

***NORWALK CITY SCHOOL DISTRICT***

**AUDIT REPORT**

**For the Year Ended June 30, 2001**

***Charles E. Harris & Associates, Inc.***  
**Certified Public Accountants**





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

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Board of Education  
Norwalk City School District  
134 Benedict Ave  
Norwalk, Ohio 44857

We have reviewed the Independent Auditor's Report of the Norwalk City School District, Huron County, prepared by Charles E. Harris & Associates, for the audit period July 1, 2000 through June 30, 2001. 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 Norwalk City School District is responsible for compliance with these laws and regulations.

**JIM PETRO**  
Auditor of State

March 5, 2002

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**NORWALK CITY SCHOOL DISTRICT**  
**AUDIT REPORT**  
**For the Year Ended June 30, 2001**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Board of Education  
Norwalk City School District  
Norwalk, Ohio

We have audited the accompanying general purpose financial statements of the Norwalk City School District (the District), as of and for the year ended June 30, 2001 as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2001 and the results of its operations and cash flows of its proprietary fund types and non-expendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 17 to the financial statements, the District adopted Governmental Accounting Standards Board Statements Nos. 33 and 36 for the year ended June 30, 2001.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 28, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the Norwalk City School District taken as a whole. The accompanying schedule of federal awards expenditures is presented for the purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information as been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general purpose financial statements taken as a whole.

**Charles E. Harris & Associates, Inc.**  
January 28, 2002

**NORWALK CITY SCHOOL DISTRICT**

COMBINED BALANCE SHEET  
All Fund Types and Account Groups  
June 30, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
<b>ASSETS</b>									
Equity in pooled cash and investments	\$ 5,820,214	560,332	396,444	6,075,560	147,510	140,965	-	-	13,141,025
Investments in segregated accounts	-	-	-	-	-	31,262	-	-	31,262
Restricted cash and cash equivalents	689,090	-	-	-	-	-	-	-	689,090
Receivables:									
Taxes	7,523,181	-	1,065,190	453,261	-	-	-	-	9,041,632
Accounts	-	-	-	-	804	-	-	-	804
Intergovernmental	1,147	235,273	-	58,301	39,033	-	-	-	333,754
Interest	45,656	866	-	4,470	-	-	-	-	50,992
Gift	-	-	-	1,250,130	-	-	-	-	1,250,130
Interfund receivable	295,917	-	-	-	-	-	-	-	295,917
Prepaid items	14,531	-	-	10,998	-	-	-	-	25,529
Inventory held for resale	-	-	-	-	11,880	-	-	-	11,880
Materials and supplies inventory	8,449	-	-	-	7,943	-	-	-	16,392
Fixed assets (Net, where applicable, of accumulated depreciation)	-	-	-	-	44,357	-	27,861,743	-	27,906,100
Amount available in Debt Service Fund	-	-	-	-	-	-	-	465,044	465,044
Amount to be provided from general government resources	-	-	-	-	-	-	-	16,428,666	16,428,666
<b>Total Assets</b>	<b>\$ 14,398,185</b>	<b>796,471</b>	<b>1,461,634</b>	<b>7,852,720</b>	<b>251,527</b>	<b>172,227</b>	<b>27,861,743</b>	<b>16,893,710</b>	<b>69,688,217</b>

See accompanying notes to the general purpose financial statements

**NORWALK CITY SCHOOL DISTRICT**

COMBINED BALANCE SHEET  
All Fund Types and Account Groups - continued  
June 30, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
<b>LIABILITIES</b>									
Accounts payable	\$ 55,273	53,802	-	-	377	4,031	-	-	113,483
Contracts payable	-	-	-	1,470,861	-	-	-	-	1,470,861
Accrued wages and benefits	1,025,736	111,419	-	-	21,870	-	-	-	1,159,025
Compensated absences payable	-	-	-	-	13,214	-	-	1,294,713	1,307,927
Pension obligation payable	219,022	6,438	-	-	32,200	-	-	89,126	346,786
Interfund payable	-	295,917	-	-	-	-	-	-	295,917
Due to other governments	30,639	4,370	-	11	351	-	-	-	35,371
Deferred revenue	7,183,581	117,251	996,590	1,679,791	11,880	-	-	-	9,989,093
Due to students	-	-	-	-	-	40,306	-	-	40,306
General obligation bonds payable	-	-	-	-	-	-	-	15,509,871	15,509,871
<b>Total Liabilities</b>	<b>\$ 8,514,251</b>	<b>589,197</b>	<b>996,590</b>	<b>3,150,663</b>	<b>79,892</b>	<b>44,337</b>	<b>-</b>	<b>16,893,710</b>	<b>30,268,640</b>
<b>Fund Equity and Other Credits</b>									
Investment in general fixed assets	-	-	-	-	-	-	27,861,743	-	27,861,743
Retained earnings:									
Unreserved	-	-	-	-	171,635	-	-	-	171,635
Fund balance:									
Reserved for encumbrances	\$ 343,941	137,455	-	3,331,894	-	1,023	-	-	3,814,313
Reserved for textbooks	47,344	-	-	-	-	-	-	-	47,344
Reserved for inventory	8,449	-	-	-	-	-	-	-	8,449
Reserved for prepaid items	14,531	-	-	10,998	-	-	-	-	25,529
Reserved for property taxes	339,600	-	68,600	23,600	-	-	-	-	431,800
Reserved for debt service	-	-	396,444	-	-	-	-	-	396,444
Reserved for budget stabilization	641,746	-	-	-	-	-	-	-	641,746
Reserved for scholarships	-	-	-	-	-	91,881	-	-	91,881
Unreserved:									
Undesignated	4,488,323	69,819	-	1,335,565	-	34,986	-	-	5,928,693
<b>Total Fund Equity and Other Credits</b>	<b>5,883,934</b>	<b>207,274</b>	<b>465,044</b>	<b>4,702,057</b>	<b>171,635</b>	<b>127,890</b>	<b>27,861,743</b>	<b>-</b>	<b>39,419,577</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 14,398,185</b>	<b>796,471</b>	<b>1,461,634</b>	<b>7,852,720</b>	<b>251,527</b>	<b>172,227</b>	<b>27,861,743</b>	<b>16,893,710</b>	<b>69,688,217</b>

See accompanying notes to the general purpose financial statements



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**NORWALK CITY SCHOOL DISTRICT**  
 COMBINED STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES  
 All Governmental Fund Types and Similar Trust Fund  
 For the Year Ended June 30, 2001

