cluster: State Fiscal Stabilization Fund- ARRA; CFDA# 84.394
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

Norwayne Local School District
Wayne County, Ohio

Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2011

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

FINDING NUMBER 2011-001

Material Noncompliance Citation

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

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

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

Client Response:

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted

Norwayne Local School District
Wayne County, Ohio

Schedule of Prior Audit Findings
OMB Circular A-133 §.315(b)
June 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2010-001	Ohio Revised Code section 117.38 and Ohio Administrative Code Section 117-2-03(B)-Not reporting GAAP	No	Not Corrected. Reissued as finding 2011-001.



Balestra, Harr & Scherer, CPAs, Inc.

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Independent Auditor's Report on Applying Agreed Upon Procedures

Members of the Board of Education
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 (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 violence within a dating relationship within its definition of harassment, intimidation or bullying.

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.

Balestra, Harr & Scherer, CPAs, Inc.

October 21, 2011



Dave Yost • Auditor of State

NORWAYNE LOCAL SCHOOL DISTRICT

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 13, 2011**