

Norton City School District

* * * *

Report Letters

June 30, 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
Norton City School District

We have reviewed the Independent Auditor's Report of the Norton City School District, Summit County, prepared by Rea & Associates, Inc. for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 25, 2005

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NORTON CITY SCHOOL DISTRICT

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

February 15, 2005

The Board of Education
Norton City School District
4128 Cleveland-Massillon Road
Norton, Ohio 44203-5697

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining information of Norton City School District as of and for the year ended June 30, 2004, and have issued our report thereon dated February 15, 2005, which collectively comprise Norton City School District basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Norton City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 reportable 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 caused by error or fraud 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 management of Norton City School District in a separate letter dated February 15, 2005.

Compliance and Other Matters

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

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

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

February 15, 2005

The Board of Education
Norton City School District
4128 Cleveland-Massillon Road
Norton, Ohio 44203-5697

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

Compliance

We have audited the compliance of Norton City School District with the types of compliance requirements described in the 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, 2004. Norton City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Norton City School District's management. Our responsibility is to express an opinion on Norton City School District's compliance based on our audit.

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

In our opinion, Norton City School 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, 2004.

Internal Control Over Compliance

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

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 reportable 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 caused by error or fraud 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.

Schedule of Expenditures of Federal Awards – Non GAAP Budgetary Basis

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norton City School District as of and for the year ended June 30, 2004, and have issued our report thereon dated February 15, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of Norton City School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Rea & Associates, Inc.

NORTON CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
U. S. Department of Education (Passed Through Ohio Department of Education):					
Title I	84.010	C1-S1-2004	\$ 199,892	\$ 192,052	\$ 0
Title I	84.010	C1-S1-2003	0	411	0
Title I-D	84.010	C1-SD-2004	16,616	16,116	0
Total Title I			<u>216,508</u>	<u>208,579</u>	<u>0</u>
<i>Special Education Cluster</i>					
IDEA-B	84.027	6B-SF-2004	247,789	275,091	0
Total IDEA-B			<u>247,789</u>	<u>275,091</u>	<u>0</u>
Preschool Grants	84.173	PG-S1-2004	4,104	4,104	0
Total Preschool Grants			<u>4,104</u>	<u>4,104</u>	<u>0</u>
<i>Total Special Education Cluster</i>			<u>251,893</u>	<u>279,195</u>	<u>0</u>
Safe and Drug-Free Schools and Communities	84.186	DR-S1-2004	7,879	7,879	0
		DR-S1-2003	0	3,482	0
Total Safe and Drug-Free Schools and Communities			<u>7,879</u>	<u>11,361</u>	<u>0</u>
Title V	84.298	C2-S1-2004	8,712	5,470	0
Title V	84.298	C2-S1-2003	(6,094) C	6,207	0
Total Title V			<u>2,618</u>	<u>11,677</u>	<u>0</u>
Title II-D	84.318	TJ-S1-2004	2,205	55	0
	84.318	TJ-S1-2003	(1,415) D	1,415	0
Total Title II-D			<u>790</u>	<u>1,470</u>	<u>0</u>
Title II-A	84.367	TR-S1-2004	86,289	36,038	0
Title II-A	84.367	TR-S1-2003	(35,981) E	37,171	0
Total Title II-A			<u>50,308</u>	<u>73,209</u>	<u>0</u>
Total Department of Education			<u>529,996</u>	<u>585,491</u>	<u>0</u>
U. S. Department of Agriculture (Passed Through Ohio Department of Education):					
Nutrition Cluster:					
Food Distribution Program (A) (B)	10.550		50,955	0	50,955
National School Lunch Program (A)	10.555		144,282	144,282	0
Total Department of Agriculture: Nutrition Cluster			<u>195,237</u>	<u>144,282</u>	<u>50,955</u>
Total Federal Assistance			<u>\$ 725,233</u>	<u>\$ 729,773</u>	<u>\$ 50,955</u>

- (A) Government commodities are reported at the fair market value of the commodities received and disbursed.
(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.
(C) Transferred to C2-S1-2004
(D) Transferred to TJ-S1-2004
(E) Transferred to TR-S1-2004

**NORTON CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Title VI-B CFDA # 84.027
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted



NORTON

CITY SCHOOL DISTRICT, NORTON, OHIO

In Pursuit of Excellence



Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2004

Norton City School District

Norton, Ohio

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2004

Prepared by:
Catherine M. Bulgrin and
Treasurer's Office Staff

Norton City School District
 Comprehensive Annual Financial Report
 Fiscal Year Ended June 30, 2004

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Norton City School District
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Norton City School District
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INTRODUCTORY SECTION



Treasurer's Office
4128 Cleveland-Massillon Rd
Norton, Ohio 44203
(330) 825-2114
Fax (330) 825-4537

Catherine M. Bulgrin
Treasurer/CFO

Stephanie Hagenbush
Assistant Treasurer

Betsy McGeorge
EMIS Coordinator

Cindy Dohner
Financial Secretary

Sherry McNab
Accounts Payable Specialist

Sheila Wade
Accounts
Receivable/Inventory

March 31, 2005

Norton Board of Education Members and
The Citizens of the Norton City School District:

The Norton City School District's (the "School District") Comprehensive Annual Financial Report (CAFR) compiled for the fiscal year July 1, 2003, through June 30, 2004 is respectfully submitted. Prepared by the Treasurer's office for the purpose of informing the Norton City School District's taxpayers, this comprehensive report's design provides complete and accurate disclosure of the School District's material financial operations for the fiscal year ended June 30, 2004.

The responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the School District's management. To the best of our knowledge and belief, this CAFR and the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the School District.

The information submitted conforms to the accounting principles generally accepted (GAAP) in the United States of America, as set forth by the Governmental Accounting Standards Board (GASB), as is applicable to governmental entities and includes an unqualified opinion from an Independent Certified Public Accountant. Copies of this report, on file in the Treasurer's Office, are available for review upon written request to the Treasurer.

The arrangement of the CAFR is divided into three sections: The Introductory Section, Financial Section and Statistical Section. The first section, the Introductory Section, which is unaudited, includes this transmittal letter, a list of elected officials, the School District's organizational chart and the Government Finance Officers' Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for fiscal year 2003. The next section, the Financial Section, includes the Independent Auditor's Report, Management's Discussion and Analysis, the Basic Financial Statements, Notes that provide an overview of the School District's financial position and operating results, the combining statements for nonmajor funds, and other schedules that provide detailed information relative to the basic financial statements. The final section, the Statistical Section, which is unaudited, consists of a ten-year compilation of miscellaneous demographic statistics and pertinent financial information, representative of two years reported on the cash-basis method of accounting and the fiscal years 1997 through 2004 reported in accordance with GAAP.

HISTORY OF THE NORTON COMMUNITY AND SCHOOLS

The City of Norton, located in southwestern Summit County, covers approximately nineteen square miles of land and has a current population of 11,523 (census 2000). The area was originally part of Wolf Creek Township and, when first settled, was part of the Western Reserve. Named for Connecticut Proprietor, Birdseye Norton, it was organized as a separate township in April 1818. The township consisted of several semi-villages: Norton Center, Loyal Oak, Western Star, Hametown, Sherman, Johnson's Corners and New Portage. Norton Township was established as one of the leading agricultural townships with some industry in coal mining.

In accordance with the law of 1785, that every 16th section of land be reserved for the "maintenance of public schools within each township," Norton established the first school in 1818-1819. It was a log-built structure with records of approximately 30 total students. In 1831, there were two buildings used for schooling when farming slowed down during the winter months. In 1892, a two-room wooden high school was built preparing the first graduation Class of 1895 that consisted of three members. In 1915, this two-room building was replaced with a modern brick structure that housed two elementary grades in four classrooms and three rooms for the high school.

In 1953, a new high school building was erected and the old high school building became the junior high building. The original building was designed to house 500 pupils, and in the 1950's, enrollment increased to 1,100. In 1956 the 19 room elementary building was completed, and several school additions followed at the Sherman and Grill Elementary buildings. Passage of a bond issue in 1966 made possible additions to the High School and completion of the new Middle School. In 1960 school enrollment increased to 1,474.

For fiscal year 2003-04 the student head count totaled 2,526 with a projection of 2,558 for the 2004-05 school year. Resident students enroll in six schools: Norton High School (grades 9-12), Norton Middle School (grades 5-8), Norton Cornerstone (grades K-4), Norton Primary (grades K-4), Grill School (grades K-4), and Norton 21 (grades 1-4). Other facilities operated by the School District include the Central Administration Office, Bus Garage, Vocational Building, Football Stadium, and other athletic fields.

The recognizable growth in the student population is attributable to recorded census population increases in Norton Township. In 1840 the population recorded was 1,497 and had increased 38 percent to 2,066 by 1880. In 1890 farms adjacent to Norton were purchased for the purpose of manufacturing, and thereupon, the city of Barberton was founded in 1891. Norton's location, close to Barberton and Akron industries, facilitated growth. The population of Norton in the 1900's continued to grow and change with census recordings in 1920 totaling 2,935 that had increased to 7,454 by 1950. Realizing its potential, Norton Township incorporated in March of 1961 and by 1969, Norton had assumed city status.

The City of Norton's increased growth potential materializes, again, with the expansion of new residential apartment-type units and single-family housing developments; and, with the City's plans for the availability of water and sewer. The Mount Vernon Estates allotment began construction of single-family units in 1993 and recently expanded acquiring access through the Norton Acres allotment. The housing development, The Brookforest Estates, began construction in 1997. In addition, property zoned for the building of Hudson Run Estates, and construction of a sixteen-acre apartment complex situated adjacent to Norton's Shopping Center and City Park, began construction of single-family units in 1999. The Knollbrook Estates housing development began construction in 2003 to build forty new homes on ninety-acres.

The Norton City School District is a member of the Four Cities Educational Compact that provides various vocational education programs to high school students attending the Norton, Barberton, Copley-Fairlawn and Wadsworth City school districts. Available within the Four Cities Compact Schools are: industry-certified occupational programs, cluster-based work force development programs, career readiness programs, Family and Consumer Science programs and supplemental vocational program services. Norton schools added an A+ Certification and Masonry-Carpentry Program (industry-certified) in fiscal year 2000 and dropped, due to lack of enrollment, the Auto Collision Repair and Auto Technology programs. In fiscal year 2002 the A+ Certification was dropped and a Sports Medicine program was added. Also offered, are Occupational Work Adjustment (OWA), Occupational Work Experience (OWE) (career readiness); Life Planning, Parenting, Family Relations, Personal Development (Family and Consumer Science); Administrative Assistants (Junior and Senior), Cooperative Business Education (CBE), and Diversified Cooperative Trade (DCT) (supplemental vocational programs).

SCHOOL DISTRICT ORGANIZATION

The School District operates under standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code for the purpose of providing educational services authorized by charter and further mandated by State and/or Federal Agencies.

The Norton Board of Education (Board) consists of five members elected by its citizens. The Board serves as the taxing authority, the contracting body and implements the School District policies. Annually the Board adopts the School District's operating budget, tax budget and is responsible for the authorization of all of the School District's expenditures pursuant to Ohio Revised Code Sections 5705.38, 5705.28, and 5705.41 respectively.

The Superintendent functions as the Chief Executive Officer of the School District with responsibility for the education and support operations of the School District in accordance with Section 3319.01 of the Ohio Revised Code and is directly responsible to the Board of Education. Dr. Walter Calinger was appointed Superintendent in October 2000. Dr. Calinger's contract will expire on July 31, 2007.

The Treasurer is the Chief Financial Officer of the School District with statutory obligations set forth in sections 3313.22 through 3313.32 of the Ohio Revised Code and is directly responsible to the Board of Education. Ms. Catherine M. Bulgrin was initially appointed as Treasurer. Her contract will expire at the organizational meeting in January 2006.

REPORTING ENTITY

The School District has reviewed its reporting entity definition in order to insure conformance with Governmental Accounting Standards Board statements. In evaluating how to define the School District for financial reporting purposes, management has considered all boards, funds, agencies, departments and organizations making up the Norton City School District (the primary government).

Other governmental entities (i.e. City of Norton, Norton Branch of Summit County Library) conducting business activities within School District boundaries are excluded from the accompanying financial statements. The School District's Board does not appoint the boards of those entities, nor are they fiscally dependent on the School District. The School District cannot legally access their resources, has no obligation to finance deficits or provide financial support, and is not obligated for their debts.

ECONOMIC CONDITION AND FUTURE OUTLOOK

The City of Norton is located at the intersection of U.S. Route 21 and Interstate 76. The community's economy, historically, was agricultural based with some coal mining industry. While there is still some farming today, it has decreased considerably as the City's economic base has become predominantly residential. The City of Norton offers an excellent opportunity for potential business growth as well as residential expansion due to the City Council's recent enactment of attaining sewer and water from the City of Barberton. The five largest employers in the School District in terms of numbers of employees are:

Norton City Schools
Albert Screenprint
Isolab nka E.G.G./Wallac
Adjusta Post
Louisiana Pacific

Norton's proximity to major cities makes it a desirable community in which to live, providing easy access to cultural, social, educational, and economic resources. It is within minutes of state universities and private colleges, international and private airports, numerous inland lakes and reservoirs, the fisheries of Lake Erie, metropolitan and state parks, and the Cuyahoga Valley National Recreation Area. The City provides its residents with: quality police and fire services; participation in the Summit County 911 Service; and, efficient maintenance of 89 miles of Norton's roads by the City's Service Department. The Norton Municipal Park system offers convenient locations for picnicking and youth league baseball. Also, there is a Community Center available for rental to the residents.

The continued economic growth and expansion of Norton is anticipated due to its convenient location and with the planned installation of additional City sewer and water services. With current construction of new housing developments and an apartment complex, the School District will inevitably experience an increase in student population. Throughout its history, the School District has been fortunate that city residents place a high value on education with a continued commitment of local support.

The School District's motto is "*In Pursuit of Excellence*," providing our students with a quality education. The financial stability of the School District is vital in this pursuit and is credited to the loyal support of its community. Confronted with the many challenges and opportunities of a public education facility, the School District's Board and its employees continue to move forward in the education process of their students in their "*Pursuit of Excellence*".

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Continuous Improvement

A Continuous Improvement Plan (CIP) is in place and used as the School District's strategic plan in guiding decision-making and actions of the School District toward continual improvements in student academic achievement. The goal is to improve the processes and results as they relate to teaching and learning. The first steps, data collection and analysis, were completed and a Plan was drafted and Board approved. CIP Meetings between faculty and administrators are held periodically providing ongoing evaluation and enhancement of the Plan. During fiscal year 2003-04 the District earned an "effective" status, which means according to state standards the Norton students are performing at an effective level.

Technology

All buildings are wired, and computers have been purchased. Throughout the campus computers are networked and have Internet access. The School District's phone system is also connected to the network, giving the School District buildings accessibility to connect to each other by the dialing of extensions.

Fiscal Forecast

Due to the growing costs of doing business, the controversy over state funding, and the increasing numbers of unfunded state and federal mandates, a resulting effect of the School District expenditures exceeding its revenues will produce a future deficit as projected in the School District's financial forecast. Due to this projection, the School District asked the taxpayers for additional operating revenues in November 2004. Voters approved a 4.9 mill operating levy, which was the first operating levy tax increase since 1995.

FINANCIAL INFORMATION

Accounting System

This is the third year that the School District has prepared financial statements following GASB Statement No. 34 “Basic Financial Statements – Management’s Discussion and Analysis – State and Local Governments.” GASB Statement No. 34 creates new basic financial statements for reporting on the School Districts financial activities as follows:

Government-wide financial statements – These statements are prepared on an accrual basis of accounting, which is similar to the basis of accounting followed by businesses. The government-wide statements distinguish between those activities of the School District that are governmental and those that are considered business type activities.

Fund financial statements – These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include reconciliation to the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statement of budgetary comparison – This statement presents a comparison of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, cash disbursements and encumbrances.

As determined by criteria established by GASB Statement No. 34, the School District does not report any activities that qualify as enterprise or business type activities. As part of this new reporting model, management is also responsible for preparing a “Management’s Discussion and Analysis” of the School District. This discussion follows the Independent Auditor’s Report, providing an assessment of the School District’s finances for fiscal year 2004 and the outlook for the future. Because that discussion focuses on major funds, the financial highlights provided in this letter focus on certain nonmajor funds of the School District.

