



**NORWOOD CITY SCHOOL DISTRICT
HAMILTON COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NORWOOD CITY SCHOOL DISTRICT
HAMILTON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Norwood City School District
Hamilton County
2132 Williams Avenue
Norwood, Ohio 45212

To the Board of Education:

We have audited the accompanying general purpose financial statements of Norwood City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Tri-State Education & Technology Foundation, which represent the discretely presented component unit presented as part of these statements. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for the component unit, is based on the reports of the other auditors.

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. The financial statements of Tri-State Education & Technology Foundation, which represent the discretely presented component unit presented as part of these statements were audited by the other auditors in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*. 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 opinion.

In our opinion, based on our audit, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Norwood City School District, Hamilton County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, based upon the report of other auditors, the statement of activities, statement of functional expenses and statement of cash flows of the Tri-State Education & Technology Foundation present fairly in all material respects, the financial position of Tri-State Education & Technology Foundation as of June 30, 2001, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the fiscal year ended June 30, 2001, the District adopted Governmental Accounting Standards Board Statements 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

February 6, 2002

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**NORWOOD CITY SCHOOL DISTRICT
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNIT
 AS OF JUNE 30, 2001**

	----- Governmental Fund Types -----			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents and Investments	\$2,800,511	\$872,304	\$0	\$248,757
Investments	0	0	0	0
Receivables				
Taxes	12,355,983	0	0	0
Accounts	11,649	1,287	0	0
Intergovernmental	4,514	779,715	0	0
Accrued Interest	33,189	0	0	0
Interfund Receivable	30,000	0	0	0
Inventory Held for Resale	0	0	0	0
Prepaid Items	263,111	25,414	0	0
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	131,484	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0	0
Total Assets and Other Debits	\$15,630,441	\$1,678,720	\$0	\$248,757
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$168,903	\$31,606	\$0	\$59,238
Accrued Wages and Benefits	1,188,722	149,662	0	0
Compensated Absences Payable	231,730	0	0	0
Interfund Payable	0	0	0	0
Due to Other Funds	0	0	0	0
Intergovernmental Payable	359,632	23,325	0	0
Deferred Revenue	9,562,382	648,843	0	0
Capital Leases Payable	0	0	0	0
Note Payable	0	0	0	0
Due to Students	0	0	0	0
Total Liabilities	11,511,369	853,436	0	59,238
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Investment Held for Individual Investment Account	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	626,517	269,216	0	12,395
Reserved for Prepaid Items	263,111	25,414	0	0
Reserved for Property Taxes	2,250,000	0	0	0
Reserved for Textbook Setaside	131,484	0	0	0
Unreserved:				
Undesignated (Deficit)	847,960	530,654	0	177,124
Net Assets:				
Permanently Restricted Net Assets	0	0	0	0
Unrestricted Net Assets	0	0	0	0
Total Fund Equity (Deficit) and Other Credits	4,119,072	825,284	0	189,519
Total Liabilities, Fund Equity and Other Credits	\$15,630,441	\$1,678,720	\$0	\$248,757

See accompanying notes to the general purpose financial statements

Proprietary ---- Fund Types ----	Fiduciary ---- Fund Types ----	----- Account Groups -----		Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only) Reporting Entity
Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Primary Government		
\$14,055	\$195,267	\$0	\$0	\$4,130,894	\$195,104	\$4,325,998
0	0	0	0	0	101,492	101,492
0	0	0	0	12,355,983	0	12,355,983
1,546	0	0	0	14,482	1,684	16,166
4,502	0	0	0	788,731	0	788,731
0	0	0	0	33,189	450	33,639
0	0	0	0	30,000	0	30,000
16,808	0	0	0	16,808	9,721	26,529
18,932	0	0	0	307,457	0	307,457
0	0	0	0	131,484	155,975	287,459
2,180	0	11,719,106	0	11,721,286	65,874	11,787,160
0	0	0	1,296,093	1,296,093	0	1,296,093
\$58,023	\$195,267	\$11,719,106	\$1,296,093	\$30,826,407	\$530,300	\$31,356,707
\$9,990	\$0	\$0	\$0	\$269,737	\$15,957	\$285,694
17,250	0	0	0	1,355,634	0	1,355,634
12,749	0	0	1,063,945	1,308,424	0	1,308,424
30,000	0	0	0	30,000	0	30,000
0	4,923	0	0	4,923	0	4,923
16,882	0	0	232,148	631,987	0	631,987
6,817	0	0	0	10,218,042	0	10,218,042
0	0	0	0	0	2,388	2,388
0	0	0	0	0	10,224	10,224
0	44,949	0	0	44,949	0	44,949
93,688	49,872	0	1,296,093	13,863,696	28,569	13,892,265
0	0	11,719,106	0	11,719,106	0	11,719,106
0	70,980	0	0	70,980	0	70,980
(35,665)	0	0	0	(35,665)	0	(35,665)
0	0	0	0	908,128	0	908,128
0	0	0	0	288,525	0	288,525
0	0	0	0	2,250,000	0	2,250,000
0	0	0	0	131,484	0	131,484
0	74,415	0	0	1,630,153	0	1,630,153
0	0	0	0	0	155,948	155,948
0	0	0	0	0	345,783	345,783
(35,665)	145,395	11,719,106	0	16,962,711	501,731	17,464,442
\$58,023	\$195,267	\$11,719,106	\$1,296,093	\$30,826,407	\$530,300	\$31,356,707