	Governmental Fund Types				Fiduciary	Total
	General	Special Revenue	Debt Service	Capital Projects	Trust Fund Expendable Trust	(Memorandum Only)
<b>REVENUES:</b>						
Taxes	\$ 7,411,705	-	921,274	397,001	-	8,729,980
Intergovernmental	7,278,775	1,446,012	113,656	223,347	-	9,061,790
Interest	510,029	6,994	-	566,260	683	1,083,966
Extracurricular activities	23,272	97,006	-	-	-	120,278
Classroom Materials and Fees	153,470	243,016	-	-	1,888	398,374
Rentals	7,676	-	-	-	-	7,676
Donations	-	-	-	2,182,381	26,415	2,208,796
Miscellaneous	35,517	180	77	-	1,064	36,838
<b>Total Revenues</b>	<b>15,420,444</b>	<b>1,793,208</b>	<b>1,035,007</b>	<b>3,368,989</b>	<b>30,050</b>	<b>21,647,698</b>
<b>EXPENDITURES:</b>						
Instruction:						
Regular	6,757,173	408,596	-	30,368	64,892	7,261,029
Special	1,914,063	396,123	-	-	-	2,310,186
Vocational	153,012	-	-	-	-	153,012
Adult/Continuing	6,336	33,304	-	-	-	39,640
Other	134,046	-	-	-	-	134,046
Support Services:						
Pupils	549,954	126,699	-	-	-	676,653
Instructional staff	511,621	124,121	-	2,727	-	638,469
Board of education	69,903	-	-	-	-	69,903
Administration	1,389,252	132,891	-	-	1,146	1,523,289
Fiscal	358,805	-	22,732	10,315	-	391,852
Business	11,808	-	-	-	-	11,808
Operation and maintenance of plant	1,200,436	-	-	1,201	-	1,201,637
Pupil transportation	682,315	-	-	-	-	682,315
Central	13,211	3,695	-	-	-	16,906
Operation of non-instructional services	-	549,093	-	-	2,272	551,365
Extracurricular activities	261,656	207,156	-	-	4,500	473,312
Capital outlay	-	-	-	13,272,114	-	13,272,114
Debt Service:						
Principal retirement	-	-	345,000	-	-	345,000
Interest and fiscal charges	-	-	688,626	-	-	688,626
<b>Total Expenditures</b>	<b>14,013,591</b>	<b>1,981,678</b>	<b>1,056,358</b>	<b>13,316,725</b>	<b>72,810</b>	<b>30,441,162</b>
Excess of Revenues Over/(Under) Expenditures	1,406,853	(188,470)	(21,351)	(9,947,736)	(42,760)	(8,793,464)
<b>Other Financing Sources/(Uses):</b>						
Refund of prior year expenditures	5,920	-	-	-	-	5,920
Refund of prior year receipts	-	(1,248)	-	-	-	(1,248)
Transfers in	-	200	-	-	-	200
Transfers out	(500)	-	-	-	-	(500)
<b>Total Other Financing Sources/(Uses)</b>	<b>5,420</b>	<b>(1,048)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,372</b>
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	1,412,273	(189,518)	(21,351)	(9,947,736)	(42,760)	(8,789,092)
Fund Balance/(Deficit) - July 1, as restated, see note 18	4,471,661	396,792	486,395	14,649,793	71,642	20,076,283
<b>Fund Balance/(Deficit) - June 30</b>	<b>\$ 5,883,934</b>	<b>207,274</b>	<b>465,044</b>	<b>4,702,057</b>	<b>28,882</b>	<b>11,287,191</b>

See accompanying notes to the general purpose financial statements

**NORWALK CITY SCHOOL DISTRICT**  
 Combined Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (Budgetary Basis)  
 All Governmental Fund Types and Similar Trust Funds  
 For the Year Ended June 30, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<b><u>REVENUES:</u></b>						
Taxes	\$ 7,390,985	7,390,985	-	-	-	-
Intergovernmental	7,218,921	7,279,678	60,757	2,025,611	1,428,300	(597,311)
Interest	440,233	464,373	24,140	4,000	6,128	2,128
Tuition and fees	159,277	154,251	(5,026)	91,701	105,418	13,717
Extracurricular activities	23,000	23,272	272	245,006	234,604	(10,402)
Rentals	7,676	7,676	-	-	-	-
Donations	-	-	-	-	-	-
Miscellaneous	2,265	39,600	37,335	569	569	-
<b>Total Revenues</b>	<b>15,242,357</b>	<b>15,359,835</b>	<b>117,478</b>	<b>2,366,887</b>	<b>1,775,019</b>	<b>(591,868)</b>
<b><u>EXPENDITURES:</u></b>						
<b>Current:</b>						
Regular instruction	6,913,371	6,828,358	85,013	583,364	421,433	161,931
Special Instruction	1,941,012	1,917,144	23,868	604,865	436,966	167,899
Vocational instruction	161,015	159,035	1,980	-	-	-
Adult/Continuing instruction	6,401	6,322	79	46,620	33,679	12,941
Other instruction	138,068	136,370	1,698	-	-	-
<b>Support Services:</b>						
Pupils	576,030	555,029	21,001	133,772	126,437	7,335
Instructional support	539,488	528,587	10,901	183,029	125,688	57,341
Board of education	82,278	81,347	931	-	-	-
Administration	1,476,750	1,390,822	85,928	168,648	139,075	29,573
Fiscal	369,808	357,177	12,631	-	-	-
Business	104,387	88,414	15,973	-	-	-
Operation and Maintenance of Plant	1,299,815	1,265,790	34,025	200	-	200
Pupil transportation	693,401	682,907	10,494	-	-	-
Central	15,014	14,223	791	10,000	3,687	6,313
Operation of noninstructional services	-	-	-	670,566	597,131	73,435
Extracurricular activities	250,372	253,170	(2,798)	226,291	214,333	11,958
Capital outlay	-	-	-	-	-	-
<b>Debt Service:</b>						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>14,567,210</b>	<b>14,264,695</b>	<b>302,515</b>	<b>2,627,355</b>	<b>2,098,429</b>	<b>528,926</b>
Excess of Revenues Over/ (Under) Expenditures	675,147	1,095,140	419,993	(260,468)	(323,410)	(62,942)
<b><u>Other Financing Sources/(Uses):</u></b>						
Advances in	3,139,978	3,139,978	-	-	295,917	295,917
Advances out	(340,954)	(340,871)	83	(45,024)	(45,024)	-
Transfers out	(500)	(500)	-	-	-	-
Transfers in	-	-	-	200	200	-
Proceeds from sale of fixed assets	1,000	-	(1,000)	-	-	-
Refund of prior year receipts	(500)	-	500	(1,248)	(1,248)	-
Refund of prior year expenditures	25,176	5,920	(19,256)	-	-	-
<b>Total Other Financing Sources/(Uses)</b>	<b>2,824,200</b>	<b>2,804,527</b>	<b>(19,673)</b>	<b>(46,072)</b>	<b>249,845</b>	<b>295,917</b>
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	3,499,347	3,899,667	400,320	(306,540)	(73,565)	232,975
Fund Balance/(Deficit) July 1	1,752,933	1,752,933	-	314,394	314,394	-
Prior year encumbrances appropriated	457,391	457,391	-	165,720	165,720	-
<b>Fund Balance/(Deficit) June 30</b>	<b>\$ 5,709,671</b>	<b>6,109,991</b>	<b>400,320</b>	<b>173,574</b>	<b>406,549</b>	<b>232,975</b>