Internal Controls

The establishment and maintenance of an internal control structure, designed for safeguarding from loss, theft or misuse of the School District’s assets, is the responsibility of management. An effective fiscal management system incorporating internal accounting controls ensures the School District’s assets, liabilities, revenues and expenditures are properly classified and accurately recorded into the School District accounting records for the appropriate fiscal period in compliance with GAAP. The design of the internal control structure provides reasonable, but not absolute, assurance that these objectives were met. The concept of reasonable assurance assumes: the costs of the controls should not exceed the benefits presumably derived from its implementation; and the estimates and judgments relative to cost and benefit valuation are determined by management. Management believes the School District’s internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls

The School District maintains its accounts, appropriations, and other financial records in accordance with the procedures established and prescribed by the Ohio Revised Code and the Ohio Auditor of State. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriation resolution approved by the Board. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. The School District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts at year-end are carried forward to succeeding years and therefore, are not re-appropriated.

All disbursements and transfers of cash between funds require appropriation authority from the Board. The Treasurer must certify purchase order requests have the necessary funds available. Then, purchase orders are encumbered, and released to vendors. Management may make budgetary modifications as long as the total fund appropriation is not affected.

The accounting system used by the School District provides interim financial reports that detail year-to-date expenditures and encumbrances versus the original appropriation plus any additional appropriations to date.

The Principal at each building directs site-based financial management. Building teams are formed to assist in formulating the School District's Continuous Improvement Plan and pertinent budget issues identified by the staff, parents or students. Each building has an annual budget for instructional support and office operations.

School District Administrators and Principals receive financial reports monthly showing the status of the budget accounts for which they are responsible. The School District utilizes the State's software program allowing building level input of purchase requisitions. The Building Administrator and the Superintendent approve the requisitions, the Treasurer certifies the availability of funds, and then requisitions are electronically converted to numbered purchase orders and encumbered.

In addition to the distribution of month-end reports to its management, and to ensure prescribed budgetary compliance within all levels of the School District, the Treasurer's office publishes and annually distributes to all School District employees the School District's financial handbook detailing the School District's adopted procedures for proper receipting and expending of School District funds.

The basis of accounting and the various funds utilized by the Norton City School District are fully described in Note 2 of the basic financial statements.

As an additional safeguard, a blanket bond covers all employees, and a separate, higher limit bond covers certain individuals in policy-making roles.

Single Audit Act

As a recipient of federal and state financial assistance, the School District is responsible for ensuring that an adequate internal control structure is in place and is in compliance with applicable laws and regulations relative to those programs.

Financial Highlights - Internal Service Fund

The only internal service fund carried on the financial records relates to self-insurance. This fund accounts for the revenues and expenses related to the provision of medical, surgical, prescription drug, vision and dental benefits to the School District's employees. The balance at June 30, 2004 was sufficient to meet all claims outstanding at year-end.

Financial Highlights - Fiduciary Fund

The trust fund carried on the financial records of the School District is a scholarship private purpose trust fund that has assets totaling \$80,855 as of June 30, 2004.

CASH MANAGEMENT

The School District historically demonstrates a conservative approach to the cash management program. Investments of the School District funds were maintained through the locally approved financial depository's utilization of a sweep account and through the STAR Ohio investments.

Protection of the School District's cash and investments is provided by the Federal Deposit Insurance Corporation as well as by qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. As required under Ohio law, pooled securities have been pledged in an amount equal to 105% of the total deposits, to secure the repayment of all public moneys deposited in a financial institution. A detailed description of the School District's investment function is described in Note 4 to the financial statements.

RISK MANAGEMENT

The School District, as a political subdivision, maintains protection for its assets and employees through a comprehensive insurance program. Insurance policies for general liability, property loss, boiler and machinery coverage, and vehicle fleet liability are purchased from insurance companies licensed to do business in the state of Ohio.

The School District operates and manages its hospital, medical, health, dental, prescription, and life insurance program for its employees on a self-insured basis. The health insurance fund was established in conjunction with formalized risk management programs in an effort to minimize risk exposure, control claims and premium costs. The third party administrator processes and initiates claim payment. The advantages of the self-insurance program include savings on administrative costs as well as the School District's holding of reserve balances.

The health benefits liability is limited by reinsurance that caps the individual specific liability at \$60,000 for the School District's plan year from June 1, 2003 through May 31, 2004. Control of the plan rests solely with the School District.

A Section 125 flexible benefit program is offered to all employees. The plan allows employees to pay for eligible benefits with pre-tax dollars, rather than after-tax dollars. Therefore, employees may tax defer anticipated out of pocket medical expenditures through payroll deduction. The plans guidelines are established and regulated by the Internal Revenue Service.

All employees of the School District are covered by worker's compensation. Effective July 1, 2002, the School District joined a group-rating program through the Ohio Association of School Business Officials in an effort to control costs. Over 423 Ohio school districts are members of a group-rating program. The School District receives a group premium discount rate for participation in this pooling program.

PENSION PLANS

The statewide School Employees Retirement System of Ohio (SERS) or the State Teachers Retirement System (STRS) covers all School District employees. The School District's employer contributions to both systems are based on a percentage of employees' salaries. State law requires the School District pay the employer share as determined by each retirement system, which is currently 14%.

School District contributions for fiscal year 2004 were \$1,136,772 as the employer portion to STRS and \$262,244 in employer contributions to SERS. Included in the SERS remittance is an annual employer surcharge. Starting in 1988-89 an additional employer charge (surcharge) was levied on salaries of lower-paid SERS members. Minimum annual compensation is determined annually by the System's actuaries and was \$25,400 for fiscal 2004. Surcharge is calculated at 14% of the difference between the member's annual compensation and the minimum compensation level. For the 2004 fiscal year, a surcharge of \$49,568 was incurred.

OTHER INFORMATION

Independent Audit

Provisions of State statute require an independent auditor subject the School District's financial statements to an annual examination. In addition to meeting the requirement set forth in state statutes, the audit was also designed to meet the requirements of the Federal Office of Management and Budget Circular A-133. Rea & Associates, Inc. Certified Public Accountants, performed the audit for the period ended June 30, 2004. Those provisions have been satisfied and the opinion of the Independent Auditors is included in the financial section of this CAFR.

GFOA Certificate of Achievement

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Norton City School District for its CAFR for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of a state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. The CAFR must satisfy both GAAP and applicable legal requirements.

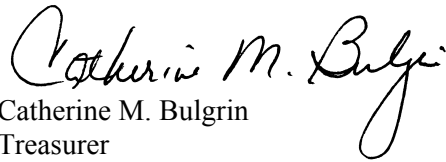
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the high standards required by the Certificate of Achievement program.

Acknowledgments

The preparation and publication of the 2004 CAFR of the Norton City School District was facilitated through the assistance of many people. My sincere appreciation is extended to the staff of the Treasurer's office for their dedication, support, and encouragement throughout this process. In addition, sincere thanks are also extended to various administrators and employees of the School District, the Summit County Fiscal Officer's office staff and other outside agencies whose efforts contributed to the fair presentation of the statistical data.

Finally, sincere appreciation is expressed to the Norton City Schools Board of Education for their support and commitment to continuing efforts made in improvements of financial management and reporting as we continue "*In Pursuit of Excellence*".

Respectfully submitted,


Catherine M. Bulgrin
Treasurer

Norton City School District
Principal Officials Roster
Year Ended June 30, 2004

Board of Education

Mrs. Laura Leonti	President
Mr. Scott Collins	Vice President
Mr. James Bennett	Member
Mrs. Linda Kloetzer	Member
Ms. Lisa Stemple	Member

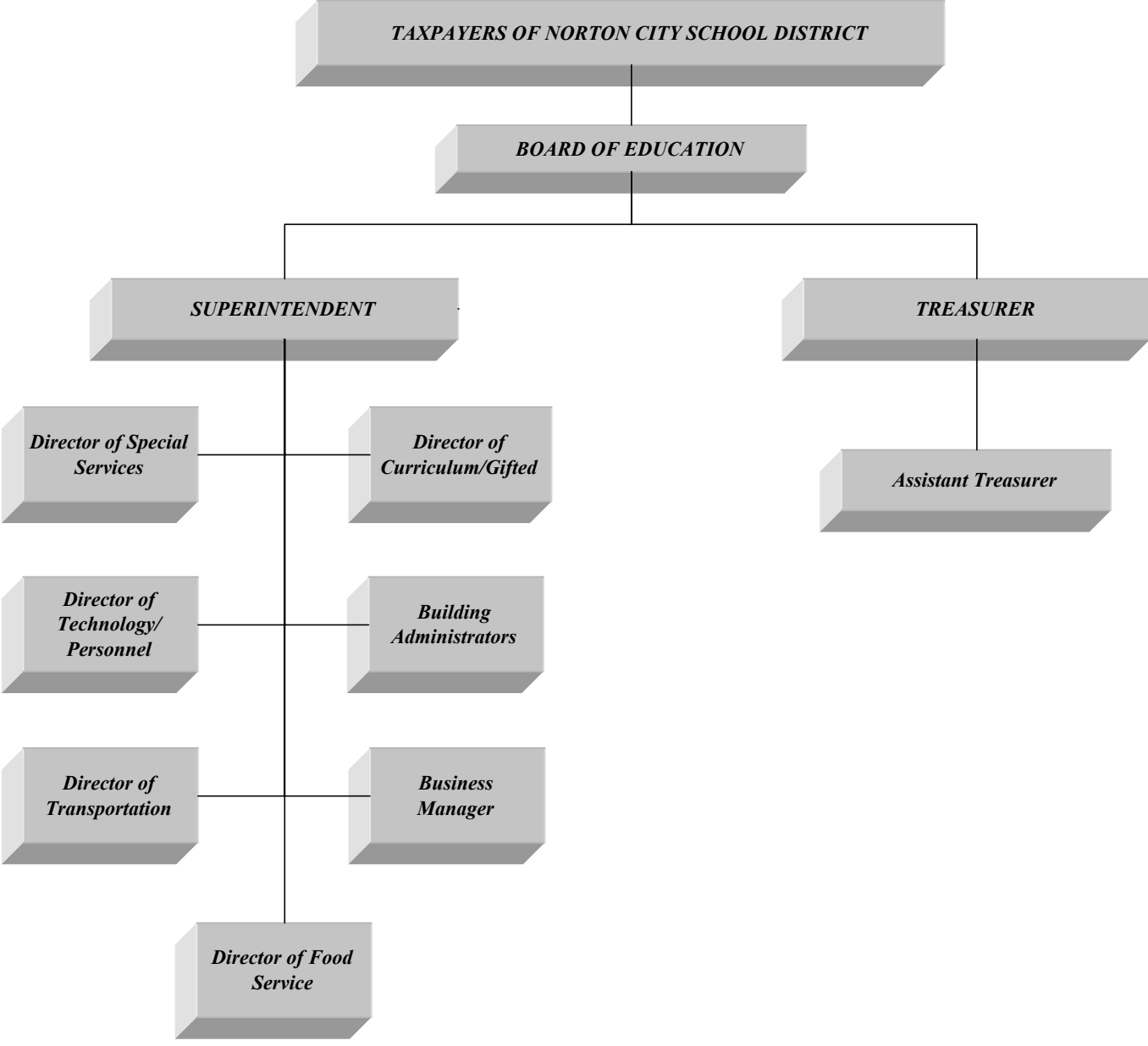
Treasurer/Chief Fiscal Officer

Mrs. Catherine M. Bulgrin

Administration

Dr. Walter Calinger	Superintendent
Mr. Ken Caldwell	Business Manager
Mrs. Karen Wilson	Director of Curriculum/Gifted
Ms. Judy Johnsen	Director of Food Services
Ms. Joyce Krusinski	Director of Technology/Special Services
Mr. Paul Stoneking	Director of Transportation

Norton City School District
Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Norton City School District,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

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FINANCIAL SECTION

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

February 15, 2005

The Board of Education
Norton City School District
4128 Cleveland-Massillon Road
Norton, Ohio 44203-5697

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norton City School District, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated February 15, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Hea & Associates, Inc.

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

This discussion and analysis of Norton City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- Net assets of governmental activities increased \$535,513, representing a 7.8% increase from fiscal year 2003.
- General revenues accounted for \$16,158,978 in revenue or 82% of all revenues. Program specific revenues in the form of charges for services, and operating grants, contributions and interest accounted for \$3,553,077 or 18% of total revenues of \$19,712,055.
- Compared to fiscal year 2003, the total assets of governmental activities increased by \$1,268,143.
- The School District had \$19,176,542 in expenses related to governmental activities; only \$3,553,077 of these expenses was offset by program specific revenues that include charges for services, operating grants, contributions and interest. General revenues of \$16,158,978 contributed to support these programs.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

Norton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2004?" These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting, takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 16. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's two major governmental funds are the general fund and the permanent improvement capital projects fund.

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

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2004
 Unaudited

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Assets		
<i>Current and other assets</i>	\$ 13,817,663	\$ 12,912,459
<i>Capital assets, net of depreciation</i>	4,508,116	4,145,177
<i>Total assets</i>	<u>18,325,779</u>	<u>17,057,636</u>
Liabilities		
<i>Other liabilities</i>	9,935,583	9,316,911
<i>Long-term liabilities:</i>		
<i>Due within one year</i>	150,217	187,472
<i>Due in more than one year</i>	814,878	663,665
<i>Total liabilities</i>	<u>10,900,678</u>	<u>10,168,048</u>
Net Assets		
<i>Invested in capital assets, net of debt</i>	4,265,882	3,980,868
<i>Restricted</i>	803,193	778,111
<i>Unrestricted</i>	2,356,026	2,130,609
<i>Total net assets</i>	<u>\$ 7,425,101</u>	<u>\$ 6,889,588</u>

Total assets increased during the fiscal year by \$1,268,143. The most significant cause to the increase was caused by the addition of \$832,067 of capital assets. Of this increase, \$430,015 was recorded as construction in progress. In addition, the School District reduced payroll and benefit expenses across several programs which resulted in a larger carry-over cash balance in the general fund.

Total liabilities for the School District increased by \$732,630 as compared to fiscal year 2003. The most significant liability increase reported was in compensated absences, which is mostly reported in long-term liabilities, due in more than one year. The increase in this estimated liability is due to applying certain factors of the termination history to the accumulated sick leave balances.

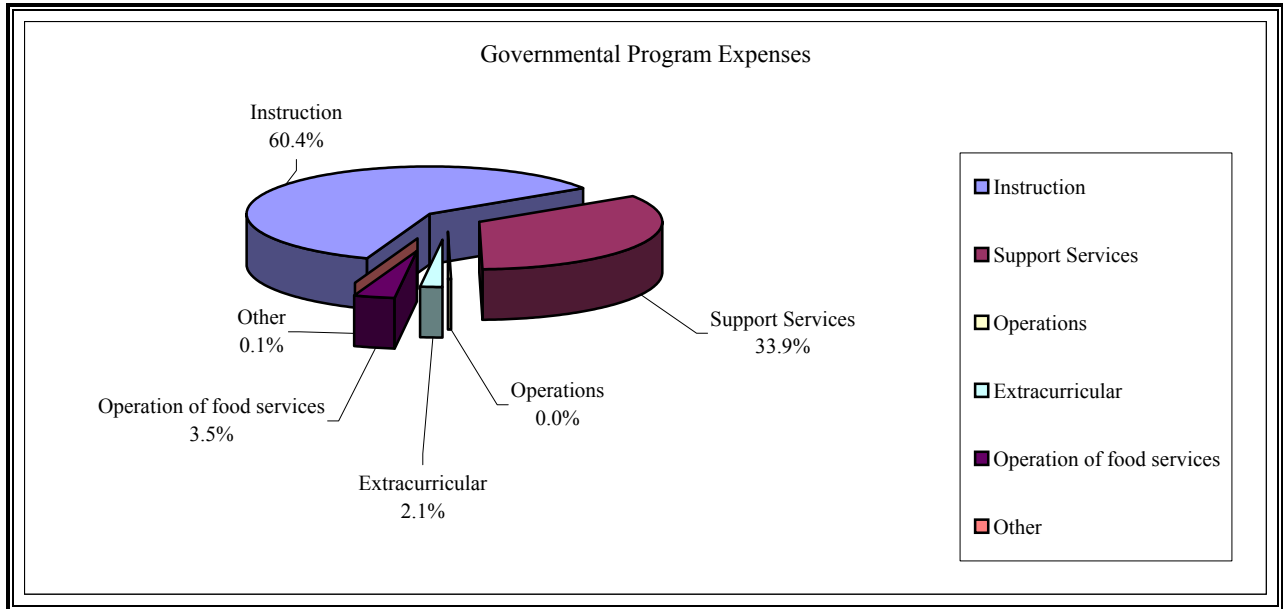
Norton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 2 shows changes in net assets for fiscal year 2004 compared to fiscal year 2003.