**NORWOOD CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPE AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	----- Governmental Fund Types -----			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Taxes	\$11,042,250	\$0	\$232,380	\$0
Intergovernmental	9,074,130	3,131,465	0	111,638
Interest	221,313	995	0	6,851
Tuition and Fees	103,134	1,125	0	0
Rent	1,500	0	0	87,748
Extracurricular Activities	0	166,878	0	0
Gifts and Donations	0	31,481	0	0
Miscellaneous	86,970	111,199	0	0
Total Revenues	20,529,297	3,443,143	232,380	206,237
Expenditures:				
Current:				
Instruction:				
Regular	9,366,775	886,716	0	267,318
Special	2,044,883	505,408	0	0
Vocational	60,849	0	0	0
Adult	941	101,888	0	0
Other	185,617	3,500	0	0
Support Services:				
Pupils	840,743	292,229	0	0
Instructional Staff	797,564	336,837	0	0
Board of Education	15,069	0	0	0
Administration	1,539,527	7,074	0	0
Fiscal	491,041	0	0	0
Business	4,174	0	0	0
Operation and Maintenance of Plant	2,082,320	41,650	0	11,800
Pupil Transportation	55,271	0	0	0
Central	350,430	57,212	0	0
Operation of Non-Instructional Services				
Extracurricular Activities	15,291	750,907	0	0
Capital Outlay	244,826	136,945	0	0
Capital Outlay	7,520	4,813	0	0
Debt Service:				
Principal Retirement	630,000	0	180,000	0
Interest and Fiscal Charges	23,489	0	52,380	0
Total Expenditures	18,756,330	3,125,179	232,380	279,118
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,772,967	317,964	0	(72,881)
Other Financing Sources (Uses):				
Operating Transfers In	0	1,545	0	0
Operating Transfers Out	(21,545)	0	0	0
Total Other Financing Sources (Uses)	(21,545)	1,545	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,751,422	319,509	0	(72,881)
Fund Balances at July 1, 2000 (Restated)	2,367,650	(118,946)	0	262,400
Fund Balances (Deficit) at June 30, 2001	\$4,119,072	\$200,563	\$0	\$189,519

See accompanying notes to the general purpose financial statements

Fiduciary	
----- Fund Type -----	
Expendable Trust	Totals (Memorandum Only)
\$0	\$11,274,630
0	12,317,233
4,229	233,388
0	104,259
0	89,248
0	166,878
1,050	32,531
0	198,169
<u>5,279</u>	<u>24,416,336</u>
0	10,520,809
0	2,550,291
0	60,849
0	102,829
0	189,117
0	1,132,972
0	1,134,401
0	15,069
0	1,546,601
0	491,041
0	4,174
0	2,135,770
0	55,271
0	407,642
2,000	768,198
0	381,771
0	12,333
0	810,000
0	75,869
<u>2,000</u>	<u>22,395,007</u>
<u>3,279</u>	<u>2,021,329</u>
0	1,545
0	(21,545)
0	(20,000)
3,279	2,001,329
<u>69,611</u>	<u>2,580,715</u>
<u>\$72,890</u>	<u>\$4,582,044</u>