See accompanying notes to the general purpose financial statements

**NORWALK CITY SCHOOL DISTRICT**  
 Combined Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (Budgetary Basis)  
 All Governmental Fund Types and Similar Trust Funds  
 For the Year Ended June 30, 2001

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<b><u>REVENUES:</u></b>						
Taxes	\$ 949,500	1,027,724	78,224	438,370	454,132	15,762
Intergovernmental	114,000	113,656	(344)	218,749	165,046	(53,703)
Interest	-	-	-	518,000	561,790	43,790
Tuition and fees	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-
Rentals	-	-	-	-	-	-
Donations	-	-	-	3,415,673	2,182,381	(1,233,292)
Miscellaneous	-	77	77	-	-	-
<b>Total Revenues</b>	<b>1,063,500</b>	<b>1,141,457</b>	<b>77,957</b>	<b>4,590,792</b>	<b>3,363,349</b>	<b>(1,227,443)</b>
<b><u>EXPENDITURES:</u></b>						
<b>Current:</b>						
Regular instruction	-	-	-	168,404	53,435	114,969
Special Instruction	-	-	-	-	-	-
Vocational instruction	-	-	-	-	-	-
Adult/Continuing instruction	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-
<b>Support Services:</b>						
Pupils	-	-	-	-	-	-
Instructional support	-	-	-	15,383	2,713	12,670
Board of education	-	-	-	-	-	-
Administration	-	-	-	-	-	-
Fiscal	25,000	22,732	2,268	11,000	10,312	688
Business	-	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	20,858	12,656	8,202
Pupil transportation	-	-	-	-	-	-
Central	-	-	-	-	-	-
Operation of noninstructional services	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-
Capital outlay	-	-	-	16,955,321	17,513,396	(558,075)
<b>Debt Service:</b>						
Principal	345,000	345,000	-	-	-	-
Interest	798,020	688,626	109,394	-	-	-
<b>Total Expenditures</b>	<b>1,168,020</b>	<b>1,056,358</b>	<b>111,662</b>	<b>17,170,966</b>	<b>17,592,512</b>	<b>(421,546)</b>
Excess of Revenues Over/ (Under) Expenditures	(104,520)	85,099	189,619	(12,580,174)	(14,229,163)	(1,648,989)
<b><u>Other Financing Sources/(Uses):</u></b>						
Advances in	-	-	-	-	-	-
Advances out	-	-	-	(3,050,000)	(3,050,000)	-
Transfers out	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Proceeds from the sale of fixed assets	-	-	-	-	-	-
Refund of prior year receipts	-	-	-	-	-	-
Refund of prior year expenditures	-	-	-	-	-	-
<b>Total Other Financing Sources/(Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,050,000)</b>	<b>(3,050,000)</b>	<b>-</b>
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(104,520)	85,099	189,619	(15,630,174)	(17,279,163)	(1,648,989)
Fund Balance/(Deficit) July 1	311,345	311,345	-	1,805,231	1,805,231	-
Prior year encumbrances appropriated	-	-	-	16,930,274	16,930,274	-
Fund Balance/(Deficit) June 30	\$ <u>206,825</u>	<u>396,444</u>	<u>189,619</u>	<u>3,105,331</u>	<u>1,456,342</u>	<u>(1,648,989)</u>

See accompanying notes to the general purpose financial statements

**NORWALK CITY SCHOOL DISTRICT**  
 Combined Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (Budgetary Basis)  
 All Governmental Fund Types and Similar Trust Funds  
 For the Year Ended June 30, 2001

	Expendable Trust Fund			Totals - (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<b><u>REVENUES:</u></b>						
Taxes	-	-	-	8,778,855	8,872,841	93,986
Intergovernmental	-	-	-	9,577,281	8,986,680	(590,601)
Interest	\$ 790	683	(107)	963,023	1,032,974	69,951
Tuition and fees	1,888	1,888	-	252,866	261,557	8,691
Extracurricular activities	-	-	-	268,006	257,876	(10,130)
Rentals	-	-	-	7,676	7,676	-
Donations	1,288	26,415	25,127	3,416,961	2,208,796	(1,208,165)
Miscellaneous	1,064	1,064	-	3,898	41,310	37,412
<b>Total Revenues</b>	<b>5,030</b>	<b>30,050</b>	<b>25,020</b>	<b>23,268,566</b>	<b>21,669,710</b>	<b>(1,598,856)</b>
<b><u>EXPENDITURES:</u></b>						
Current:						
Regular instruction	69,181	64,929	4,252	7,734,320	7,368,155	366,165
Special Instruction	-	-	-	2,545,877	2,354,110	191,767
Vocational instruction	-	-	-	161,015	159,035	1,980
Adult/Continuing instruction	-	-	-	53,021	40,001	13,020
Other instruction	-	-	-	138,068	136,370	1,698
Support Services:						
Pupils	-	-	-	709,802	681,466	28,336
Instructional support	-	-	-	737,900	656,988	80,912
Board of education	-	-	-	82,278	81,347	931
Administration	2,905	1,156	1,749	1,648,303	1,531,053	117,250
Fiscal	-	-	-	405,808	390,221	15,587
Business	-	-	-	104,387	88,414	15,973
Operation and Maintenance of Plant	-	-	-	1,320,873	1,278,446	42,427
Pupil transportation	-	-	-	693,401	682,907	10,494
Other support services	-	-	-	25,014	17,910	7,104
Operation of noninstructional services	4,124	3,248	876	674,690	600,379	74,311
Extracurricular activities	4,500	4,500	-	481,163	472,003	9,160
Capital outlay	-	-	-	16,955,321	17,513,396	(558,075)
Debt Service:						
Principal	-	-	-	345,000	345,000	-
Interest	-	-	-	798,020	688,626	109,394
<b>Total Expenditures</b>	<b>80,710</b>	<b>73,833</b>	<b>6,877</b>	<b>35,614,261</b>	<b>35,085,827</b>	<b>528,434</b>
Excess of Revenues Over/ (Under) Expenditures	(75,680)	(43,783)	31,897	(12,345,695)	(13,416,117)	(1,070,422)
<b><u>Other Financing Sources/(Uses):</u></b>						
Advances in	-	-	-	3,139,978	3,435,895	295,917
Advances out	-	-	-	(3,435,978)	(3,435,895)	83
Transfers out	-	-	-	(500)	(500)	-
Transfers in	-	-	-	200	200	-
Proceeds from the sale of fixed assets	-	-	-	1,000	-	(1,000)
Refund of prior year receipts	-	-	-	(1,748)	(1,248)	500
Refund of prior year expenditures	-	-	-	25,176	5,920	(19,256)
<b>Total Other Financing Sources/(Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(271,872)</b>	<b>4,372</b>	<b>276,244</b>
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(75,680)	(43,783)	(31,897)	(12,617,567)	(13,411,745)	(794,178)
Fund Balance/(Deficit) July 1	50,900	50,900	-	4,234,803	4,234,803	-
Prior year encumbrances appropriated	20,743	20,743	-	17,574,128	17,574,128	-
Fund Balance/(Deficit) June 30	\$ <u>(4,037)</u>	<u>27,860</u>	<u>(31,897)</u>	<u>9,191,364</u>	<u>8,397,186</u>	<u>(794,178)</u>