Table 2
Changes in Net Assets

	<i>Governmental Activities</i>	
	<u>2004</u>	<u>2003</u>
Revenues		
<i>Program revenues:</i>		
<i>Charges for services</i>	\$ 2,534,440	\$ 2,309,666
<i>Operating grants, contributions and interest</i>	1,001,674	704,260
<i>Capital grants and contributions</i>	16,963	34,781
<i>General revenues:</i>		
<i>Property taxes</i>	7,267,251	7,781,715
<i>Grants and entitlements</i>	8,821,958	8,631,148
<i>Investment earnings</i>	52,399	73,455
<i>Miscellaneous</i>	17,370	292,876
<i>Total revenues</i>	<u>19,712,055</u>	<u>19,827,901</u>
Program Expenses		
<i>Instruction:</i>		
<i>Regular</i>	9,169,529	9,004,244
<i>Special</i>	1,421,802	1,368,574
<i>Vocational</i>	839,228	716,261
<i>Adult/continuing</i>	842	1,653
<i>Other</i>	147,727	166,237
<i>Special services:</i>		
<i>Pupil</i>	713,899	839,294
<i>Instructional staff</i>	630,319	721,001
<i>Board of education</i>	5,571	42,363
<i>Administration</i>	1,479,088	1,467,880
<i>Fiscal</i>	543,841	523,185
<i>Business</i>	322,587	357,272
<i>Operation and maintenance of plant</i>	1,711,278	2,159,874
<i>Pupil transportation</i>	1,023,012	1,058,785
<i>Central</i>	64,805	64,172
<i>Operation non-instructional services</i>	3,332	10,923
<i>Operation of food services</i>	674,911	696,460
<i>Extracurricular activities</i>	406,468	540,724
<i>Interest and fiscal charges</i>	11,013	11,748
<i>Loss on disposal of capital assets</i>	7,290	-
<i>Total expenses</i>	<u>19,176,542</u>	<u>19,750,650</u>
<i>Change in Net Assets</i>	<u>\$ 535,513</u>	<u>\$ 77,251</u>

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2004
 Unaudited



Governmental Activities

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

Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated over \$7.2 million in 2004. General revenues from grants and entitlements, such as the school foundation program, generated over \$8.8 million. Due to the combination of taxes and intergovernmental funding representing nearly 82% of all revenues, the School District monitors both of these sources very closely for fluctuations.

The DeRolph III Supreme Court decision has not eliminated the dependence on property taxes. The community has supported the Norton City School District by voting levies comprising nearly 37% of total revenues for the School District.

A review of Table 2 reflects that the total cost of instructional services was \$11,579,128 or 60.4% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. As compared to the prior year, these expenses increased \$322,159, or 2.9%. While these expenses increased, expenses throughout other programs, and in total, decreased, due to cut-backs in human resources.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching pupils. These expenses represent \$1,344,218 of the total governmental program expenses, or 7%. These expenses decreased over the prior year in the amount of \$216,077, or 13.8%. As discussed in the latter paragraph this decrease was mainly due to the cut-backs in human resources.

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Board of Education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost was \$2,351,087 or 12% of governmental program expenses. Expenses of these programs decreased \$39,613, or 1.7%, as compared to fiscal year 2003, as explained previously.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District's operations. The total cost for the operation and maintenance services was \$1,711,278 or 8.9% of the governmental program expenses.

Pupil transportation expenses are expenses related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. Total transportation cost was \$1,023,012 or 5.3% of the total governmental program expenditures. Expenses for providing this program decreased \$35,773, or 3.4% as compared to the prior year. The primary cause of this decrease was due to the purchase of two new school buses during the previous year and additional depreciation expense.

Overall, the School District's fiscal year revenues exceeded expenses by \$535,513. The School District made changes to the employee health care network and was able to reduce medical claim expenses in the current period.

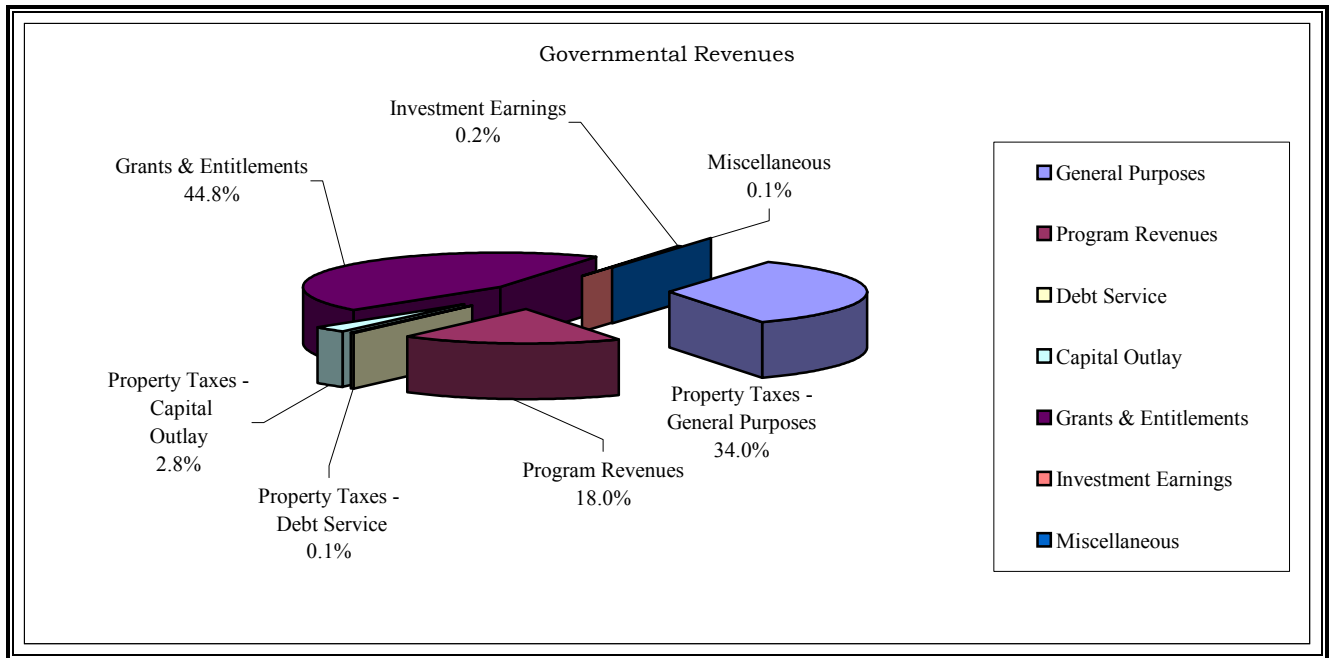
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services as compared to fiscal year 2003. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Norton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 3
Governmental Activities

	<u>Total Cost</u> <u>of Services</u> <u>2004</u>	<u>Total Cost</u> <u>of Services</u> <u>2003</u>	<u>Net Cost</u> <u>of Services</u> <u>2004</u>	<u>Net Cost</u> <u>of Services</u> <u>2003</u>
Program Expenses:				
<i>Instruction:</i>				
Regular	\$ 9,169,529	\$ 9,004,244	\$ (7,155,209)	\$ (7,404,297)
Special	1,421,802	1,368,574	(1,086,548)	(988,800)
Vocational	839,228	716,261	(836,833)	(712,155)
Adult/continuing	842	1,653	(842)	(1,653)
Other	147,727	166,237	(147,727)	(166,237)
<i>Special services:</i>				
Pupil	713,899	839,294	(703,662)	(832,786)
Instructional staff	630,319	721,001	(535,719)	(630,646)
Board of education	5,571	42,363	(5,571)	(42,363)
Administration	1,479,088	1,467,880	(1,372,244)	(1,382,075)
Fiscal	543,841	523,185	(543,841)	(523,185)
Business	322,587	357,272	(322,587)	(336,272)
Operation and maintenance of plant	1,711,278	2,159,874	(1,708,626)	(2,159,874)
Pupil transportation	1,023,012	1,058,785	(986,050)	(989,364)
Central	64,805	64,172	(55,337)	(54,593)
Operation non-instructional services	3,332	10,923	(931)	(10,923)
Operation of food services	674,911	696,460	33,330	8,188
Extracurricular activities	406,468	540,724	(176,765)	(463,160)
Interest and fiscal charges	11,013	11,748	(11,013)	(11,748)
Loss on disposal of capital assets	7,290	-	(7,290)	-
Total expenses	\$ 19,176,542	\$ 19,750,650	\$ (15,623,465)	\$ (16,701,943)

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2004
 Unaudited



Program Revenues include charges for services, grants, contributions and interest that are program specific. Surrounding schools whose resident students are educated by the Norton City School District pay the School District \$3,400 per pupil under Ohio's open enrollment entitlement.

Property taxes made up 36.9% of total revenues for governmental activities for the Norton City Schools in fiscal year 2004. Program revenues for governmental activities provided 18% of governmental revenues with 82% of all governmental activities supported through property taxes, grants and entitlement, and other general revenues. The 44.8% provided by the grants and entitlements portion of general revenues includes monies received from the Ohio Department of Education, State Foundation Program and property tax relief such as the homestead exemptions and rollbacks provided by HB 920.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were \$19,861,129 and total expenditures and other financing uses were \$19,403,797. The net change in fund balance was significant in the general fund with an increase of \$476,469. This increase is attributed to continuing expense cuts.

General Fund Budgeting Highlights

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

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

During fiscal year 2004, the School District amended its general fund budget numerous times, however none were significant. Budget revisions become necessary as expenditure priorities change according to student, building and operational needs. These revisions are requested by the Superintendent and are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue and other financing sources estimate was \$17,823,495, representing an insignificant increase from the original budget estimate of \$17,289,090. Insignificant variances with actual revenues received, as compared to the original and final budgets, were also noted.

The original expenditures and other financing uses estimate of \$18,961,029 was decreased throughout the year with an ending estimate of \$18,510,291. The decrease of \$450,738 was attributed to the implementation of certain cut-backs mentioned on page 7. Although budgeted expenditures were decreased, actual expenditures for the year fell below the final budget by \$1,142,811. A reduction in expenditures was deemed necessary in order to help offset current and future year revenue shortages and state funding cuts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$4,508,116 invested in land and improvements, buildings, equipment and vehicles. Table 4 shows fiscal year 2004 balances compared to fiscal year 2003:

Table 4
Capital Assets at June 30, 2004
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
<i>Land</i>	\$ 71,000	\$ 71,000
<i>Construction in progress</i>	430,015	-
<i>Land improvements</i>	196,422	116,789
<i>Buildings</i>	2,524,075	2,657,901
<i>Furniture and equipment</i>	724,686	653,985
<i>Vehicles</i>	561,918	645,502
<i>Total capital assets</i>	<u>\$ 4,508,116</u>	<u>\$ 4,145,177</u>

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The primary reason for the increase occurred as current year capital asset additions exceeded depreciation expense, as noted earlier. The most significant capital asset purchases made during the year were for the expansion and replacement of parking lots, driveways and the resurfacing of the athletic track. The above mentioned capital assets were purchased with tax proceeds received from a permanent improvement levy passed by School District taxpayers. See Note 7 to the basic financial statements for detail on the School District's capital assets.

Debt

At June 30, 2004 the School District had \$86,800 outstanding in House Bill 264 1995 Energy Conservation bonded debt with \$43,400 due during the year. Table 5 summarizes the bonds and capital leases outstanding:

*Table 5
Outstanding Debt, at Fiscal Year End*

	<i>Governmental Activities</i>	
	<i>2004</i>	<i>2003</i>
<i>1995 Energy Conservation Bonds</i>	<i>\$ 86,800</i>	<i>\$ 130,200</i>
<i>Capital Leases</i>	<i>155,434</i>	<i>34,109</i>
<i>Total outstanding debt</i>	<i>\$ 242,234</i>	<i>\$ 164,309</i>

The energy conservation bonds, issued in fiscal year 1996 and maturing in July 2005, were issued in the amount of \$434,000. These bonds were issued to pay the costs of installations, modifications and remodeling of school buildings to conserve energy. These bonds are to be repaid from voted and unvoted general property taxes received in the bond retirement debt service fund. The capital leases are to be repaid from the general fund, which the School District has budgeted to meet these requirements.

At June 30, 2004, the School District's overall legal debt margin was \$25,620,697 with an unvoted debt margin of \$285,587. The School District is not currently rated by Standard & Poor's or Moody's Investors Service. See Note 12 to the basic financial statements for detail on the School District's long-term obligations.

Current Issues Affecting Financial Condition

On July 1, 2002, a new three-year labor agreement went into effect with an economic package that provided a 3% increase to the base salary in the first year and a 3.6% and 3.9% increase for 2004 and 2005, respectively.

On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

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

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

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

Contacting the School District's Financial Management

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

Norton City School District

Statement of Net Assets

June 30, 2004

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 4,113,887
Cash and cash equivalents:	
In segregated accounts	1,251,680
With fiscal agents	390
Receivables:	
Taxes	7,913,371
Accounts	265,253
Intergovernmental	81,088
Prepaid items	182,323
Inventory held for resale	4,411
Materials and supplies inventory	5,260
Capital assets:	
Land and construction in progress	501,015
Depreciable capital assets, net	4,007,101
Total capital assets	<u>4,508,116</u>
Total assets	<u>18,325,779</u>
<u>Liabilities:</u>	
Accounts payable	420,361
Accrued wages	1,154,936
Intergovernmental payable	473,602
Compensated absences payable	16,462
Deferred revenue	7,619,327
Matured interest payable	390
Accrued interest payable	4,514
Claims payable	245,991
Long-term liabilities:	
Due within one year	150,217
Due in more than one year	814,878
Total liabilities	<u>10,900,678</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	4,265,882
Restricted for:	
Capital projects	377,760
Debt service	15,349
Other purposes	410,085
Unrestricted	<u>2,356,025</u>
Total net assets	<u>\$ 7,425,101</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 9,169,529	\$ 1,692,597	\$ 321,723	\$ -	\$ (7,155,209)
Special	1,421,802	118,424	216,830	-	(1,086,548)
Vocational	839,228	-	2,395	-	(836,833)
Adult/continuing	842	-	-	-	(842)
Other	147,727	-	-	-	(147,727)
Support services:					
Pupils	713,899	-	10,237	-	(703,662)
Instructional staff	630,319	4,043	90,557	-	(535,719)
Board of education	5,571	-	-	-	(5,571)
Administration	1,479,088	-	106,844	-	(1,372,244)
Fiscal	543,841	-	-	-	(543,841)
Business	322,587	-	-	-	(322,587)
Operation and maintenance of plant	1,711,278	2,652	-	-	(1,708,626)
Pupil transportation	1,023,012	-	19,999	16,963	(986,050)
Central	64,805	-	9,468	-	(55,337)
Operation of non-instructional services	3,332	-	2,401	-	(931)
Operation of food services	674,911	502,312	205,929	-	33,330
Extracurricular activities	406,468	214,412	15,291	-	(176,765)
Interest and fiscal charges	11,013	-	-	-	(11,013)
Loss on disposal of capital assets	7,290	-	-	-	(7,290)
Total governmental activities	\$ 19,176,542	\$ 2,534,440	\$ 1,001,674	\$ 16,963	(15,623,465)

General Revenues:

Property taxes levied for:

General purposes	6,702,989
Debt service	15,160
Capital outlay	549,102
Grants and entitlements not restricted to specific programs	8,821,958
Investment earnings	52,399
Miscellaneous	17,370
Total general revenues	16,158,978

Change in net assets 535,513

Net assets at beginning of year 6,889,588

Net assets at end of year \$ 7,425,101

See accompanying notes to the basic financial statements.

Norton City School District

Balance Sheet

Governmental Funds

June 30, 2004

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 2,812,299	\$ 772,378	\$ 517,988	\$ 4,102,665
Cash and cash equivalents with fiscal agents	-	-	390	390
Receivables:				
Taxes	7,249,328	615,739	48,304	7,913,371
Accounts	265,253	-	-	265,253
Intergovernmental	-	-	81,088	81,088
Interfund	165,787	-	-	165,787
Prepaid items	175,693	-	6,630	182,323
Inventory held for resale	-	-	4,411	4,411
Materials and supplies inventory	4,354	-	906	5,260
Equity in pooled cash and cash equivalents (restricted)	11,222	-	-	11,222
Total assets	\$ 10,683,936	\$ 1,388,117	\$ 659,717	\$ 12,731,770
<u>Liabilities:</u>				
Accounts payable	\$ 5,617	\$ 412,617	\$ 2,127	\$ 420,361
Accrued wages	1,143,314	-	11,622	1,154,936
Interfund payable	-	-	155,787	155,787
Compensated absences payable	16,462	-	-	16,462
Intergovernmental payable	285,015	-	4,385	289,400
Deferred revenue	7,214,091	597,740	86,664	7,898,495
Matured interest payable	-	-	390	390
Total liabilities	8,664,499	1,010,357	260,975	9,935,831
<u>Fund balances:</u>				
Reserved for:				
Encumbrances	275,033	192,972	54,698	522,703
Inventory	4,354	-	5,317	9,671
Property taxes	218,635	17,999	-	236,634
Prepaid items	175,693	-	6,630	182,323
Unclaimed money	11,222	-	-	11,222
Unreserved, undesignated, reported in:				
General fund	1,334,500	-	-	1,334,500
Special revenue funds	-	-	327,394	327,394
Debt service fund	-	-	4,703	4,703
Capital projects funds	-	166,789	-	166,789
Total fund balances	2,019,437	377,760	398,742	2,795,939
Total liabilities and fund balances	\$ 10,683,936	\$ 1,388,117	\$ 659,717	\$ 12,731,770

See accompanying notes to the basic financial statements.