See accompanying notes to the general purpose financial statements

**NORWALK CITY SCHOOL DISTRICT**  
 COMBINED STATEMENT OF REVENUES,  
 EXPENSES, AND CHANGES IN FUND EQUITY  
 All Proprietary Fund Types and Similar Trust Fund  
 For the Year Ended June 30, 2001

	Proprietary Fund Type	Fiduciary Fund Type	Total
	Enterprise	Non-Expendable Trust	(Memorandum Only)
<b><u>Operating revenues:</u></b>			
Food services	\$ 338,412	-	338,412
Tuition and Fees	32,457	-	32,457
Interest	-	2,297	2,297
Other operating revenues	-	172	172
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	370,869	2,469	373,338
<b><u>Operating expenses:</u></b>			
Salaries	161,137	-	161,137
Fringe benefits	52,684	-	52,684
Purchased services	17,466	-	17,466
Materials and supplies	370,683	-	370,683
Depreciation expense	3,154	-	3,154
Other expenses	1,969	1,700	3,669
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	607,093	1,700	608,793
Operating Income/(Loss)	(236,224)	769	(235,455)
<b><u>Nonoperating revenues/(expenses):</u></b>			
Federally donated commodities	71,043	-	71,043
Intergovernmental	260,847	-	260,847
Interest	2,090	-	2,090
	<hr/>	<hr/>	<hr/>
Total Nonoperating revenues/(expenses)	333,980	-	333,980
Net income before operating transfers	97,756	769	98,525
Transfers out	(75)	-	(75)
Net Income/(Loss)	97,681	769	98,450
Fund Equity at Beginning of Year, as restated, See note 18	<hr/>	<hr/>	<hr/>
Total Fund Equity at End of Year	\$ 171,635	99,008	270,643

See accompanying notes to the general purpose financial statements

**NORWALK CITY SCHOOL DISTRICT**  
**COMBINED STATEMENT OF CHANGES IN CASH FLOWS**  
All Proprietary Fund Types and Similar Trust Fund  
For the Year Ended June 30, 2001

	<u>Proprietary Fund Type</u>	<u>Fudiciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Non- Expendable Trust</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 370,097	-	\$ 370,097
Cash Received from Interest Income (Nonexpendable Trust Fund Only)	-	\$ 2,297	2,297
Cash Payments to Suppliers for Goods and Services	(301,970)	-	(301,970)
Cash Payments to Employees for Services	(156,141)	-	(156,141)
Cash Payments for Employees Benefits	(52,720)	-	(52,720)
Cash Received from Other Sources	-	172	172
Cash Payments for Miscellaneous	(1,969)	(1,700)	(3,669)
Net Cash Provided By (Used for) Operating Activities	<u>(142,703)</u>	<u>769</u>	<u>(141,934)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Operating Grants Received	255,069	-	255,069
Transfers out	(75)	-	(75)
Net Cash Provided by (Used by) Non-Capital Financing Activities	<u>254,994</u>	<u>-</u>	<u>254,994</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Capital Acquisitions	<u>(7,975)</u>	-	<u>(7,975)</u>
Net Cash Provided by (Used by) Capital and Related Activities	<u>(7,975)</u>	<u>-</u>	<u>(7,975)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on Investments	<u>2,090</u>	-	<u>2,090</u>
Net Cash Provided by (Used by) Investing Activities	<u>2,090</u>	<u>-</u>	<u>2,090</u>
Net Increase (Decrease) in Cash and Cash Equivalents	106,406	769	107,175
Cash and Cash Equivalents at Beginning of Year	<u>41,104</u>	<u>66,977</u>	<u>108,081</u>
Cash and Cash Equivalents at End of Year	<u>\$ 147,510</u>	<u>\$ 67,746</u>	<u>\$ 215,256</u>

<b>Reconciliation of Operating Income (Loss) to</b>			
<b>Net Cash Provided by (Used by) Operating Activities:</b>			
Operating Income (Loss)	\$ (236,224)	\$ 769	\$ (235,455)

<b>Adjustments to Reconcile Operating Income (Loss) to</b>			
<b>Net Cash Provided by (Used by) Operating Activities:</b>			
Depreciation	3,154	-	3,154
Donated Commodities Used During Year	71,043	-	71,043
(Increase)/Decrease in Assets:			
Accounts Receivable	(772)	-	(772)
Inventory Held for Resale	5,506	-	5,506
Materials and Supplies Inventory	2,636	-	2,636
Increase/(Decrease) in Liabilities:			
Accounts Payable	48	-	48
Accrued Wages and Benefits	(2,721)	-	(2,721)
Compensated Absences Payable	(2,100)	-	(2,100)
Pension Obligation Payable	32,200	-	32,200
Deferred Revenue	6,946	-	6,946
Due to Other Governments	(22,419)	-	(22,419)
Net Cash Provided By (Used for) Operating Activities	<u>\$ (142,703)</u>	<u>\$ 769</u>	<u>\$ (141,934)</u>

A reconciliation of the Non-expendable trust cash and cash equivalents above to the balance sheet is as follows:

Non-expendable trust fund	\$ 67,746
Expendable trust fund	28,942
Agency fund	<u>44,277</u>
Total cash and cash equivalents	<u>\$ 140,965</u>

See accompanying notes to the general purpose financial statements

***NORWALK CITY SCHOOL DISTRICT***  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2001

NOTE 1      NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Norwalk City School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.04 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2000, was 2,727. The District employs 193 certificated and 82 non-certificated employees.

The reporting entity is required to be composed 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 Norwalk City School District, this includes general operations, food service, and student related activities of the District.

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 organizations' 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 obligated or has otherwise assumed the responsibility to finance the deficits of or provided 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. The District has no component units. Management believes the financial statements included in the report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

Parochial Schools - Within the District boundaries, the St. Marys Elementary, St. Paul Elementary and the St. Paul High School are operated through the Toledo Catholic Diocese. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools.

NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus, Basis of Accounting, and Basis of Presentation

The accounts of Norwalk City School District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types."



**NORWALK CITY SCHOOL DISTRICT**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2001

NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Measurement Focus, Basis of Accounting, and Basis of Presentation - (continued)

Governmental Fund Types

Governmental fund types are used for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

*Revenue – Exchange and Non-exchange Transactions:*

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

*Expenditures:*

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurements focus of governmental fund is on decreases in financial resources. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

**NORWALK CITY SCHOOL DISTRICT**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2001

NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Measurement Focus, Basis of Accounting, and Basis of Presentation (continued)

General Fund - used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditure for specified purposes.