Norton City School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2004

Total governmental funds balances		\$ 2,795,939
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,508,116
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 239,733	
Charges for services	183,398	
Intergovernmental	38,360	
Total	<u>461,491</u>	461,491
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		813,366
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and are therefore not reported in the funds.		(184,202)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
Energy conservation bonds	\$ (86,800)	
Compensated absences	(722,861)	
Capital leases	(155,434)	
Accrued interest payable	(4,514)	
Total	<u>(969,609)</u>	<u>(969,609)</u>
Net assets of governmental activities		<u>\$ 7,425,101</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Taxes	\$ 6,650,087	\$ 561,920	\$ -	\$ 7,212,007
Intergovernmental	8,760,808	78,113	830,247	9,669,168
Interest	40,065	-	3,534	43,599
Tuition and fees	1,673,422	-	57,422	1,730,844
Extracurricular activities	132,670	-	148,023	280,693
Gifts and donations	6,326	-	59,608	65,934
Charges for services	69,951	-	506,355	576,306
Rent	2,652	-	-	2,652
Miscellaneous	36,171	-	69,926	106,097
Total revenues	<u>17,372,152</u>	<u>640,033</u>	<u>1,675,115</u>	<u>19,687,300</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,446,949	-	432,213	8,879,162
Special	1,177,328	-	211,487	1,388,815
Vocational	787,711	-	7,140	794,851
Adult/continuing	842	-	-	842
Other	147,727	-	-	147,727
Support services:				
Pupils	695,240	14,087	10,236	719,563
Instructional staff	528,554	-	84,623	613,177
Board of education	7,007	-	-	7,007
Administration	1,307,083	-	114,201	1,421,284
Fiscal	519,705	9,587	-	529,292
Business	323,861	-	5,965	329,826
Operation and maintenance of plant	1,574,320	8,977	-	1,583,297
Pupil transportation	894,244	-	19,999	914,243
Central	51,225	-	12,685	63,910
Operation of non-instructional services	-	-	2,328	2,328
Operation of food services	-	-	666,605	666,605
Extracurricular activities	311,623	-	89,024	400,647
Capital outlay	237,695	590,890	3,482	832,067
Debt service:				
Principal retirement	52,504	-	43,400	95,904
Interest and fiscal charges	5,894	-	7,356	13,250
Total expenditures	<u>17,069,512</u>	<u>623,541</u>	<u>1,710,744</u>	<u>19,403,797</u>
Excess of revenues over (under) expenditures	<u>302,640</u>	<u>16,492</u>	<u>(35,629)</u>	<u>283,503</u>
<u>Other financing sources (uses):</u>				
Inception of capital lease	<u>173,829</u>	<u>-</u>	<u>-</u>	<u>173,829</u>
Net change in fund balances	476,469	16,492	(35,629)	457,332
Fund balances at beginning of year	1,542,968	361,268	434,705	2,338,941
Increase (decrease) in reserve for inventory	-	-	(334)	(334)
Fund balances at end of year	<u>\$ 2,019,437</u>	<u>\$ 377,760</u>	<u>\$ 398,742</u>	<u>\$ 2,795,939</u>

See accompanying notes to the basic financial statements.

Norton City School District

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004**

Net change in fund balances - total governmental funds \$ 457,332

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

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

In the current period, these amounts are:

Capital asset additions	\$ 832,067	
Depreciation expense	(461,838)	
Excess of capital asset additions over depreciation expense		370,229

Governmental funds only report the disposal of capital assets to the extent proceeds are
received from the sale. In the statement of activities, a gain or loss is reported for
each disposal (7,290)

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

Property taxes	\$ 55,240	
Intergovernmental	38,360	
Charges for services	(56,054)	
Miscellaneous	(25,125)	
Net change in deferred revenues during the year		12,421

Repayment of debt and capital lease principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net assets. 95,904

Some capital additions were financed through capital leases. In governmental funds, a
capital lease arrangement is considered a source of financing, but in the statements of
net assets, the lease obligation is reported as a liability.

capital lease transactions:

Inception of a capital lease		(173,829)
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Some items reported in the statement of activities do not require the use of current financial
resources and therefore are not reported as expenditures in governmental funds. These
activities consist of:

Increase in compensated absences	\$ (36,033)	
Decrease in pension obligation	6,748	
Decrease in consumable inventory	(334)	
Decrease in accrued interest	2,237	
Total reduced expenditures		(27,382)

The internal service fund used by management to charge the costs of medical, prescription
drug, dental and vision claims to individual funds are not reported in the statement of
activities. Governmental fund expenditures and related internal service fund revenues
are eliminated. (191,872)

Change in net assets of governmental activities \$ 535,513

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 7,014,223	\$ 6,941,172	\$ 6,936,012	\$ (5,160)
Intergovernmental	8,400,318	8,901,616	8,745,546	(156,070)
Interest	35,000	35,000	40,065	5,065
Tuition and fees	1,536,011	1,642,169	1,626,337	(15,832)
Extracurricular activities	133,831	133,831	132,670	(1,161)
Gifts and donations	4,534	4,534	6,326	1,792
Rent	2,000	2,000	2,652	652
Miscellaneous	75,932	75,932	94,237	18,305
Total revenues	17,201,849	17,736,254	17,583,845	(152,409)
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,275,900	9,052,454	8,511,426	541,028
Special	1,209,675	1,209,675	1,201,875	7,800
Vocational	872,579	851,821	803,305	48,516
Adult/continuing	1,087	1,061	842	219
Other	160,826	156,946	147,727	9,219
Support services:				
Pupils	880,922	831,373	711,659	119,714
Instructional staff	554,511	541,248	501,964	39,284
Board of education	26,238	27,824	25,066	2,758
Administration	1,467,172	1,432,540	1,348,062	84,478
Fiscal	581,739	567,818	531,726	36,092
Business	426,685	416,595	390,621	25,974
Operation and maintenance of plant	1,824,575	1,780,766	1,667,267	113,499
Pupil transportation	1,069,358	1,044,185	953,041	91,144
Central	57,665	56,274	52,759	3,515
Operation of non-instructional services	26,727	18,695	-	18,695
Extracurricular activities	313,163	313,163	312,356	807
Capital outlay	31,701	31,701	31,632	69
Total expenditures	18,780,523	18,334,139	17,191,328	1,142,811
Excess of revenues over (under) expenditures	(1,578,674)	(597,885)	392,517	990,402
<u>Other financing sources (uses):</u>				
Refund of prior year expenditures	87,241	87,241	87,370	129
Refund of prior year receipts	(250)	(244)	(230)	14
Advances out	(180,256)	(175,908)	(165,787)	10,121
Total other financing sources (uses)	(93,265)	(88,911)	(78,647)	10,264
Net change in fund balance	(1,671,939)	(686,796)	313,870	1,000,666
Fund balances at beginning of year	1,980,268	1,980,268	1,980,268	-
Prior year encumbrances appropriated	252,557	252,557	252,557	-
Fund balances at end of year	\$ 560,886	\$ 1,546,029	\$ 2,546,695	\$ 1,000,666

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2004

	Self Insurance
<u>Assets:</u>	
Cash and cash equivalents in segregated accounts	<u>\$ 1,251,680</u>
<u>Liabilities:</u>	
Deferred revenue	\$ 182,323
Interfund payable	10,000
Claims payable	<u>245,991</u>
Total liabilities	<u>438,314</u>
<u>Net assets:</u>	
Unrestricted	<u>813,366</u>
Total liabilities and net assets	<u>\$ 1,251,680</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Revenues, Expenses and Changes in Fund Net Asset
Internal Service Fund
For the Fiscal Year Ended June 30, 2004

	Self Insurance
<u>Operating revenues:</u>	
Charges for services	<u>\$ 1,708,007</u>
 <u>Operating expenses:</u>	
Purchased services	275,658
Claims	<u>1,636,555</u>
Total operating expenses	<u>1,912,213</u>
 Operating loss	 (204,206)
 <u>Non-operating revenues:</u>	
Interest	<u>12,334</u>
 Change in net assets	 (191,872)
 Net assets at beginning of year	 <u>1,005,238</u>
Net assets at end of year	<u><u>\$ 813,366</u></u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2004

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received for charges for services	\$ 1,696,138
Cash payments to suppliers for goods and services	(275,658)
Cash payments for claims	<u>(1,764,225)</u>
Net cash used for operating activities	<u>(343,745)</u>
<u>Cash flows from noncapital financing activities:</u>	
Advances in	<u>10,000</u>
Net cash provided by noncapital financing activities	<u>10,000</u>
<u>Cash flows from investing activities:</u>	
Interest on investments	<u>12,334</u>
Net cash provided by investing financing	<u>12,334</u>
Net decrease in cash and cash equivalents	(321,411)
Cash and cash equivalents at beginning of year	<u>1,573,091</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,251,680</u></u>
<u>Reconciliation of operating loss to net cash used for operating activities:</u>	
Operating loss	<u>\$ (204,206)</u>
Adjustments to reconcile operating loss to net cash used for operating activities:	
Increase (decrease) in liabilities:	
Claims payable	(127,670)
Deferred revenue	<u>(11,869)</u>
Total adjustments	<u>(139,539)</u>
Net cash used for operating activities	<u><u>\$ (343,745)</u></u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust	
	Scholarships	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 21,086	\$ 61,464
Cash and cash equivalents:		
In segregated accounts	14,673	-
Investments in segregated accounts	45,000	-
Interest receivable	96	-
	<u>\$ 80,855</u>	<u>\$ 61,464</u>
<u>Liabilities:</u>		
Due to students	-	<u>\$ 61,464</u>
<u>Net assets:</u>		
Held in trust for scholarships	<u>\$ 80,855</u>	

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2004

	Private Purpose Trust <u>Scholarships</u>
<u>Additions:</u>	
Interest	\$ 267
Gifts and donations	2,775
Miscellaneous	<u>965</u>
Total additions	<u>4,007</u>
 <u>Deductions:</u>	
Payments in accordance with trust agreements	<u>6,700</u>
Change in net assets	(2,693)
Net assets at beginning of year	<u>83,548</u>
Net assets at end of year	<u>\$ 80,855</u>

See accompanying notes to the basic financial statements.

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's six instructional/support facilities staffed by 122 non-certificated employees and 175 certificated teaching and support personnel, including 16 administrators, that provide services to 2,526 students and other community members.

Reporting Entity

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation
- Fund Accounting**

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling-up" revenues and expenses.

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Fund Types:

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

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

Permanent Improvement Fund: The permanent improvement capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The other governmental funds of the School District account for grants and other resources whose use is restricted for a particular purpose.

Notes to the Basic Financial Statements

Proprietary Fund Type

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

Internal Service Fund: The internal service fund accounts for the financing of services provided by one department or agency to other departments or agency of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for revenue received from other funds and the settlement expenses for medical, surgical, prescription drug, and dental and vision claims of School District employees.

Fiduciary Fund Types

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Revenue - Exchange and Non-exchange Transactions

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

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

Notes to the Basic Financial Statements

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

D. Budgets and Budgetary Accounting

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

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

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

The School District is self-insured for health coverage. These monies are held separate from the School District's central bank account and are reflected as "Cash and cash equivalents in segregated accounts". The School District also holds monies separate from the School District's central bank account for retainage amounts due on completed projects and for monies held for future scholarships, which are reported in the permanent improvements capital projects fund and the scholarships private purpose trust fund respectively.

The School District invested funds in STAROhio during fiscal year 2004. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2004.

Notes to the Basic Financial Statements

- F. Prepaids** Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.
- G. Interfund balances** On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.
- H. Inventory** On the governmental-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used.
- Inventories on the fund financial statements are stated at cost on a first-in, first-out basis. Inventories of the general fund consist of expendable supplies held for consumption. Inventories of the food service special revenue fund consist of donated food, purchased food and supplies held for resale. Inventories reported on the fund financial statements are expensed when purchased.
- I. Restricted Assets** Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in the general fund include the amount required to be reserved for unclaimed monies. See Note 17 for additional information regarding statutory reserves.
- J. Capital Assets** General capital assets are those assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.
- All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. The School District's policy is not to capitalize interest costs incurred as part of construction

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

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

K. Compensated Absences

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

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

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

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes primarily include amounts restricted for debt service and capital outlay.

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

M. Accrued Liabilities and Long-term Obligations

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

Notes to the Basic Financial Statements

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

- N. Operating Revenues and Expenses** Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.
- O. Interfund Transactions** Interfund transactions are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of net assets.
- P. Estimates** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.
- Q. Fund Balance Reserves** The School District records reservations for portions of fund balances, 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. Unreserved fund balance indicates that portion of fund balances, which are available for appropriation in future periods. Fund balance reserves are established for encumbrances, inventories, prepaids, property taxes and unclaimed monies.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

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2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

Net Change in Fund Balance

	<u>General</u>
<i>GAAP Basis</i>	\$ 476,469
<i>Revenue Accruals</i>	125,234
<i>Expenditure Accruals</i>	(11,007)
<i>Encumbrances (Budget Basis)</i>	
<i>outstanding at year end</i>	<u>(276,826)</u>
<i>Budget Basis</i>	<u><u>\$ 313,870</u></u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

Notes to the Basic Financial Statements

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of settlement;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits: The carrying value of the School District's deposits totaled (\$173,598), and the bank balances of the deposits totaled \$117,139. The entire bank balance of \$117,139 was covered by federal depository insurance.

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Investments: GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the School District's investments be classified in categories of credit risk. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

All interest is legally required to be placed in the general fund, the food service special revenue fund and the scholarships private purpose trust fund. Interest revenue credited to the general fund during fiscal year 2004 amount to \$40,065, which includes \$8,963 assigned from other School District funds.

	<u>Category 3</u>	<u>Fair Value</u>
<u>Categorized Investments</u>		
Repurchase Agreements	\$ 2,015,000	\$ 2,015,000
Certificate of Deposit	<u>45,000</u>	<u>45,000</u>
Total Categorized	<u>\$ 2,060,000</u>	2,060,000
<u>Noncategorized Investments</u>		
State Treasurer's Pool		<u>3,621,778</u>
Total Investments		<u>\$ 5,681,778</u>

The School District's investment in Star Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

NOTE 5 - PROPERTY TAX

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed at 35% of true value and public utility tangible personal property currently is assessed at varying percentages of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25% of true value for capital assets and 23% of true value of inventory.

Notes to the Basic Financial Statements

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternative payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by year-end are available to finance the current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of year end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at year-end 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 year-end was \$218,635 in the general fund and \$17,999 in the permanent improvement capital projects fund. These advances are recognized as revenue on the fund financial statements.

There were no new levies passed during the current fiscal year. The assessed values upon which the current fiscal year taxes were collected are:

<u>Property Category</u>	<u>2002</u> <u>Assessed Value</u>	<u>2003</u> <u>Assessed Value</u>
<u>Real Property</u>		
<i>Residential and agricultural</i>	\$ 217,133,400	\$ 221,743,890
<i>Commercial, industrial and mineral</i>	38,019,310	37,596,610
<i>Public utilities</i>	62,440	61,540
<u>Tangible Personal Property</u>		
<i>General</i>	19,345,067	17,792,625
<i>Public utilities</i>	8,706,060	8,391,930
<i>Total</i>	<u>\$ 283,266,277</u>	<u>\$ 285,586,595</u>

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NOTE 6 - RECEIVABLES

Receivables at year-end consisted of taxes, accounts, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004 was as follows:

<i>Governmental Activities</i>	<i>Balance June 30, 2003</i>	<i>Additions</i>	<i>Disposals</i>	<i>Balance June 30, 2004</i>
<i>Capital assets, not being depreciated:</i>				
<i>Land</i>	\$ 71,000	\$ -	\$ -	\$ 71,000
<i>Construction in progress</i>	-	430,015	-	430,015
<i>Total capital assets, not being depreciated</i>	<u>71,000</u>	<u>430,015</u>	<u>-</u>	<u>501,015</u>
<i>Capital assets, being depreciated:</i>				
<i>Land improvements</i>	791,223	95,356	(170,084)	716,495
<i>Buildings</i>	6,864,005	-	-	6,864,005
<i>Furniture and equipment</i>	1,221,942	285,043	(48,971)	1,458,014
<i>Vehicles</i>	1,689,105	21,653	-	1,710,758
<i>Total capital assets, being depreciated</i>	<u>10,566,275</u>	<u>402,052</u>	<u>(219,055)</u>	<u>10,749,272</u>
<i>Less: Accumulated depreciation</i>				
<i>Land improvements</i>	(674,434)	(15,723)	170,084	(520,073)
<i>Buildings</i>	(4,206,104)	(133,826)	-	(4,339,930)
<i>Furniture and equipment</i>	(567,957)	(207,052)	41,681	(733,328)
<i>Vehicles</i>	(1,043,603)	(105,237)	-	(1,148,840)
<i>Total accumulated depreciation</i>	<u>(6,492,098)</u>	<u>(461,838)</u>	<u>211,765</u>	<u>(6,742,171)</u>
<i>Total capital assets being depreciated, net</i>	<u>4,074,177</u>	<u>(59,786)</u>	<u>(7,290)</u>	<u>4,007,101</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 4,145,177</u>	<u>\$ 370,229</u>	<u>\$ (7,290)</u>	<u>\$ 4,508,116</u>

Notes to the Basic Financial Statements

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
<i>Regular</i>	\$ 103,251
<i>Special</i>	6,143
<i>Vocational</i>	27,544
<i>Support services:</i>	
<i>Pupils</i>	10,868
<i>Instructional staff</i>	22,596
<i>Administration</i>	46,382
<i>Fiscal</i>	1,405
<i>Operation and maintenance of plant</i>	126,179
<i>Pupil transportation</i>	99,876
<i>Operation of non-instructional services</i>	1,004
<i>Operation of food services</i>	13,164
<i>Extracurricular activities</i>	<u>3,426</u>
	<u>\$ 461,838</u>

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables result from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. During the year, the general fund advanced money to seven nonmajor special revenue funds and the self insurance fund. The advances to the special revenue funds were used to fund state and federal grants where the money has not yet been received. The advance to the self insurance fund was used to pay claims. All of these advances are expected to be repaid during the next fiscal year.

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
<i>General fund</i>	\$ 165,787	\$ -
<i>Nonmajor governmental funds</i>	-	155,787
<i>Self insurance fund</i>	-	<u>10,000</u>
<i>Totals</i>	<u>\$ 165,787</u>	<u>\$ 165,787</u>

NOTE 9 - RISK MANAGEMENT

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

Norton City School District

The School District uses an internal service fund to record and report its self-funded health care insurance program. The claims liability of \$245,991, reported in the fund at year end was estimated by third party administrators and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The School District purchases stop-loss coverage of \$60,000 per employee.

Changes in the fund's claims liability during 2003 and 2004 were:

<i>Fiscal Year</i>	<i>Balance at beginning of year</i>	<i>Current year claims</i>	<i>Claim payments</i>	<i>Balance at end of year</i>
2003	\$ 450,621	1,551,381	1,628,341	\$ 373,661
2004	\$ 373,661	1,636,555	1,764,225	\$ 245,991

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite100, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For the fiscal year 2003, 8.17% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$262,244, \$251,627, and \$152,933, respectively; 38% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$163,306 representing the unpaid contribution for fiscal year 2004.

**B. State Teachers
Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer defined benefit pension plan. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2004 plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2003, 13% 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,136,772, \$1,220,789, and \$790,970, respectively; 84% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$177,075, representing the unpaid contribution for fiscal year 2004 is recorded as an intergovernmental payable. Contributions to the DC and Combined plans for fiscal year 2004 were \$6,190 made by the School District and \$12,276 made by the plan members.

NOTE 11 - POST-EMPLOYMENT BENEFITS

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Health care benefits are financed on a pay-as-you-go basis.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District this amount equaled \$87,444 during the 2004 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3.1 billion at June 30, 2004. For the year ended June 30, 2004, the net health care costs paid by the STRS were \$268,739,000 and eligible benefit recipients totaled 111,853.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply. For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll

Notes to the Basic Financial Statements

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, prorated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$191,220, which includes a surcharge of \$49,568 during the 2004 fiscal year.

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, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the SERS's net assets available for payment of health care benefits were \$300.8 million, at cost. The number of participants receiving health care benefits was approximately 62,000.

NOTE 12 - BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

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

	<i>Balance July 1</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance June 30</i>	<i>Due in one year</i>
<i><u>Governmental activities</u></i>					
<i><u>Bonds</u></i>					
<i>Energy conservation bonds, 5.65%, maturing July 15, 2005</i>	<i>\$ 130,200</i>	<i>\$ -</i>	<i>\$ (43,400)</i>	<i>\$ 86,800</i>	<i>\$ 43,400</i>
<i><u>Other obligations</u></i>					
<i>Compensated absences</i>	<i>686,828</i>	<i>91,755</i>	<i>(55,722)</i>	<i>722,861</i>	<i>74,182</i>
<i>Capital leases payable</i>	<i>34,109</i>	<i>173,829</i>	<i>(52,504)</i>	<i>155,434</i>	<i>32,635</i>
<i>Total other liabilities</i>	<i><u>720,937</u></i>	<i><u>265,584</u></i>	<i><u>(108,226)</u></i>	<i><u>878,295</u></i>	<i><u>106,817</u></i>
<i>Total long-term liabilities</i>	<i><u>\$ 851,137</u></i>	<i><u>\$ 265,584</u></i>	<i><u>\$ (151,626)</u></i>	<i><u>\$ 965,095</u></i>	<i><u>\$ 150,217</u></i>

In fiscal year 1996 the School District issued \$434,000 of 1995 Series Energy Conservation Bonds to pay the costs of installations, modifications and remodeling of school buildings to conserve energy. All bonds are general obligations of the School District for which its full faith and credit are pledged for repayment. The energy conservation bonds are to be repaid from voted and unvoted general property taxes. Property tax monies will be received in and the debt will be repaid from the bond retirement debt service fund.

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

Norton City School District

Principal and interest requirements to amortize the energy conservation bonds outstanding at June 30, 2004 are as follows:

<i>Fiscal</i>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	43,400	4,904	48,304
2006	<u>43,400</u>	<u>2,452</u>	<u>45,852</u>
<i>Total</i>	<u>\$ 86,800</u>	<u>\$ 7,356</u>	<u>\$ 94,156</u>

NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The School District, in prior years, entered into capitalized leases for the acquisition of eleven copiers. During the year, the School District entered into a lease agreement for fourteen copiers. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized as equipment in the amount of \$173,829, which is equal to the present value of the future minimum lease payments on the government-wide financial statements. Principal payments in the current fiscal year totaled \$52,504.

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

<i>Fiscal</i>	<i>Lease</i>
<u>Year</u>	<u>Payments</u>
2005	\$ 38,736
2006	38,736
2007	38,736
2008	38,736
2009	<u>16,140</u>
<i>Total minimum lease payments</i>	171,084
<i>Less: amount representing interest</i>	<u>(15,650)</u>
<i>Total</i>	<u>\$ 155,434</u>

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEOnet) is the computer service organization or Data Acquisition Site (DAS) used by the School District. NEOnet is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges, and assessments as charged. NEOnet is governed by a board made up of superintendents from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEOnet are made from the general fund. During fiscal year 2004, the School District contributed \$48,587 to NEOnet. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center, who serves as the fiscal agent, at 420 Washington Ave., Suite 200, Cuyahoga Falls, Ohio 44221.

The Four Cities Educational Compact is a jointly governed organization that provides for the vocational and special education needs of the students of four participating school districts. The four-member board consists of the superintendent from each of the participating school districts. Students may attend any vocational or special education class offered by any of the four districts. If a student elects to attend a class offered by a school district other than the school district in which the student resides, the school district of residence pays an instructional fee to the school district that offered the class. Wadsworth City School District serves as the fiscal agent for this organization, collecting fees and distributing payments. The committee exercises total control over the operation of the compact, including budgeting, appropriating, contracting and designating management. All revenues are generated from charges for services. Financial information can be obtained by contacting the Treasurer at the Wadsworth City School District, 360 College St., Wadsworth, Ohio 44281.

NOTE 15 - FUND DEFICITS

As of June 30, 2004, two nonmajor special revenue funds had deficit fund balances. These deficits were caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficits at year-end:

<i>Fund</i>	<i>Deficit</i>
<i>IDEA Grant</i>	<i>\$ 125</i>
<i>Student Intervention</i>	<i>10,877</i>

NOTE 16 - CONTINGENT LIABILITIES

The School District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the School District's management believes that such disallowances, if any, will be immaterial.

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

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

NOTE 17 - STATUTORY RESERVES

The School District is required by State statute to annually set-aside monies for the purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-asides. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<i>Textbook Reserve</i>	<i>Capital Maintenance Reserve</i>	<i>Total</i>
<i>Set-aside cash balance as of</i>			
<i>June 30, 2003</i>	\$ (724,651)	\$ -	\$ (724,651)
<i>Current year set-aside requirement</i>	373,319	373,319	746,638
<i>Current year offset</i>	-	(591,607)	(591,607)
<i>Qualifying disbursements</i>	<u>(452,686)</u>	<u>-</u>	<u>(452,686)</u>
<i>Total</i>	<u>\$ (804,018)</u>	<u>\$ (218,288)</u>	<u>\$ (1,022,306)</u>
<i>Balance carried forward to future years</i>	<u>\$ (804,018)</u>		<u>\$ (804,018)</u>

NOTE 18 - SUBSEQUENT EVENT

On November 2, 2004, the voters within the school district approved a new property tax levy for 4.9 mills. The new levy is expected to generate approximately \$1.4 million.

NOTE 19 – NORTON DIGITAL ACADEMY

The Academy has been determined to be a discrete component unit. The School District's management has determined it is not significant; therefore, it has not been included as part of the School District's basic financial statements.

**Combining Statements for
Governmental Funds**

Governmental Fund Descriptions

Nonmajor Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. A description of the School District's special revenue funds follows:

Food Services: To account for all revenues and expenditures related to the provision of food services, including breakfast and lunch, for School District students and staff.

Uniform School Supplies: To account for the purchase and sale of school supplies as adopted by the Board of Education for resale to students of the School District.

Customer Service Rotary: To account for the revenues and expenditures related to the auto mechanic and auto body vocational programs.

Adult Education: To account for the revenues and expenditures related to the provision of credit and non-credit classes to the general public.

Public School Support: To account for specific local revenue sources (other than taxes) generated by individual school buildings (e.g. sales of pictures, profits from vending machines, etc.). Expenditures include field trips, materials, equipment and other items to supplement co-curricular and extra-curricular programs.

Miscellaneous Local Grants: To account for funds received from private organizations that are restricted for specific purposes.

Underground Storage Tanks: To account for the financial responsibility rules of the State Fire Marshall to cover deductibles.

District Managed Student Activity: To account for those student activity programs which have student participation in the activity, but do not have student management of the programs. This fund includes athletic programs as well as band, cheerleaders, drama clubs, and other similar types of activities.

Management Information System: To account for state funds provided to assist the School District in implementing a staff, student, and financial reporting system as mandated by the Omnibus Education Reform Act of 1989.

Governmental Fund Descriptions

Nonmajor Special Revenue Funds (continued)

Entry Year Programs: To account for resources used to implement entry-year programs pursuant to division (T) of section 3317.024 of the Ohio Revised Code.

Data Communications: To account for revenues received from the state to be used to install and provide support costs for data communication links to connect any school to the local A-site.

School Net Professional Development: To account for revenues received to provide professional development programs related to technology.

Ohio Reads: To account for improvements in reading outcomes, especially on the fourth grade reading proficiency test and for volunteer coordinators in public school buildings, for background checks for volunteers, to evaluate the Ohio Reads Program, and for operating expenses associated with administering the program.

Student Reading Intervention: To account for revenues received from the state to be used to administer reading improvement programs.

Vocational Education Enhancement: A fund used to account for enhancements that: 1) expand the number of students enrolled in tech prep programs, 2) enable students to develop career plans, to identify initial educational and career goals, and to develop a career passport which provides a clear understanding of the student's knowledge, skills, and credentials to present to future employers, universities, and other training institutes and 3) replace or update equipment essential for the instruction of students in job skills taught as part of a vocational program or programs approved for such instruction by the State Board of Education.

Miscellaneous State Grants: To account for monies from state agencies not classified elsewhere.

IDEA Grant: To account for federal funds for the provision of full educational opportunities to handicapped children at the preschool, elementary and secondary levels; assist in the training of teachers, supervisors and other specialists in providing educational services to the handicapped.

Title I: To account for federal funds provided to meet the special needs of educationally deprived children.

Governmental Fund Descriptions

Nonmajor Special Revenue Funds (continued)

Title V: To account for federal funds to provide programs for at-risk students; instructional materials to improve the quality of instruction; programs for professional development; programs to enhance personal excellence of students and student achievement.

Drug Free School Grant: To account for federal funds provided to establish, operate and improve programs for drug abuse prevention, early intervention, rehabilitation referral and education in schools.

EHA Preschool Grant: To account for federal funds used for the improvement and expansion of services for handicapped children ages three through five years.

Title II-A To account for monies to hire additional classroom teachers in grades one through three, so that the number of students per teacher will be reduced.

Miscellaneous Federal Grants: To account for various monies received through state agencies from the federal government or directly from the federal government which are not classified elsewhere.

Nonmajor Debt Service Fund

The debt service fund is used to account for the accumulation of resources and the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the government is obligated in some manner for the payment. It is also used to account for the accumulation of resources and the payment of general obligation notes payable, as required by Ohio Law.

Major Capital Projects Fund

Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary and trust funds. The capital projects fund is:

Permanent Improvement: To account for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds.

Norton City School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 513,285	\$ 4,703	\$ 517,988
Cash and cash equivalents:			
With fiscal agents	-	390	390
Receivables:			
Taxes	-	48,304	48,304
Intergovernmental	81,088	-	81,088
Prepaid items	6,630	-	6,630
Inventory held for resale	4,411	-	4,411
Materials and supplies inventory	906	-	906
Total assets	<u>\$ 606,320</u>	<u>\$ 53,397</u>	<u>\$ 659,717</u>
<u>Liabilities and fund balance:</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 2,127	\$ -	\$ 2,127
Accrued wages	11,622	-	11,622
Interfund payable	155,787	-	155,787
Intergovernmental payable	4,385	-	4,385
Deferred revenue	38,360	48,304	86,664
Matured interest payable	-	390	390
Total liabilities	<u>212,281</u>	<u>48,694</u>	<u>260,975</u>
<u>Fund balance:</u>			
Reserved for encumbrances	54,698	-	54,698
Reserved for inventory	5,317	-	5,317
Reserved for prepaid items	6,630	-	6,630
Unreserved:			
Undesignated, reported in:			
Special revenue funds	327,394	-	327,394
Debt service fund	-	4,703	4,703
Total fund balance	<u>394,039</u>	<u>4,703</u>	<u>398,742</u>
Total liabilities and fund balance	<u>\$ 606,320</u>	<u>\$ 53,397</u>	<u>\$ 659,717</u>

Norton City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2004

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
<u>Revenues:</u>			
Intergovernmental	\$ 830,247	\$ -	\$ 830,247
Interest	3,534	-	3,534
Tuition and fees	57,422	-	57,422
Extracurricular activities	148,023	-	148,023
Gifts and donations	59,608	-	59,608
Customer services	506,355	-	506,355
Miscellaneous	69,926	-	69,926
Total revenues	<u>1,675,115</u>	<u>-</u>	<u>1,675,115</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	432,213	-	432,213
Special	211,487	-	211,487
Vocational	7,140	-	7,140
Support services:			
Pupils	10,236	-	10,236
Instructional staff	84,623	-	84,623
Administration	114,201	-	114,201
Business	5,965	-	5,965
Pupil transportation	19,999	-	19,999
Central	12,685	-	12,685
Operation of non-instructional services	2,328	-	2,328
Operation of food services	666,605	-	666,605
Extracurricular activities	89,024	-	89,024
Capital outlay	3,482	-	3,482
Debt service:			
Principal retirement	-	43,400	43,400
Interest and fiscal charges	-	7,356	7,356
Total expenditures	<u>1,659,988</u>	<u>50,756</u>	<u>1,710,744</u>
Net change in fund balances	15,127	(50,756)	(35,629)
Fund balances at beginning of year	379,246	55,459	434,705
Decrease in reserve for inventory	(334)	-	(334)
Fund balances at end of year	<u>\$ 394,039</u>	<u>\$ 4,703</u>	<u>\$ 398,742</u>