Debt Service Fund - used to account for the accumulation of resources for the payment of interest and principal on long-term debt obligations other than those payable from enterprise funds.

Capital Projects Fund - used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary or trust funds.

Proprietary Fund Types

Proprietary fund types are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the Board of Education has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations unless they contradict/conflict with GASB pronouncements. Proprietary funds include the following fund types:

Enterprise Funds - used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types

Fiduciary fund types account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary fund types are as follows:

Expendable Trust Fund - accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting.

**NORWALK CITY SCHOOL DISTRICT**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2001

NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Measurement Focus, Basis of Accounting, and Basis of Presentation (continued)

Non-Expendable Trust Fund - is an account for endowment-like trust arrangements, accounted for much like a proprietary fund.

Agency Fund - custodial in nature and do not present results of operations or have a measurement focus. Agency Funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

Account Groups

The District maintains two account groups as described below:

General Fixed Assets Account Group - used to account for fixed assets acquired principally for general purposes other than those accounted for in proprietary or trust funds.

General Long-term Debt Account Group - used to account for the outstanding principal balances of general obligation bonds and other long-term debt not reported in proprietary funds.

B.      DEPOSITS AND INVESTMENTS

For purposes of the statement of cash flows, the District considered all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Investment income is recorded in the general fund, as permitted by the Ohio Revised Code. Investments are stated at cost which approximates fair value at year-end. Cash deposits are reported as carrying amount, which reasonably estimates fair value.

The District has also invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 27 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Under existing Ohio statutes, all investments earnings accrue to the general fund except those specifically related to agency Funds, the food service fund, certain trust funds and those funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balances. Interest income earned in fiscal 2001 for all funds (excluding Agency fund operations) totaled \$1,088,353.

***NORWALK CITY SCHOOL DISTRICT***  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2001

NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B.      DEPOSITS AND INVESTMENTS (continued)

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

C.      RESTRICTED CASH

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve can be used only after receiving approval from the Board of Education. The textbook reserve can only be used for instructional materials. During fiscal year 2001, the District set aside the required amounts required by state statute. Fund balance reserves have also been established.

D.      RECEIVABLES

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

E.      INVENTORIES AND SUPPLIES

The costs of inventory items are recognized as expenditures when purchased in the governmental funds and recognized as expenses when used in the enterprise funds. For all funds, cost is determined on a first-in, first-out basis.

Reported inventories in the governmental fund types are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

F.      PREPAID EXPENSES

The District uses the consumption method to account for prepaid expenses. Under the consumption method the prepaid items are recorded as an expenditure when used.

G.      FIXED ASSETS AND DEPRECIATION

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets. The District does not possess any infrastructure.

***NORWALK CITY SCHOOL DISTRICT***  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2001

NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G.      FIXED ASSETS AND DEPRECIATION (continued)

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on the estimated life of assets. Estimated useful lives of depreciable equipment is 5 to 20 years.

H.      LONG-TERM LIABILITIES

Unmatured general long-term liabilities, which are related to governmental fund type operations, are reflected in the general long-term debt account group.

I.      UNPAID COMPENSATED ABSENCES

The entire estimated amount of unpaid compensated absences, including sick pay and vacation pay, of the proprietary type funds is reflected as a liability in the respective funds. The portion of unpaid compensated absences related to governmental fund type operations is reflected in the general long-term debt account group.

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

J.      FUND EQUITY

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, prepaid items, debt service, textbooks, inventory, scholarships, and the budget stabilization reserve. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

K.      INTERGOVERNMENTAL REVENUES

In governmental funds, entitlement and non-reimbursable grants are recorded as revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred and funding is available. Grants for proprietary fund operations are recognized as revenue when measurable and earned.

**NORWALK CITY SCHOOL DISTRICT**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2001

NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L.      INTERFUND TRANSACTIONS

During the course of normal operations the District has numerous transactions between funds. The most significant include:

1.      Routine transfers of resources from one fund to another fund through which transactions resources to be expended are recorded as operating transfers.
2.      Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund.
3.      Short-term interfund loans are reflected as interfund loans payable/receivable, while long term interfund loans (greater than one year in length) are recorded as advances to/from other funds. The District has no long term advances as of June 30, 2001.

M.      TOTAL COLUMNS

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

N.      BUDGETARY PROCESS

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 appropriations 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 required to be budgeted and appropriated. The primary level of budgetary control is at the function level within each fund. Budgetary modifications may only be made by resolution of the Board of Education.

Tax Budget

A budget of estimated revenue and expenditures is submitted to the Huron County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

**NORWALK CITY SCHOOL DISTRICT**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2001

NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N.      BUDGETARY PROCESS (continued)

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states that projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - All Governmental Fund Types and Similar Trust Funds" do not include July 1, 2000 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the fund, function level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Charges in Fund Balances - Budget and Actual (Budgetary Basis) - All Governmental Fund Types and Similar Trust Funds" represent the final appropriation amounts including all amendments and modifications.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**NORWALK CITY SCHOOL DISTRICT**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2001

NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N.      BUDGETARY PROCESS (continued)

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the Non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balance for subsequent-year expenditures.

Budgetary Reporting

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - All Governmental Fund Types and Similar Trust Funds" is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles (GAAP Basis) are that:

- 1.) Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis).
- 2.) Expenditures are recorded when paid or encumbered (budget basis) rather than when the liability is incurred (GAAP basis).
- 3.) Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as a note disclosure in the proprietary fund type (GAAP basis).

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental funds follow:



**NORWALK CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2001

NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N.      BUDGETARY PROCESS (continued)

<u>Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)</u>					
<u>Reconciliation of Budget Basis to GAAP Basis</u>					
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Expendable Trust Fund
Budget Basis	\$ 3,899,667	\$ (73,565)	\$ 85,099	\$ (17,279,163)	\$ (43,783)
Adjustments, increase (decrease)					
Revenue accruals	(3,079,369)	(277,728)	(106,450)	5,640	0
Expenditure accruals	192,761	3,579	0	2,701,494	(60)
Encumbrances	399,214	158,196	0	4,624,293	1,083
GAAP basis, as reported	<u>\$ 1,412,273</u>	<u>\$ (189,518)</u>	<u>\$ (21,351)</u>	<u>\$ (9,947,736)</u>	<u>\$ (42,760)</u>

NOTE 3      DEPOSITS AND INVESTMENTS

The Norwalk City School District maintains a cash and investment pool used by various funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Equivalents."

A. LEGAL REQUIREMENTS

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

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

Interim monies can be deposited or invested in the following securities:

**NORWALK CITY SCHOOL DISTRICT**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2001

NOTE 3      DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

- (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 and interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuance's of federal government agencies or instrumentalities;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasurer's investments pool (STAR Ohio);
- (7) Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
- (8) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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.

**NORWALK CITY SCHOOL DISTRICT**  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2001

NOTE 3      DEPOSITS AND INVESTMENTS (continued)

B. DEPOSITS AND CASH

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments Including Repurchase Agreements), and Reverse Repurchase Agreements."

At June 30, 2001, the District had \$3,600 of petty cash on hand.

At year-end, the carrying amount of the Norwalk City School District deposits was \$3,933,442, and the bank balance was \$5,109,340, \$300,000 of which was covered by federal depository insurance. \$4,809,340 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to successful claim by the FDIC.

C. INVESTMENTS

GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the District's investments to be categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the District's name.

Statutory provisions require that all securities acquired by the District be held by the District treasurer or deposited with a qualified trustee. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counterpart is a designated depository of the District for the current period of designation of depositories, in which case the securities may be held in trust by the depository. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category</u>			<u>Carrying value</u>	<u>Fair value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Donated Stocks	0	\$ 31,262	0	\$ 31,262	\$ 31,262
Repurchase Agreements	0	0	\$ 3,522,908	3,522,908	3,522,908
Star Ohio	0	<u>0</u>	<u>0</u>	<u>6,370,165</u>	<u>6,370,165</u>
Total		<u>\$ 31,262</u>	<u>\$ 3,522,908</u>	<u>\$9,924,335</u>	<u>\$9,924,335</u>

**NORWALK CITY SCHOOL DISTRICT**  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2001

NOTE 3      DEPOSITS AND INVESTMENTS (continued)

C. INVESTMENTS (continued)

The classification of cash and cash equivalents and investments on the general purpose financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and cash equivalents, and investments on the general purpose financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalent/Deposits</u>	<u>Investments</u>
<i>GASB Statement 9</i>	\$ 10,123,525	\$ 3,737,852
Petty cash	(3,600)	
Reclassifications:		
CD's over 90 days	3,706,590	(3,706,590)
Repurchase Agreement	(3,522,908)	3,522,908
Star Ohio	<u>(6,370,165)</u>	<u>6,370,165</u>
<i>GASB Statement 3</i>	<u>\$ 3,933,442</u>	<u>\$ 9,924,335</u>

NOTE 4      INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's operating transfers for fiscal year 2001:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$ (500)
Special Revenue	200	0
Enterprise	0	(75)
Agency Funds	<u>375</u>	<u>0</u>
Total	<u>\$ 575</u>	<u>\$ (575)</u>

**NORWALK CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2001

NOTE 4      INTERFUND TRANSACTIONS (continued)

The following is a summarized breakdown of the District's interfund receivables and payables for fiscal year 2001:

	Interfund Receivable	Interfund Payable
General Fund	\$ 295,917	\$ 0
Special Revenue	0	(295,917)
Total	\$ 295,917	\$ (295,917)

NOTE 5      FIXED ASSETS

A. GENERAL FIXED ASSETS ACCOUNT GROUP

The changes in general fixed assets during the year consisted of:

	Balance July 1, 2000	Additions	Disposals	Balance June 30, 2001
Land and improvements	\$ 634,160	\$ 175,222	\$ 0	\$ 809,382
Buildings	3,554,945	176,564	0	3,731,509
Furniture and Equipment	3,217,484	93,397	0	3,310,881
Educational media	927,483	238,162	0	1,165,645
Vehicles	892,881	188,688	(83,134)	998,435
Construction in Progress	3,472,225	14,373,666	0	17,845,891
	\$ 12,699,178	\$ 15,245,699	\$ (83,134)	\$ 27,861,743

B. PROPRIETARY FUND TYPE FIXED ASSETS

Proprietary fund type fixed assets and accumulated depreciation at year-end consisted of:

	Balance June 30, 2001
Enterprise	
Equipment	\$ 221,304
Less: accumulated depreciation	176,947
Net fixed assets	\$ 44,357

**NORWALK CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2001

**NOTE 6      GENERAL LONG-TERM OBLIGATIONS**

All bonds outstanding are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Debt Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund.

	Outstanding June 30, 2000	Additions	Deductions	Outstanding June 30, 2001
Compensated absences	\$ 1,287,436	\$ 7,277	\$ 0	\$ 1,294,713
Pension obligation payable	76,075	89,126	76,075	89,126
General obligation bond payable	15,854,871	0	345,000	15,509,871
	\$ 17,218,382	\$ 96,403	\$ 421,075	\$ 16,893,710

The District's future annual debt service requirements for bonded debt is as follows:

Year ending June 30	Principal Paid On General Obligation Bonds	Interest Paid On General Obligation Bonds	Total
2002	\$ 460,000	\$ 675,430	\$ 1,135,430
2003	475,000	659,528	1,134,528
2004	490,000	642,396	1,132,396
2005	440,000	777,990	1,217,990
2006	149,891	933,779	1,083,670
2007-2011	1,659,980	3,510,842	5,170,822
2012-2016	2,810,000	2,482,971	5,292,971
2017-2021	3,540,000	1,738,501	5,278,501
2022-2026	4,460,000	792,777	5,252,777
2027	1,025,000	24,334	1,049,334
Totals	\$ 15,509,871	\$ 12,238,548	\$ 27,748,419

**NOTE 7      PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. The Huron County Treasurer is responsible for assessing and remitting these property taxes to the District.

**NORWALK CITY SCHOOL DISTRICT**  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2001

NOTE 7      PROPERTY TAXES (continued)

Real property taxes are based on assessed value equal to thirty-five percent of appraisal value. The Huron County Treasurer reappraises real property every six years with a triennial update; the last update for Huron County was 1998. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, in Huron County, real property taxes are billed semi-annually, one year in arrears. The tax rate applied to real property collected in 2000 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$44.65 per \$1,000 of valuation for Huron County. The effective rate applied after adjustment for inflationary increases in property values was \$25.34 per \$1,000 of assessed valuation for residential and agricultural real property, and \$26.36 per \$1,000 of assessed valuation for other real property.

Tangible personal property used in business is required to be reported by its owners by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the current year ended December 31, 2000 was \$44.65 per \$1,000 of valuation.

The property valuation upon which fiscal year 2001 taxes were collected consisted of:

	1999	2000
Real Property		
Residential/Agricultural	\$ 158,166,380	\$ 192,558,190
Commercial/Agricultural	47,291,290	49,869,940
Public Utilities	41,850	29,270
Tangible Personal Property		
General	37,315,140	40,070,100
Public Utilities	<u>12,186,060</u>	<u>11,602,020</u>
Total valuation	<u>\$ 255,000,720</u>	<u>\$ 294,129,520</u>

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2001, was \$339,600 in the General Fund, \$68,600 in the Debt Service Fund and \$23,600 in the Capital Projects Fund.