Norton City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Customer Service Rotary</u>	<u>Adult Education</u>	<u>Public School Support</u>
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 169,970	\$ 60,159	\$ 21,174	\$ 15,614	\$ 51,470
<u>Receivables:</u>					
Intergovernmental	-	-	-	-	-
Prepaid items	6,630	-	-	-	-
Inventory held for resale	4,411	-	-	-	-
Materials and supplies inventory	906	-	-	-	-
Total assets	<u>\$ 181,917</u>	<u>\$ 60,159</u>	<u>\$ 21,174</u>	<u>\$ 15,614</u>	<u>\$ 51,470</u>
<u>Liabilities and fund equity :</u>					
<u>Liabilities:</u>					
Accounts payable	\$ 14	\$ 602	\$ -	\$ -	\$ 773
Accrued wages	332	-	-	-	-
Interfund payable	-	-	-	-	-
Intergovernmental payable	2,408	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	<u>2,754</u>	<u>602</u>	<u>-</u>	<u>-</u>	<u>773</u>
<u>Fund balance:</u>					
Reserved for encumbrances	23,229	11,803	-	-	4,745
Reserved for inventory	5,317	-	-	-	-
Reserved for prepaid items	6,630	-	-	-	-
<u>Unreserved:</u>					
Undesignated, reported in:					
Special revenue funds	143,987	47,754	21,174	15,614	45,952
Total fund balance	<u>179,163</u>	<u>59,557</u>	<u>21,174</u>	<u>15,614</u>	<u>50,697</u>
Total liabilities and fund balance	<u>\$ 181,917</u>	<u>\$ 60,159</u>	<u>\$ 21,174</u>	<u>\$ 15,614</u>	<u>\$ 51,470</u>

<u>Miscellaneous Local Grants</u>	<u>Underground Storage Tanks</u>	<u>District Managed Student Activity</u>	<u>Management Information System</u>	<u>Entry Year Programs</u>	<u>Data Communications</u>	<u>School Net Professional Development</u>
\$ 29,978	\$ 11,000	\$ 13,968	\$ 3,721	\$ -	\$ -	\$ 3,390
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 29,978</u>	<u>\$ 11,000</u>	<u>\$ 13,968</u>	<u>\$ 3,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,390</u>
\$ -	\$ -	\$ 54	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	501	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>54</u>	<u>501</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	6,072	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>29,978</u>	<u>11,000</u>	<u>7,842</u>	<u>3,220</u>	<u>-</u>	<u>-</u>	<u>3,390</u>
<u>29,978</u>	<u>11,000</u>	<u>13,914</u>	<u>3,220</u>	<u>-</u>	<u>-</u>	<u>3,390</u>
<u>\$ 29,978</u>	<u>\$ 11,000</u>	<u>\$ 13,968</u>	<u>\$ 3,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,390</u>

(Continued)

Norton City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004

	<u>Ohio Reads</u>	<u>Student Reading Intervention</u>	<u>Vocational Education Enhancement</u>	<u>Miscellaneous State Grants</u>	<u>IDEA Grant</u>
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ -	\$ 5,529	\$ -	\$ -	\$ 22,700
<u>Receivables:</u>					
Intergovernmental	-	21,671	-	-	27,301
Prepaid items	-	-	-	-	-
Inventory held for resale	-	-	-	-	-
Materials and supplies inventory	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 27,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,001</u>
<u>Liabilities and fund equity :</u>					
<u>Liabilities:</u>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued wages	-	4,471	-	-	-
Interfund payable	-	21,671	-	-	50,000
Intergovernmental payable	-	691	-	-	126
Deferred revenue	-	11,244	-	-	-
Total liabilities	<u>-</u>	<u>38,077</u>	<u>-</u>	<u>-</u>	<u>50,126</u>
<u>Fund balance:</u>					
Reserved for encumbrances	-	432	-	-	-
Reserved for inventory	-	-	-	-	-
Reserved for prepaid items	-	-	-	-	-
<u>Unreserved:</u>					
Undesignated, reported in:					
Special revenue funds	-	(11,309)	-	-	(125)
Total fund balance	<u>-</u>	<u>(10,877)</u>	<u>-</u>	<u>-</u>	<u>(125)</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 27,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,001</u>

Title I	Title VI	Drug Free School Grant	EHA Preschool Grant	Title II-A	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
\$ 58,342	\$ 9,042	\$ -	\$ 2,000	\$ 29,873	\$ 5,355	\$ 513,285
-	11,894	-	-	15,602	4,620	81,088
-	-	-	-	-	-	6,630
-	-	-	-	-	-	4,411
-	-	-	-	-	-	906
<u>\$ 58,342</u>	<u>\$ 20,936</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 45,475</u>	<u>\$ 9,975</u>	<u>\$ 606,320</u>
\$ 629	\$ -	\$ -	\$ -	\$ 55	\$ -	\$ 2,127
6,819	-	-	-	-	-	11,622
50,000	11,894	-	2,000	15,602	4,620	155,787
291	200	-	-	168	-	4,385
-	6,894	-	-	15,602	4,620	38,360
<u>57,739</u>	<u>18,988</u>	<u>-</u>	<u>2,000</u>	<u>31,427</u>	<u>9,240</u>	<u>212,281</u>
705	300	-	-	7,412	-	54,698
-	-	-	-	-	-	5,317
-	-	-	-	-	-	6,630
(102)	1,648	-	-	6,636	735	327,394
603	1,948	-	-	14,048	735	394,039
<u>\$ 58,342</u>	<u>\$ 20,936</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 45,475</u>	<u>\$ 9,975</u>	<u>\$ 606,320</u>

Norton City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004

	Food Services	Uniform School Supplies	Customer Service Rotary	Adult Education	Public School Support
<u>Revenues:</u>					
Intergovernmental	\$ 176,084	\$ -	\$ -	\$ -	\$ -
Interest	3,534	-	-	-	-
Tuition and fees	-	57,422	-	-	-
Extracurricular activities	-	-	-	-	66,281
Gifts and donations	-	-	-	-	45,817
Customer services	502,312	-	-	4,043	-
Miscellaneous	26,310	-	-	-	15,150
Total revenues	<u>708,240</u>	<u>57,422</u>	<u>-</u>	<u>4,043</u>	<u>127,248</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	-	43,326	-	-	118,318
Special	-	-	-	-	-
Vocational	-	4,745	-	-	-
Support services:					
Pupils	-	-	-	-	-
Instructional staff	-	-	-	913	3,062
Administration	-	-	-	-	8,294
Business	-	-	-	-	-
Pupil transportation	-	-	-	-	-
Central	-	-	-	-	-
Operation of non-instructional services	-	-	-	-	-
Operation of food services	666,605	-	-	-	-
Extracurricular activities	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>666,605</u>	<u>48,071</u>	<u>-</u>	<u>913</u>	<u>129,674</u>
Net change in fund balances	41,635	9,351	-	3,130	(2,426)
Fund balances (deficit) at beginning of year	137,862	50,206	21,174	12,484	53,123
Decrease in reserve for inventory	(334)	-	-	-	-
Fund balances (deficit) at end of year	<u>\$ 179,163</u>	<u>\$ 59,557</u>	<u>\$ 21,174</u>	<u>\$ 15,614</u>	<u>\$ 50,697</u>

<u>Miscellaneous Local Grants</u>	<u>Underground Storage Tanks</u>	<u>District Managed Student Activity</u>	<u>Management Information System</u>	<u>Entry Year Programs</u>	<u>Data Communications</u>	<u>School Net Professional Development</u>
\$ -	\$ -	\$ -	\$ 9,468	\$ 2,200	\$ 18,000	\$ 4,140
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	81,742	-	-	-	-
5,500	-	8,291	-	-	-	-
-	-	-	-	-	-	-
21,466	-	7,000	-	-	-	-
<u>26,966</u>	<u>-</u>	<u>97,033</u>	<u>9,468</u>	<u>2,200</u>	<u>18,000</u>	<u>4,140</u>
4,608	-	-	-	4,664	26,387	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1,526	-	4,060
-	-	-	-	-	-	-
-	-	-	-	-	5,965	-
-	-	-	-	-	-	-
-	-	-	12,685	-	-	-
-	-	-	-	-	-	-
-	-	89,024	-	-	-	-
-	-	-	-	-	-	-
<u>4,608</u>	<u>-</u>	<u>89,024</u>	<u>12,685</u>	<u>6,190</u>	<u>32,352</u>	<u>4,060</u>
22,358	-	8,009	(3,217)	(3,990)	(14,352)	80
7,620	11,000	5,905	6,437	3,990	14,352	3,310
-	-	-	-	-	-	-
<u>\$ 29,978</u>	<u>\$ 11,000</u>	<u>\$ 13,914</u>	<u>\$ 3,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,390</u>

(Continued)

Norton City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004

	<u>Ohio Reads</u>	<u>Student Reading Intervention</u>	<u>Vocational Education Enhancement</u>	<u>Miscellaneous State Grants</u>	<u>IDEA Grant</u>
Revenues:					
Intergovernmental	\$ 18,500	\$ 34,547	\$ 2,395	\$ 2,615	\$ 275,090
Interest	-	-	-	-	-
Tuition and fees	-	-	-	-	-
Extracurricular activities	-	-	-	-	-
Gifts and donations	-	-	-	-	-
Customer services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>18,500</u>	<u>34,547</u>	<u>2,395</u>	<u>2,615</u>	<u>275,090</u>
Expenditures:					
Current:					
Instruction:					
Regular	18,869	41,426	-	9,915	58,234
Special	-	-	-	-	33,764
Vocational	-	-	2,395	-	-
Support services:					
Pupils	-	-	-	2,614	7,622
Instructional staff	-	3,998	-	-	56,196
Administration	-	-	-	-	99,313
Business	-	-	-	-	-
Pupil transportation	-	-	-	-	19,999
Central	-	-	-	-	-
Operation of non-instructional services	-	-	-	-	-
Operation of food services	-	-	-	-	-
Extracurricular activities	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>18,869</u>	<u>45,424</u>	<u>2,395</u>	<u>12,529</u>	<u>275,128</u>
Net change in fund balance	(369)	(10,877)	-	(9,914)	(38)
Fund balances (deficit) at beginning of year	369	-	-	9,914	(87)
Increase in reserve for inventory	-	-	-	-	-
Fund balances (deficit) at end of year	<u>\$ -</u>	<u>\$ (10,877)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (125)</u>

<u>Title I</u>	<u>Title VI</u>	<u>Drug Free School Grant</u>	<u>EHA Preschool Grant</u>	<u>Title II-A</u>	<u>Miscellaneous Federal Grants</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 216,508	\$ 7,618	\$ 7,879	\$ 4,104	\$ 50,309	\$ 790	\$ 830,247
-	-	-	-	-	-	3,534
-	-	-	-	-	-	57,422
-	-	-	-	-	-	148,023
-	-	-	-	-	-	59,608
-	-	-	-	-	-	506,355
-	-	-	-	-	-	69,926
<u>216,508</u>	<u>7,618</u>	<u>7,879</u>	<u>4,104</u>	<u>50,309</u>	<u>790</u>	<u>1,675,115</u>
23,718		7,868	-	73,410	1,470	432,213
176,723	-	-	1,000	-	-	211,487
-	-	-	-	-	-	7,140
-	-	-	-	-	-	10,236
-	11,764	-	3,104	-	-	84,623
6,594	-	-	-	-	-	114,201
-	-	-	-	-	-	5,965
-	-	-	-	-	-	19,999
-	-	-	-	-	-	12,685
2,328	-	-	-	-	-	2,328
-	-	-	-	-	-	666,605
-	-	-	-	-	-	89,024
-	-	3,482	-	-	-	3,482
<u>209,363</u>	<u>11,764</u>	<u>11,350</u>	<u>4,104</u>	<u>73,410</u>	<u>1,470</u>	<u>1,659,988</u>
7,145	(4,146)	(3,471)	-	(23,101)	(680)	15,127
(6,542)	6,094	3,471	-	37,149	1,415	379,246
-	-	-	-	-	-	(334)
<u>\$ 603</u>	<u>\$ 1,948</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,048</u>	<u>\$ 735</u>	<u>\$ 394,039</u>

**Individual Fund Schedules of Revenues, Expenditures and Changes
in Fund Balance – Budget (Non-GAAP Basis) and Actual
Governmental Funds – Major and Nonmajor**

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2004

Food Services Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 147,480	\$ 149,575	\$ 2,095
Interest	1,500	3,534	2,034
Customer services	512,873	502,312	(10,561)
Miscellaneous	16,359	26,310	9,951
Total revenues	<u>678,212</u>	<u>681,731</u>	<u>3,519</u>
<u>Expenditures:</u>			
Current:			
Food service operations	812,367	670,564	141,803
Net change in fund balance	(134,155)	11,167	145,322
Fund balance at beginning of year	96,436	96,436	-
Prior year encumbrances appropriated	37,721	37,721	-
Fund balance at end of year	<u>\$ 2</u>	<u>\$ 145,324</u>	<u>\$ 145,322</u>

Uniform School Supplies Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Tuition and fees	\$ 57,502	\$ 57,422	\$ (80)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	92,340	57,553	34,787
Special	217	-	217
Vocational	17,802	5,054	12,748
Total expenditures	<u>110,359</u>	<u>62,607</u>	<u>47,752</u>
Net change in fund balance	(52,857)	(5,185)	47,672
Fund balance at beginning of year	41,714	41,714	-
Prior year encumbrances appropriated	11,226	11,226	-
Fund balance at end of year	<u>\$ 83</u>	<u>\$ 47,755</u>	<u>\$ 47,672</u>

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2004

Customer Service Rotary Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Total revenues	\$ -	\$ -	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Vocational	21,174	-	21,174
Net change in fund balance	(21,174)	-	21,174
Fund balance at beginning of year	21,174	21,174	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 21,174</u>	<u>\$ 21,174</u>

Adult Education Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Customer services	\$ 4,043	\$ 4,043	\$ -
<u>Expenditures:</u>			
Current:			
Extracurricular activities	16,527	913	15,614
Total expenditures	16,527	913	15,614
Net change in fund balance	(12,484)	3,130	15,614
Fund balance at beginning of year	11,984	11,984	-
Prior year encumbrances appropriated	500	500	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 15,614</u>	<u>\$ 15,614</u>

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2004

Public School Support Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Extracurricular activities	\$ 95,363	\$ 66,281	\$ (29,082)
Gifts and donations	17,005	45,817	28,812
Miscellaneous	14,450	15,150	700
Total revenues	<u>126,818</u>	<u>127,248</u>	<u>430</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	157,905	123,085	34,820
Support services:			
Instructional staff	12,630	6,021	6,609
Administration	12,069	8,294	3,775
Pupil transportation	318	-	318
Total expenditures	<u>182,922</u>	<u>137,400</u>	<u>45,522</u>
Net change in fund balance	(56,104)	(10,152)	45,952
Fund balance at beginning of year	49,518	49,518	-
Prior year encumbrances appropriated	6,586	6,586	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 45,952</u>	<u>\$ 45,952</u>

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2004

Miscellaneous Local Grants Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Gifts and donations	\$ 5,500	\$ 5,500	-
Miscellaneous	21,466	21,466	-
Total revenues	<u>26,966</u>	<u>26,966</u>	<u>-</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	27,902	4,608	23,294
Special	36	-	36
Adult/continuing	6,648	-	6,648
Total expenditures	<u>34,586</u>	<u>4,608</u>	<u>29,978</u>
Net change in fund balance	(7,620)	22,358	29,978
Fund balance at beginning of year	7,620	7,620	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 29,978</u>	<u>\$ 29,978</u>

Underground Storage Tanks Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Total revenues	\$ -	\$ -	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Central	\$ 11,000	\$ -	\$ 11,000
Net change in fund balance	(11,000)	-	11,000
Fund balance at beginning of year	11,000	11,000	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 11,000</u>	<u>\$ 11,000</u>

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2004

District Managed Student Activity Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Extracurricular activities	\$ 81,998	\$ 81,233	\$ (765)
Gifts and donations	8,035	8,291	256
Miscellaneous	7,000	7,000	-
Total revenues	<u>97,033</u>	<u>96,524</u>	<u>(509)</u>
<u>Expenditures:</u>			
Current:			
Extracurricular activities	104,788	96,946	7,842
Excess of revenues over (under) expenditures	<u>(7,755)</u>	<u>(422)</u>	<u>7,333</u>
<u>Other financing sources (uses):</u>			
Refund of prior year expenditures	<u>-</u>	<u>509</u>	<u>509</u>
Net change in fund balance	(7,755)	87	7,842
Fund balance at beginning of year	3,044	3,044	-
Prior year encumbrances appropriated	4,711	4,711	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 7,842</u>	<u>\$ 7,842</u>

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2004

Management Information System Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 9,468	\$ 9,468	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Central	15,905	12,184	3,721
Net change in fund balance	(6,437)	(2,716)	3,721
Fund balance at beginning of year	6,437	6,437	-
Fund balance at end of year	\$ -	\$ 3,721	\$ 3,721

Entry Year Programs Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 2,200	\$ 2,200	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	887	887	-
Support services:			
Instructional staff	1,526	1,526	-
Total expenditures	2,413	2,413	-
Excess of revenues over (under) expenditures	(213)	(213)	-
<u>Other financing sources (uses):</u>			
Refund of prior year receipts	(3,777)	(3,777)	-
Net change in fund balance	(3,990)	(3,990)	-
Fund balance at beginning of year	3,990	3,990	-
Fund balance at end of year	\$ -	\$ -	\$ -

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2004

Data Communications Fund

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 18,000	\$ 18,000	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	26,387	26,387	-
Support services:			
Business	5,965	5,965	-
Total expenditures	32,352	32,352	-
Net change in fund balance	(14,352)	(14,352)	-
Fund balances at beginning of year	14,352	14,352	-
Fund balances at end of year	\$ -	\$ -	\$ -

School Net Professional Development Fund

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 4,140	\$ 4,140	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff	7,812	4,422	3,390
Net change in fund balance	(3,672)	(282)	3,390
Fund balances at beginning of year	3,672	3,672	-
Fund balances at end of year	\$ -	\$ 3,390	\$ 3,390

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2004

Ohio Reads Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 18,500	\$ 18,500	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	20,945	20,945	-
Net change in fund balance	(2,445)	(2,445)	-
Prior Year Encumbrances Appropriated	2,445	2,445	-
Fund balance at end of year	\$ -	\$ -	\$ -

Student Reading Intervention Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 24,120	\$ 24,120	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	20,122	36,696	(16,574)
Support services:			
Instructional staff	3,998	3,998	-
Total expenditures	24,120	40,694	(16,574)
Excess of revenues over (under) expenditures	-	(16,574)	(16,574)
<u>Other financing sources (uses):</u>			
Advances in	21,671	21,671	-
Advances out	(21,671)	-	21,671
Total other financing sources (uses)	-	21,671	21,671
Net change in fund balance	-	5,097	5,097
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ 5,097	\$ 5,097

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2004

Vocational Education Enhancement Fund

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 2,395	\$ 2,395	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Vocational	2,395	2,395	-
Net change in fund balance	-	-	-
Fund balances at beginning of year	-	-	-
Fund balances at end of year	\$ -	\$ -	\$ -

Miscellaneous State Grants Fund

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 2,615	\$ 2,615	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	9,941	9,941	-
Support services:			
Pupils	2,615	2,615	-
Total expenditures	12,556	12,556	-
Net change in fund balance	(9,941)	(9,941)	-
Fund balances at beginning of year	9,941	9,941	-
Fund balances at end of year	\$ -	\$ -	\$ -

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2004

IDEA Grant Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 275,091	\$ 247,789	\$ (27,302)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	58,234	58,234	-
Special	33,764	33,764	-
Support services:			
Pupils	7,622	7,622	-
Instructional staff	56,167	56,166	1
Administration	99,305	99,304	1
Pupil transportation	19,999	19,999	-
Total expenditures	275,091	275,089	2
Excess of revenues over (under) expenditures	-	(27,300)	(27,300)
<u>Other financing sources (uses):</u>			
Advances in	50,000	50,000	-
Advances out	(50,000)	-	50,000
Total other financing sources (uses)	-	50,000	50,000
Net change in fund balance	-	22,700	22,700
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ 22,700	\$ 22,700

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2004

	Title I Fund		
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 216,508	\$ 216,508	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	26,913	23,755	3,158
Special	179,585	176,519	3,066
Support services:			
Administration	7,310	7,310	-
Operation of non-instructional services	3,111	2,328	783
Total expenditures	216,919	209,912	7,007
Excess of revenues over (under) expenditures	(411)	6,596	7,007
<u>Other financing sources (uses):</u>			
Advances in	50,000	50,000	-
Advances out	(50,000)	-	50,000
Total other financing sources (uses)	-	50,000	50,000
Net change in fund balance	(411)	56,596	57,007
Fund balance at beginning of year	-	-	-
Prior year encumbrances appropriated	411	411	-
Fund balance at end of year	\$ -	\$ 57,007	\$ 57,007

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2004

Title V Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 2,618	\$ 2,618	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff	8,825	11,977	(3,152)
Excess of revenues over (under) expenditures	(6,207)	(9,359)	(3,152)
<u>Other financing sources (uses):</u>			
Advances in	11,893	11,894	1
Advances out	(11,893)	-	11,893
Total other financing sources (uses)	-	11,894	11,894
Net change in fund balance	(6,207)	2,535	8,742
Fund balance at beginning of year	4,080	4,080	-
Prior year encumbrances appropriated	2,127	2,127	-
Fund balance at end of year	\$ -	\$ 8,742	\$ 8,742

Drug Free School Grant Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 7,879	\$ 7,879	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	7,879	7,879	-
Support services:			
Operation and maintenance of plant	3,482	3,482	-
Total expenditures	11,361	11,361	-
Net change in fund balance	(3,482)	(3,482)	-
Fund balance at beginning of year	-	-	-
Prior year encumbrances appropriated	3,482	3,482	-
Fund balance at end of year	\$ -	\$ -	\$ -

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2004

EHA Preschool Grant Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 4,104	\$ 4,104	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Special	1,000	1,000	-
Support services:			
Instructional staff	3,104	3,104	-
Total expenditures	4,104	4,104	-
Excess of revenues over (under) expenditures	-	-	-
<u>Other financing sources (uses):</u>			
Advances in	2,000	2,000	-
Advances out	(2,000)	-	2,000
Total other financing sources (uses)	-	2,000	2,000
Net change in fund balance	-	2,000	2,000
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ 2,000	\$ 2,000

Title II-A Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 50,309	\$ 50,309	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	87,480	80,676	6,804
Excess of revenues over (under) expenditures	(37,171)	(30,367)	6,804
<u>Other financing sources (uses):</u>			
Advances in	15,602	15,602	-
Advances out	(15,602)	-	15,602
Total other financing sources (uses)	-	15,602	15,602
Net change in fund balance	(37,171)	(14,765)	22,406
Fund balance at beginning of year	37,107	37,107	-
Prior year encumbrances appropriated	64	64	-
Fund balance at end of year	\$ -	\$ 22,406	\$ 22,406

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2004

Miscellaneous Federal Grants Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 790	\$ 790	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	2,205	1,470	735
Excess of revenues over (under) expenditures	(1,415)	(680)	735
<u>Other financing sources (uses):</u>			
Advances in	4,620	4,620	-
Advances out	(4,620)	-	4,620
Total other financing sources (uses)	-	4,620	4,620
Net change in fund balance	(1,415)	3,940	5,355
Fund balance at beginning of year	1,415	1,415	-
Fund balance at end of year	\$ -	\$ 5,355	\$ 5,355

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2004

Bond Retirement Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Total revenues	\$ -	\$ -	\$ -
<u>Expenditures:</u>			
Debt service:			
Principal retirement	390	-	390
Interest and fiscal charges	4,313	-	4,313
Total expenditures	4,703	-	4,703
Net change in fund balance	(4,703)	-	4,703
Fund balance at beginning of year	4,703	4,703	-
Fund balance at end of year	\$ -	\$ 4,703	\$ 4,703

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2004

Permanent Improvement Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Taxes	\$ 592,657	\$ 591,606	\$ (1,051)
Intergovernmental	89,646	78,113	(11,533)
Total revenues	<u>682,303</u>	<u>669,719</u>	<u>(12,584)</u>
<u>Expenditures:</u>			
Current:			
Support services:			
Pupils	14,087	14,087	-
Fiscal	9,587	9,587	-
Operation and maintenance of plant	50,611	41,711	8,900
Pupil transportation	103,307	-	103,307
Extracurricular activities			-
Capital outlay	<u>818,294</u>	<u>751,128</u>	<u>67,166</u>
Total expenditures	<u>995,886</u>	<u>816,513</u>	<u>179,373</u>
Net change in fund balance	(313,583)	(146,794)	166,789
Fund balance at beginning of year	222,332	222,332	-
Prior year encumbrances appropriated	91,251	91,251	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 166,789</u>	<u>\$ 166,789</u>

Internal Service Fund

**Individual Fund Schedule of Revenues, Expenses and Changes in
Fund Equity – Budget (Non-GAAP Basis) and Actual
Self Insurance Fund**

Fiduciary Funds

**Individual Fund Schedule of Revenues, Expenses and Changes in
Fund Equity – Budget (Non-GAAP Basis) and Actual
Scholarships Private Purpose Trust Fund**

Statement of Changes in Assets and Liabilities – Agency Fund

Norton City School District
Schedule of Revenues, Expenses and Changes in Fund Equity -
Budget (Non-GAAP) and Actual
Internal Service Fund
For the Fiscal Year Ended June 30, 2004

Self Insurance Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Charges for services	\$ 1,513,807	\$ 1,696,138	\$ 182,331
Interest	12,340	12,334	(6)
Total revenues	<u>1,526,147</u>	<u>1,708,472</u>	<u>182,325</u>
<u>Expenses:</u>			
<u>Purchased services:</u>			
Central support services	<u>3,099,238</u>	<u>2,039,883</u>	<u>1,059,355</u>
Excess of revenues over (under) expenses	<u>(1,573,091)</u>	<u>(331,411)</u>	<u>1,241,680</u>
<u>Non-operating revenues (expenses):</u>			
Advances in	10,000	10,000	-
Advances out	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>
Total non-operating revenues (expenses):	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Net change in fund equity	(1,573,091)	(321,411)	1,251,680
Fund equity at beginning of year	1,567,091	1,567,091	-
Prior year encumbrances appropriated	6,000	6,000	-
Fund equity at end of year	<u>\$ -</u>	<u>\$ 1,251,680</u>	<u>\$ 1,251,680</u>

Norton City School District
Schedule of Revenues, Expenses and Changes in Fund Equity -
Budget (Non-GAAP) and Actual
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2004

Scholarships Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Interest	\$ 3,511	\$ 3,510	\$ (1)
Gifts and donations	3,740	2,775	(965)
Miscellaneous	965	965	-
Total revenues	<u>8,216</u>	<u>7,250</u>	<u>(966)</u>
<u>Expenses:</u>			
Current:			
Instruction:			
Regular	<u>88,425</u>	<u>6,700</u>	<u>81,725</u>
Net change in fund equity	(80,209)	550	80,759
Fund equity at beginning of year	80,209	80,209	-
Fund equity at end of year	<u>\$ -</u>	<u>\$ 80,759</u>	<u>\$ 80,759</u>

Norton City School District
Statement of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2004

	Beginning Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	Ending Balance <u>June 30, 2004</u>
<u>Student Managed Activity</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 58,158	\$ 67,106	\$ 63,800	\$ 61,464
<u>Liabilities:</u>				
Accounts payable	\$ 568	\$ -	\$ 568	\$ -
Due to students	57,590	67,106	63,232	61,464
Total liabilities	<u>\$ 58,158</u>	<u>\$ 67,106</u>	<u>\$ 63,800</u>	<u>\$ 61,464</u>

STATISTICAL SECTION

Norton City School District

**Revenues by Source and Expenses by Function - Governmental Activities
Last Two Fiscal Years (1)**

	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2003
<u>Revenues:</u>		
Program revenues:		
Charges for services	\$ 2,534,440	\$ 2,309,666
Operating grants, contributions and interest	1,001,674	704,260
Capital grants and contributions	16,963	34,781
General revenues:		
Property taxes levied for general purposes	6,702,989	7,058,412
Property taxes levied for debt service	15,160	103,965
Property taxes levied for capital outlay	549,102	619,338
Grants and entitlements	8,821,958	8,631,148
Investment earnings	52,399	73,455
Miscellaneous	17,370	292,876
Total revenues	<u>\$ 19,712,055</u>	<u>\$ 19,827,901</u>
<u>Expenses:</u>		
Current:		
Instruction:		
Regular	\$ 9,169,529	\$ 9,004,244
Special	1,421,802	1,368,574
Vocational	839,228	716,261
Adult/continuing	842	1,653
Other	147,727	166,237
Support services:		
Pupils	713,899	839,294
Instructional staff	630,319	721,001
Board of education	5,571	42,363
Administration	1,479,088	1,467,880
Fiscal	543,841	523,185
Business	322,587	357,272
Operation and maintenance of plant	1,711,278	2,159,874
Pupil transportation	1,023,012	1,058,785
Central	64,805	64,172
Food service operations	674,911	696,460
Operation of non-instructional services	3,332	10,923
Extracurricular activities	406,468	540,724
Loss on disposal of capital assets	7,290	-
Interest and fiscal charges	11,013	11,748
Total expenditures	<u>\$ 19,176,542</u>	<u>\$ 19,750,650</u>

Source: Fiscal years 2003 and 2004 School District basic financial statements.

(1) Accrual basis will be reported for the last ten years when there are enough years of information available.

Norton City School District

General Governmental Revenues by Source and Expenditures by Function

Last Ten Fiscal Years (1), (2)

	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2003	Fiscal Year Ended June 30, 2002	Fiscal Year Ended June 30, 2001
<u>Revenues:</u>				
Taxes	\$ 7,212,007	\$ 7,877,702	\$ 7,378,369	\$ 7,368,737
Intergovernmental	9,669,168	9,329,822	10,221,987	8,787,464
Interest	43,599	59,978	136,929	320,425
Tuition and fees	1,730,844	1,511,325	265,164	355,139
Extracurricular activities	280,693	219,150	238,837	193,290
Gifts and donations	65,934	64,699	26,243	71,967
Charges for services	576,306	528,739	539,641	-
Rent	2,652	2,758	2,415	9,073
Miscellaneous	106,097	200,294	124,778	76,745
Total revenues	<u>\$ 19,687,300</u>	<u>\$ 19,794,467</u>	<u>\$ 18,934,363</u>	<u>\$ 17,182,840</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	\$ 8,879,162	\$ 9,241,788	\$ 8,697,751	\$ 8,259,175
Special	1,388,815	1,450,656	1,381,199	1,313,992
Vocational	794,851	759,539	722,660	640,602
Adult/continuing	842	1,653	4,146	17,189
Other	147,727	166,237	35,787	34,532
Support services:				
Pupils	719,563	851,076	934,375	710,539
Instructional staff	613,177	699,535	750,519	632,444
Board of education	7,007	41,034	28,098	15,006
Administration	1,421,284	1,505,272	1,456,769	1,312,524
Fiscal	529,292	525,049	496,683	430,129
Business	329,826	351,943	297,993	388,122
Operation and maintenance of plant	1,583,297	1,728,571	1,772,897	1,674,486
Pupil transportation	914,243	1,061,598	1,179,126	875,637
Central	63,910	65,030	59,904	49,219
Operation of non-instructional services	2,328	382	1,694	13,484
Operation of food services	666,605	676,038	720,204	-
Extracurricular activities	400,647	552,598	439,060	424,299
Capital outlay	832,067	369,792	931,824	538,950
Debt service	109,154	89,007	91,460	93,911
Total expenditures	<u>\$ 19,403,797</u>	<u>\$ 20,136,798</u>	<u>\$ 20,002,149</u>	<u>\$ 17,424,240</u>

Source: School District financial records.

- (1) 1995 through 1996 reported on a cash basis, 1997-2004 on a modified accrual GAAP basis.
Accrual basis will be reported when there are enough years of information available to make comparisons.
- (2) Includes general, special revenue, debt service and capital projects funds for fiscal years 2002 through 2004. Fiscal years 1994-2001 included general, special revenue, debt service, capital projects and expendable trust funds.