**NORWALK CITY SCHOOL DISTRICT**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2001

NOTE 8      DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The Norwalk City School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School employees Retirement Board. SERS provides basic retirement benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the Norwalk City School District is required to contribute an actuarially determined rate of 14%. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions to SERS for the years ending June 30, 2001, 2000, 1999 were \$232,804, \$208,488, and \$217,268, respectively; 45.0 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$127,926 represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

The Norwalk City School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Plan members are required to contribute 9.3% of their annual covered salary and the Norwalk City School District is required to contribute 14%. 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to STRS for the years ending June 30, 2001, 2000, and 1999 were \$1,117,440, \$1,091,028, and \$1,027,236 respectively, 83.3 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$186,660 represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.



**NORWALK CITY SCHOOL DISTRICT**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2001

NOTE 9      POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's contribution is allocated to providing health care benefits. At June 30, 2001, the allocation rate was 9.80%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2001, the minimum pay has been established as \$12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits was \$315.7 million, at cost. The number of participants currently receiving health care benefits is approximately 50,000. The portion employer contributions that were used to fund postemployment benefits was \$174,489.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. All benefit recipient and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll.

The Board currently allocates employer contributions to the Health Care Reserve Fund from which payments for health care benefits are paid. For the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion at June 30, 2001. For the year ended June 30, 2001, the net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

**NORWALK CITY SCHOOL DISTRICT**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2001

NOTE 10      SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains enterprise funds to account for the operation of school food service and uniform school supplies. Segment information related to these follows:

	<u>Food Services</u>	<u>Uniform Supplies</u>	<u>Total</u>
Operating Revenues	\$ 338,412	\$ 32,457	\$ 370,869
Operating expenses:			
Salaries and wages	161,137	0	161,137
Fringe benefits	52,684	0	52,684
Purchased services	17,466	0	17,466
Materials and supplies	338,281	32,402	370,683
Depreciation	3,154	0	3,154
Other operating expenses	<u>1,969</u>	<u>0</u>	<u>1,969</u>
Total operating expenses	<u>574,691</u>	<u>32,402</u>	<u>607,093</u>
Operating income (loss)	(236,279)	55	(236,224)
Non-operating revenues, net	333,980	0	333,980
Transfers out	<u>0</u>	<u>(75)</u>	<u>(75)</u>
Net income (loss)	<u>\$ 97,701</u>	<u>\$ (20)</u>	<u>\$ 97,681</u>
Other information:			
Net working capital	<u>\$ 125,831</u>	<u>\$ 14,661</u>	<u>\$ 140,492</u>
Fixed assets, net	<u>\$ 44,357</u>	<u>\$ 0</u>	<u>\$ 44,357</u>
Total assets	<u>\$ 236,866</u>	<u>\$ 14,661</u>	<u>\$ 251,527</u>
Total equity	<u>\$ 156,974</u>	<u>\$ 14,661</u>	<u>\$ 171,635</u>

NOTE 11      JOINTLY GOVERNED ORGANIZATIONS

Related Organizations

Norwalk Public Library

The District is not involved in budgeting or management of the Norwalk Public Library facilities, nor does it subsidize or finance the operation of the library. The selection of directors and budget approval is conducted merely to comply with state code requirements.

**NORWALK CITY SCHOOL DISTRICT**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2001

NOTE 11      JOINTLY GOVERNED ORGANIZATIONS (continued)

*Jointly Governed Organizations*

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of government are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each school district. The Board of Directors of the BACG consists of one elected representative from each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent.)

Members of the Board serve two-year terms which are staggered. Financial information can be obtained by contacting Betty Schwiefert, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

*Joint Venture Without Equity Interest:*

Northern Ohio Educational Computer Association (NOECA)

NOECA is a joint venture among 38 school districts. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidation's in a ratio proportionate to their last twelve months' financial contributions. NOECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have an equity interest in NOECA because the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained by contacting NOECA at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

***NORWALK CITY SCHOOL DISTRICT***  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2001

NOTE 12      RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In October, 1981, the District joined together with thirteen other school districts in two counties to form the Huron-Erie School Employees Insurance Association (HESEIA), a public entity risk pool currently operating as a common risk management and insurance program. The District pays an annual premium to the pool for its general insurance coverage. The risk of loss transfers entirely from the District to HESEIA. The Agreement for Formation of the HESEIA provides that the HESEIA will be self-sustaining through member premiums and will reinsure through commercial coverage for claims in excess of \$200,000 pooling level per year. There were no significant reductions in insurance coverage from the prior year. Also, covered claims have not exceeded coverage in any of the past three years.

OSBA WORKERS' COMPENSATION GROUP RATING

The District is a member of the OSBA Workers' Compensation Group Rating Program established in April 1991. The program was created by the Ohio School Boards Association as a result of the Workers' Compensation group rating plan as defined in 4123.29, Ohio Revised Code. The group rating plan will allow school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

NOTE 13      SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school district that is used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of the date of these statements, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

***NORWALK CITY SCHOOL DISTRICT***  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2001

NOTE 13      SCHOOL FUNDING DECISION (continued)

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

NOTE 14      GIFT RECEIVABLE

The District is in the process of constructing a new high school, razing the James E. Cole portion of the existing high school, renovating and improving existing school buildings and facilities to the extent possible within available resources, finishing and equipping the same, including technology for instructional purposes, and improving the sites thereof. The District has issued and received bond proceeds of \$16,244,870 in conjunction with the project. The District has awarded contracts and is currently in the construction phase of the project. The total estimated cost for the project is \$21,003,353, including a performing arts center. The John F. and Doris E. Ernsthansen Foundation, a charitable foundation located in Norwalk, recently made a gift of \$3,800,000 for a performing arts center at the new high school to be built apart of the project. Construction for the performing arts center has begun with the District receiving monthly draws from the charitable foundation as construction costs are incurred. The remaining amount of the gift, \$1,250,130 was accrued as a receivable and recorded as deferred revenue in the capital projects fund (in accordance with gift agreement) as of June 30, 2001. Gift revenue has been recorded in the line item labeled "Donations" in the capital projects fund.

NOTE 15      CONTINGENCIES

As of June 30, 2000, the School district's significant contractual purchase commitments for the construction projects are as follows:

<u>Company</u>	<u>Amount Remaining</u>
Marr Knapp Crawfis	\$ 80,454
Adena Corporation	1,919,238
Waller Duman	538,732
Service Supply Ltd.	186,994
S.A. Communale Co.	67,032
Bay Mechanical	844,426
Steingass Mechanical	87,117
Norstan Communications	77,278
Tiffin Scenic Studios	178,518
Breckenridge Kitchens	138,607
Bowling Green	77,846
Award America	7,500
Durable Corporation	2,500
Frey Scientist Co.	24,391
Technical Software	3,990
Advance Computer	304,644
Liberty Excavation	25,630
Total	<u>\$ 4,564,897</u>

**NORWALK CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2001

**NOTE 16      STATUTORY RESERVES**

The District is required by State statute 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set aside amounts for textbooks, capital acquisition and the budget reserve. Disclosure of this information is required by State statute. The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero. These extra amounts may be used to reduce the set-aside requirements of future years. Negative amounts, however, are not presented as being carried forward to the next fiscal year.