Fiscal Year Ended June 30, 2000	Fiscal Year Ended June 30, 1999	Fiscal Year Ended June 30, 1998	Fiscal Year Ended June 30, 1997	Fiscal Year Ended June 30, 1996	Fiscal Year Ended June 30, 1995
\$ 6,931,423	\$ 7,088,311	\$ 6,701,222	\$ 6,432,707	\$ 5,720,534	\$ 5,079,251
8,556,448	7,930,250	7,413,515	7,014,244	6,282,663	5,669,661
321,810	247,073	157,888	118,911	111,639	102,587
146,249	232,262	197,069	175,239	13,975	80,380
180,012	158,845	146,710	152,561	110,193	92,749
13,305	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
99,517	169,596	160,730	111,102	158,610	79,407
<u>\$ 16,248,764</u>	<u>\$ 15,826,337</u>	<u>\$ 14,777,134</u>	<u>\$ 14,004,764</u>	<u>\$ 12,397,614</u>	<u>\$ 11,104,035</u>
\$ 7,325,399	\$ 6,813,089	\$ 6,932,488	\$ 6,281,782	\$ 5,779,762	\$ 5,536,567
1,113,521	1,052,907	982,493	1,013,884	940,604	851,512
507,387	611,958	677,539	650,805	636,943	585,837
15,835	9,672	17,318	1,818	-	-
27,373	-	-	-	-	-
634,511	512,235	480,932	479,455	407,180	418,952
730,814	473,678	351,553	331,534	255,535	207,974
24,176	19,081	14,456	23,144	15,906	23,211
1,178,060	1,128,782	993,579	963,244	842,648	843,687
470,814	403,386	390,357	298,796	336,653	284,312
258,196	281,573	165,808	226,293	228,129	282,696
1,636,887	1,333,538	1,374,875	1,245,964	1,186,926	1,227,119
899,240	741,979	775,043	663,761	685,048	515,462
7,195	7,119	6,802	6,596	6,751	6,282
11,570	9,347	22,880	8,473	8,587	2,532
-	-	-	-	-	-
386,554	346,942	285,750	326,543	244,445	205,006
1,003,816	511,031	112,200	885,275	704,021	213,227
60,565	63,017	65,469	68,738	-	51,500
<u>\$ 16,291,913</u>	<u>\$ 14,319,334</u>	<u>\$ 13,649,542</u>	<u>\$ 13,476,105</u>	<u>\$ 12,279,138</u>	<u>\$ 11,255,876</u>

Norton City School District
Property Tax Levies and Collections (1)
Last Ten Calendar Years

Year (2)	Current Levy	Delinquent Levy (3)	Total Levy	Current Collections	Percent of Current Levy Collected	Delinquent Collection	Total Collection	Total Collection as a Percent of Total Levy	Delinquent Taxes Receivable
2003	8,208,438	655,238	\$ 8,863,676	7,933,738	96.65%	346,038	\$ 8,279,776	93.41%	\$ 583,900
2002	8,208,384	655,210	8,863,594	7,933,684	96.65%	345,998	8,279,682	93.41%	583,912
2001	8,400,858	633,570	9,034,428	8,113,663	96.58%	264,795	8,378,458	92.74%	655,970
2000	8,161,748	556,618	8,718,366	7,871,681	96.45%	228,223	8,099,904	92.91%	618,462
1999	7,900,026	581,689	8,481,715	7,689,081	97.33%	252,684	7,941,765	93.63%	539,950
1998	7,781,981	620,136	8,402,117	7,587,912	97.51%	233,503	7,821,415	93.09%	580,702
1997	7,420,409	440,589	7,860,998	7,185,887	96.84%	163,207	7,349,094	93.49%	511,904
1996	7,146,046	360,941	7,506,987	6,979,978	97.68%	164,583	7,144,561	95.17%	362,426
1995	5,669,942	319,601	5,989,543	5,537,967	97.67%	135,427	5,673,394	94.72%	316,149
1994	5,605,214	329,050	5,934,264	5,469,466	97.58%	182,366	5,651,832	95.24%	282,432

Source: Summit County Fiscal Officer

Note: Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Fiscal Officer.

(1) Includes Homestead/Rollback taxes assessed locally, but distributed through the State and reported as Intergovernmental Revenue.

(2) Represents collection year. 2004 information cannot be presented because all collections have not been made by June 30.

(3) This amount cannot be calculated based on other information in this statistical table because of retroactive additions and reductions which are brought on in one lump sum.

Norton City School District
Assessed and Estimated Actual Value of Taxable Property
Last Ten Collection Years

Collection Year	Real Property (1)		Public Utility (2)		Tangible Personal Property (3)		Total	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2004	\$ 259,340,500	\$ 740,972,857	\$ 8,453,470	\$ 9,712,113	\$ 17,792,625	\$ 71,170,500	\$ 285,586,595	\$ 821,855,470
2003	255,152,710	729,007,743	8,768,500	9,964,205	19,345,067	77,380,268	283,266,277	816,352,215
2002	218,902,330	625,435,229	8,294,520	9,425,591	20,398,661	81,594,644	247,595,511	716,455,463
2001	215,833,090	616,665,971	12,132,210	13,786,602	18,292,861	73,171,444	246,258,161	703,624,018
2000	210,768,550	602,195,857	13,181,080	14,978,500	19,048,419	76,193,676	242,998,049	693,368,033
1999	183,968,200	525,623,429	12,819,380	14,567,477	18,157,729	72,630,916	214,945,309	612,821,822
1998	180,696,320	516,275,200	11,662,850	13,253,239	18,422,694	73,690,776	210,781,864	603,219,215
1997	178,423,000	509,780,000	11,578,900	13,157,841	17,107,776	68,431,104	207,109,676	591,368,945
1996	151,196,360	431,989,600	11,916,780	13,541,795	15,842,483	63,369,932	178,955,623	508,901,327
1995	149,610,000	427,457,143	13,059,840	14,840,727	14,925,300	59,701,200	177,595,140	501,999,070

Source: Summit County Fiscal Officer.

Note: Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Fiscal Officer.

- (1) Real estate value is assessed at 35% of appraised market value.
- (2) Public utility real property is assessed at 35% of true value; public utility tangible personal property is currently assessed at varying percentages of true value.
- (3) Tangible personal property is assessed at 25% of true value for capital assets and 24% of true value for inventory.

Norton City School District
Property Tax Rates - Direct and Overlapping Governments (1)
Last Ten Calendar Years

<u>Collection Year</u>	<u>School Levy</u>	<u>City Levy (2)</u>	<u>Franklin Township Levy</u>	<u>County Levy</u>	<u>Akron Summit Library Levy</u>	<u>Total</u>
2004	59.90	10.00	-	13.07	2.14	85.11
2003	55.00	10.00	14.65	13.07	1.59	94.31
2002	55.00	10.00	14.65	13.07	1.35	94.07
2001	55.00	10.00	14.65	13.07	1.39	94.11
2000	55.00	10.00	14.65	12.27	1.39	93.31
1999	55.00	10.00	14.65	12.27	1.79	93.71
1998	55.00	6.50	14.65	11.65	1.87	89.67
1997	55.00	6.50	14.65	11.39	0.89	88.43
1996	55.00	6.50	14.65	13.99	0.89	91.03
1995	47.10	6.50	15.65	14.16	0.89	84.30

Source: Summit County Fiscal Officer

Note: Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Fiscal Officer.

(1) Rates are per \$1,000 of assessed valuation.

(2) The City of Barberton now has overlapping valuations, therefore this includes 6.5 from the City of Norton and 3.5 from the City of Barberton (1999-2004 only).

Norton City School District
Computation of Legal Debt Margin
June 30, 2004

Assessed Valuation (2003)	<u>\$ 285,586,595</u>
Bonded Debt Limit - 9% of Assessed Value (1)	25,702,794
Outstanding debt:	
Energy Conservation Bonds	86,800
Less: Amount available in debt service fund	<u>(4,703)</u>
Total outstanding debt	<u>\$ 82,097</u>
Amount of debt applicable to debt limit	82,097
Voted Debt Margin	<u>\$ 25,620,697</u>
Bonded Debt Limit - .10% of Assessed Value (1)	285,587
Outstanding debt:	
Energy Conservation Bonds	86,800
Less: Amount available in debt service fund	<u>(4,703)</u>
Total outstanding debt	\$ 82,097
Less exemptions:	
Energy Conservation Bonds	86,800
Amount of debt applicable to debt limit	<u>-</u>
Unvoted Debt Margin	<u>\$ 285,587</u>

Source: Summit County Fiscal Officer and School District financial records.

(1) Ohio Bond Law sets a limit of 9% of assessed value for voted debt and 1/10 of 1% for unvoted debt. All School District debt subject to the limitation is voted.

Norton City School District
Ratio of Net General Bonded Debt to
Assessed Value and Net General Bonded Debt Per Capita
Last Ten Collection Years

<u>Collection Year</u>	<u>Net General Obligation Bonded Debt</u>	<u>Assessed Value</u>	<u>Population (1)</u>	<u>Ratio of Net Debt to Assessed Value</u>	<u>Net Debt Per Capita</u>
2004	\$ 82,097	\$ 285,586,595	11,726	0.03%	\$ 7.00
2003	74,741	283,266,277	11,523	0.03%	6.49
2002	168,897	247,595,511	11,523	0.07%	14.66
2001	212,297	246,258,161	11,523	0.09%	18.42
2000	255,697	242,998,049	11,523	0.11%	22.19
1999	299,097	214,945,309	11,477	0.14%	26.06
1998	342,497	210,781,864	11,477	0.16%	29.84
1997	385,897	207,109,676	11,477	0.19%	33.62
1996	429,297	178,955,623	11,477	0.24%	37.40
1995	-	177,595,140	11,477	0.00%	-

Source: Summit County Fiscal Officer, School District records, and School District audit reports,
Akron-Summit County Library.

(1) Population data for 1995 through 1999 was assumed to be the same as the 1990 census,
Population data for 2001 through 2003 was assumed to be the same as the 2000 census,
as interim data was not available.

Norton City School District

Ratio of Annual Debt Service Expenditures for

General Bonded Debt to Total General Governmental Expenditures

Last Ten Fiscal Years

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Governmental Expenditures</u>	<u>Ratio of Debt Service to Governmental Expenditures (Percentages)</u>
2004	\$ 43,400	\$ 7,356	\$ 50,756	\$ 19,403,797	0.26%
2003	43,400	9,809	53,209	20,136,798	0.26%
2002	43,400	12,261	55,661	20,002,149	0.28%
2001	43,400	14,713	58,113	17,424,240	0.33%
2000	43,400	17,165	60,565	17,424,240	0.35%
1999	43,400	19,617	63,017	16,291,913	0.39%
1998	43,400	22,069	65,469	14,319,334	0.46%
1997	43,400	25,338	68,738	13,649,542	0.50%
1996	-	68,738	68,738	12,279,138	0.56%
1995	50,000	1,500	51,500	11,255,876	0.46%

Source: School District records and School District audit reports.

Norton City School District
Demographic Statistics

Selected Population Characteristic	2000	1990
<u>Gender</u>		
Male	5,662	5,618
Female	5,861	5,857
<u>Age Distribution</u>		
Under 5 years	593	717
5 to 17 years	1,638	2,129
18 to 20 years	875	451
21 to 24 years	518	494
25 to 44 years	3,154	3,423
45 to 54 years	1,792	1,364
55 to 59 years	617	671
60 to 64 years	572	645
65 to 74 years	1,006	1,002
75 to 84 years	592	476
85 years and older	166	103
Percent of population under 18	19.36%	24.80%
Percent of population 65 and older	15.31%	13.78%

Source: U.S. Bureau of the Census

Norton City School District
Property Value, Construction and Bank Deposits
Last Ten Calendar Years

Year	Total Assessed Values	Certified Bank Deposits	Value of Building Permits Issued
2003	\$ 285,586,595	\$ 7,827,789	\$ 13,923,950
2002	283,266,277	8,097,304,000	17,305,930
2001	247,595,511	7,870,201,000	12,745,191
2000	246,258,161	7,920,486,000	12,196,018
1999	242,998,049	7,071,487,000	11,216,324
1998	214,945,309	5,749,282,000	18,232,505
1997	210,781,864	5,153,519,000	8,157,470
1996	207,109,676	4,342,660,000	9,641,452
1995	178,955,623	4,267,009,000	3,629,308
1994	177,595,140	4,199,905,000	7,453,531

Sources:

Total Assessed Value - Summit County Fiscal Officer
Financial Institution Deposits - Federal Reserve Board - Cleveland
Building Permits - City of Norton Building Department and the City of Norton CAFR

Norton City School District
Principal Taxpayers

Top Taxpayers	Assessed Valuations					Estimated Actual Valuations			
	Real Property	Tangible Personal	Public Utility	Total	Percent of Total	Real Property	Tangible Personal	Public Utility (1)	Total
B&C Corp	\$ 2,741,810	\$ 2,487,970	\$ -	\$ 5,229,780	1.83%	\$ 7,833,743	\$ 9,951,880	\$ -	\$ 17,785,623
Ohio Edison	-	-	3,521,650	3,521,650	1.23%	-	-	4,001,875	4,001,875
Columbia Woods Apt. LL	3,458,660	-	-	3,458,660	1.21%	9,881,886	-	-	9,881,886
PPG Industries	-	2,750,440	-	2,750,440	0.96%	-	11,001,760	-	11,001,760
Albrecht, Inc.	2,176,420	-	-	2,176,420	0.76%	6,218,343	-	-	6,218,343
Mack W. Seal	1,998,730	-	-	1,998,730	0.70%	5,710,657	-	-	5,710,657
Pittsburgh Plate Glass Co.	1,379,630	-	-	1,379,630	0.48%	3,941,800	-	-	3,941,800
Ohio Bell Telephone	-	-	1,279,830	1,279,830	0.45%	-	-	1,454,352	1,454,352
Fomo Products, Inc.	-	1,100,790	-	1,100,790	0.39%	-	4,403,160	-	4,403,160
East Ohio Gas Co.	-	-	1,095,420	1,095,420	0.38%	-	-	1,244,795	1,244,795
96 Total Top Ten Taxpayers	<u>\$ 11,755,250</u>	<u>\$ 6,339,200</u>	<u>\$ 5,896,900</u>	<u>\$ 23,991,350</u>	<u>8.40%</u>	<u>\$ 33,586,429</u>	<u>\$ 25,356,800</u>	<u>\$ 6,701,023</u>	<u>\$ 65,644,251</u>
Total All Assessed Valuations	\$ 259,340,500	\$ 17,792,625	\$ 8,453,470	\$ 285,586,595					

Source: Summit County Fiscal Officer

(1) Per the Summit County Fiscal Officer, there is no way to differentiate any of the components which constitute the values that are certified to them by the Tax Commissioner, thus it is not possible to arrive at an "Estimated Actual Value".

Norton City School District
Computation of Direct and Overlapping Debt
June 30, 2004

	<u>Assessed Valuation (1)</u>	<u>Net General Tax Supported Debt (2)</u>	<u>Percent Overlapping (3)</u>	<u>Amount Applicable to Norton CSD</u>
Direct:				
Norton City School District	\$ 285,586,595	<u>\$ -</u>	100.00%	<u>\$ -</u>
Overlapping:				
City of Norton	252,884,785	4,521,407	96.31%	4,354,567
Franklin Township	294,010,375	-	14.14%	-
City of Barberton	418,055,815	9,905,394	0.11%	10,896
Summit County	11,876,411,268	78,200,000	2.40%	1,876,800
Metro Regional Transit Authority	11,876,411,268	<u>1,980,000</u>	2.40%	<u>47,520</u>
Total overlapping:		<u>94,606,801</u>		<u>6,289,783</u>
Total direct and overlapping debt:		<u>\$ 94,606,801</u>		<u>\$ 6,289,783</u>

Source: School District records, Summit County Fiscal Officer, City of Norton, and Franklin Township.

- (1) All valuations are reported as of December 31, 2003 which is the latest information available.
- (2) All debt reported is as of December 31, 2003, except for Norton City School District, which is reported as of June 30, 2004.
- (3) Overlapping percentages are calculated based on overlapping valuation and total entity valuation.

Norton City School District
Miscellaneous Statistics
Last Ten Fiscal Years (1)

	<u>Fiscal Year Ended June 30, 2004</u>	<u>Fiscal Year Ended June 30, 2003</u>	<u>Fiscal Year Ended June 30, 2002</u>	<u>Fiscal Year Ended June 30, 2001</u>
Fall Enrollment	2,526	2,369	2,592	2,552
Average Teacher Salary	\$ 47,514	45,145	43,225	42,303
Percent of Teachers With No Degree	-	-	-	-
Percent of Teachers With Bachelor Degree	98.40%	48.00	53.60	53.40
Percent of Teachers With Masters Degree	37.60%	52.00	46.40	46.60
Average Teacher Experience (yrs.)	11.00	11.00	12.50	13.50
Pupil Attendance Rate	95.60%	95.10	95.00	95.20
Graduation Rate	0.00%	96.70	92.90	88.80
Honors Diplomas	0.00%	15.00	24.00	19.90
College Prep Award of Merit	0.00%	20.00	28.57	25.10

Source: Ohio Department of Education/School District records.

(1) Honors Diplomas and College Prep Award of Merit information was not available for 1995 through 2000.

<u>Fiscal Year Ended June 30, 2000</u>	<u>Fiscal Year Ended June 30, 1999</u>	<u>Fiscal Year Ended June 30, 1998</u>	<u>Fiscal Year Ended June 30, 1997</u>	<u>Fiscal Year Ended June 30, 1996</u>	<u>Fiscal Year Ended June 30, 1995</u>
2,564	2,506	2,553	2,453	2,402	2,428
44,931	38,720	39,419	39,039	38,811	37,798
-	0.72	-	2.20	2.23	2.28
56.60	18.24	17.43	17.20	14.12	15.20
43.40	40.89	35.58	40.34	37.22	35.71
13.43	13.60	14.10	15.70	16.60	16.30
95.10	95.10	95.15	95.22	95.30	94.76
87.60	87.60	89.22	87.72	86.57	84.68
-	-	-	-	-	-
-	-	-	-	-	-



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NORTON CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 10, 2005**