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Set-Aside Cash Balance as of June 30, 2000	\$ 113,446	\$ 0	\$ 534,901	\$ 648,347
Current Year Set-Aside Requirement	385,078	385,048	106,845	876,971
Qualifying Disbursements and Offsets	<u>(451,180)</u>	<u>(498,034)</u>	<u>0</u>	<u>(949,214)</u>
Totals June 30, 2001	<u>\$ 47,344</u>	<u>\$ (112,986)</u>	<u>\$ 641,746</u>	<u>\$ 576,104</u>
Cash Balance Carried Forward FY 2002	<u>\$ 47,344</u>	<u>\$ 0</u>	<u>\$ 641,746</u>	<u>\$ 689,090</u>
Amount Restricted for Budget Stabilization				<u>\$ 641,746</u>
Total Restricted Assets				<u>\$ 689,060</u>

**NOTE 17      CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year ending June 30, 2001, the District has adopted the new accounting provision GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The District has also adopted the new provision GASB 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*. The implementation of GASB's 33 and 36 had no effect on fund balance as it was previously reported as of June 30, 2000.

**NORWALK CITY SCHOOL DISTRICT**  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2001

NOTE 18      PRIOR PERIOD ADJUSTMENTS

Misstatements in the prior audit caused the following changes to the prior year fund balance:

	Non-expendable Trust	General Fund
Fund balance, as stated June 30, 2000	\$ 66,977	\$ 5,922,661
Restatements	31,262 a	(1,451,000) b
Fund balance, restated July 1, 2000	\$ 98,239	\$ 4,471,661

a = Due to the omission of donated stocks in the prior year.

b = Due to a miscalculation in the taxes receivable estimation in the prior year.

NOTE 19      ACCOUNTABILITY AND COMPLIANCE

Expenditures and Encumbrances Exceed Appropriations

Section 5705.41 (D), Revised Code, requires that encumbrances be charged against proper appropriations. Section 5705.41 (B), Revised Code, prohibits the District from making expenditure unless it has been properly appropriated. The following fund/function lines were found to have expenditures plus encumbrances exceeding appropriations.

- General Fund
  - Extracurricular Activities
- Title VI Fund
  - Regular Instruction
- Building Fund
  - Capital Outlay

In addition, Auditor of State Audit Bulletin 97-010 requires that budgetary compliance be tested to the legal level of control throughout the fiscal period under audit as well as fiscal year end. It was noted that expenditures plus encumbrances exceeded appropriations in the General Fund, Board of Education line item at March 31, 2001.

**NORWALK CITY SCHOOL DISTRICT**  
**Schedule of Federal Awards Expenditures**  
**June 30, 2001**

Federal Grantor/Pass Through Grantor Number/Program Title	Pass Through Entity Number	CFDA Number	Federal Receipts	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>				
<i>Pass through State Department of Education:</i>				
Nutrition Cluster:				
Government Donated Foods (Note 2)	n/a	10.550	\$ 71,043	\$ 71,043
National School Lunch Program	044560-LL-P1/P4-0000	10.555	206,208	206,208
National School Breakfast Program	044560-05-PU-0000	10.553	<u>34,105</u>	<u>34,105</u>
<i>Total U.S. Department of Agriculture - Nutrition Cluster</i>			311,356	311,356
<b><u>U.S. Department of Education</u></b>				
<i>Pass through State Department of Education:</i>				
Special Education Cluster:				
Title VI-B	044560-6B-SF-00/01	84.027	76,806	184,310
Preschool Handicapped	044560-PG-S1-00/01	84.173	<u>28,027</u>	<u>23,686</u>
Total Special Education Cluster			104,833	207,996
Able	044560-AB-S1-00/01	84.002	<u>90,137</u>	<u>75,813</u>
Total Able Grant			90,137	75,813
Eisenhower Grant	044560-MS-S1-99/00/01	84.281	<u>8,888</u>	<u>3,609</u>
Total Eisenhower Grant			8,888	3,609
Title I	044560-C1-S1-00/01	84.010	<u>179,106</u>	<u>301,049</u>
Total Title I			179,106	301,049
Title VI	044560-C2-S1-99/00/01	84.298	<u>3,082</u>	<u>2,975</u>
Total Title VI			3,082	2,975
Drug Free	044560-DR-S1-00/01	84.186	<u>16,620</u>	<u>25,078</u>
Total Drug Free			16,620	25,078
High Schools that Work	044560-G2-S6-2001	84.xxx	<u>12,000</u>	<u>4,817</u>
Total High Schools that Work			12,000	4,817
Technology Literacy	044560-TF-41/42-2001	84.318	<u>200,000</u>	<u>167,390</u>
Total Technology Literacy			200,000	167,390
Title VI-R	044560-CR-S1-2001	84.340	<u>16,614</u>	<u>50,258</u>
Total Title VI-R			16,614	50,258
<i>Total Passed Through Ohio Dept of Ed.</i>			<u>631,280</u>	<u>838,985</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 942,636</u>	<u>\$ 1,150,341</u>

See the Accompanying Notes to the Schedule of Federal Awards Expenditures



**NORWALK CITY SCHOOL DISTRICT**  
**Notes to the Schedule of Federal Awards Expenditures**  
**For the Year Ended June 30, 2001**

1. **Significant Accounting Policies**

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

2. **Food Distribution**

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had commodities in food service inventory.

**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Education  
Norwalk City School District  
Norwalk, Ohio

We have audited the general purpose financial statements of the Norwalk City School District as of and for the year ended June 30, 2001, and have issued our report thereon dated January 28, 2002 wherein we noted the District adopted Governmental Accounting Standards Board Statements Nos. 33 and 36 for the year ended June 30, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated January 28, 2002.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated January 28, 2002.

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

*Charles E. Harris & Associates, Inc.*  
January 28, 2002

*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

Rockefeller Building  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Nowalk City School District  
Norwalk, Ohio

**Compliance**

We have audited the compliance of the Norwalk City School District with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

**Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.**

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

***Charles E. Harris & Associates, Inc.***  
**January 28, 2002**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505**

**NORWALK CITY SCHOOL DISTRICT  
HURON COUNTY  
June 30, 2001**

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

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Title 1 CFDA #84.010 Nutrition Cluster: Donated Commodities CFDA #10.550 School Lunch CFDA #10.555 School Breakfast CFDA #10.553
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)**  
**OMB CIRCULAR A-133 SECTION .505**

**NORWALK CITY SCHOOL DISTRICT**  
**HURON COUNTY**  
**June 30, 2001**

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

## **STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS**

The prior audit report, for the period ending June 30, 2000, included no material citations or recommendations.



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STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**NORWALK CITY SCHOOL DISTRICT**

**HURON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 14, 2002**