**NORWOOD CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	----- Governmental Fund Types -----					
	----- General Fund -----			----- Special Revenue Funds -----		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$10,613,917	\$11,077,960	\$464,043	\$0	\$0	\$0
Intergovernmental	8,970,100	9,028,039	57,939	3,124,813	2,997,093	(127,720)
Interest	150,000	221,313	71,313	995	995	0
Tuition and Fees	100,379	103,134	2,755	617	1,125	508
Rent	0	1,250	1,250	0	0	0
Extracurricular Activities	0	0	0	165,359	165,590	231
Gifts and Donations	0	0	0	23,563	31,481	7,918
Miscellaneous	82,057	155,172	73,115	139,406	115,369	(24,037)
Total Revenues	19,916,453	20,586,868	670,415	3,454,753	3,311,653	(143,100)
Expenditures:						
Current:						
Instruction:						
Regular	9,913,736	9,802,038	111,698	1,177,412	909,302	268,110
Special	2,265,076	2,209,928	55,148	618,858	512,328	106,530
Vocational	63,741	63,016	725	0	0	0
Adult/Continuing	2,901	941	1,960	123,666	105,700	17,966
Other	196,902	196,192	710	0	0	0
Support Services:						
Pupils	951,373	906,589	44,784	340,833	316,243	24,590
Instructional Staff	817,133	789,560	27,573	486,536	346,644	139,892
Board of Education	25,215	21,924	3,291	0	0	0
Administration	1,661,159	1,600,013	61,146	10,955	7,950	3,005
Fiscal	517,449	507,388	10,061	700	0	700
Business	6,123	5,211	912	0	0	0
Operation and Maintenance of Plant	2,574,090	2,371,867	202,223	103,293	99,877	3,416
Pupil Transportation	113,347	88,785	24,562	538	520	18
Central	462,289	440,963	21,326	66,148	57,212	8,936
Operation of Non-Instructional Services:	59,486	15,291	44,195	881,260	825,461	55,799
Extracurricular Activities:	267,652	246,467	21,185	177,360	139,302	38,058
Capital Outlay:	10,000	7,520	2,480	98,753	93,510	5,243
Debt Service:						
Principal Retirement	630,000	630,000	0	0	0	0
Interest and Fiscal Charges	23,490	23,490	0	0	0	0
Total Expenditures	20,561,162	19,927,183	633,979	4,086,312	3,414,049	672,263
Excess (Deficiency) of Revenues Over (Under) Expenditures	(644,709)	659,685	1,304,394	(631,559)	(102,396)	529,163
Other Financing Sources (Uses):						
Advances In	6,000	6,000	0	0	0	0
Advances Out	(36,000)	(36,000)	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(20,000)	(20,000)	0	0	0	0
Contingency	(60,647)	0	60,647	0	0	0
Total Other Financing Sources (Uses)	(110,647)	(50,000)	60,647	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(755,356)	609,685	1,365,041	(631,559)	(102,396)	529,163
Fund Balances at July 1, 2000	1,204,045	1,204,045	0	547,811	547,811	0
Prior Year Encumbrances Appropriated	378,207	378,207	0	126,402	126,402	0
Fund Balances at June 30, 2001	\$826,896	\$2,191,937	\$1,365,041	\$42,654	\$571,817	\$529,163

See accompanying notes to the general purpose financial statements

----- Governmental Fund Types -----					
----- Debt Service Fund -----			----- Capital Projects Funds -----		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$232,380	\$232,380	\$0	\$0	\$0	\$0
0	0	0	111,638	111,638	0
0	0	0	5,448	6,851	1,403
0	0	0	0	0	0
0	0	0	88,130	87,748	(382)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
232,380	232,380	0	205,216	206,237	1,021
0	0	0	283,722	278,713	5,009
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	182,748	12,800	169,948
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
180,000	180,000	0	0	0	0
52,380	52,380	0	0	0	0
232,380	232,380	0	466,470	291,513	174,957
0	0	0	(261,254)	(85,276)	175,978
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	(261,254)	(85,276)	175,978
0	0	0	258,899	258,899	0
0	0	0	3,500	3,500	0
\$0	\$0	\$0	\$1,145	\$177,123	\$175,978

Continued

**NORWOOD CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001
 (CONTINUED)**

	Fiduciary Fund Type			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$0	\$0	\$0	10,846,297	11,310,340	\$464,043
Intergovernmental	0	0	0	12,206,551	12,136,770	(69,781)
Interest	3,479	4,229	750	159,922	233,388	73,466
Tuition and Fees	0	0	0	100,996	104,259	3,263
Rent	0	0	0	88,130	88,998	868
Extracurricular Activities	0	0	0	165,359	165,590	231
Gifts and Donations	1,050	1,050	0	24,613	32,531	7,918
Miscellaneous	0	0	0	221,463	270,541	49,078
Total Revenues	4,529	5,279	750	23,813,331	24,342,417	529,086
Expenditures:						
Current:						
Instruction:						
Regular	5,000	2,500	2,500	11,379,870	10,992,553	387,317
Special	0	0	0	2,883,934	2,722,256	161,678
Vocational	0	0	0	63,741	63,016	725
Adult/Continuing	0	0	0	126,567	106,641	19,926
Other	0	0	0	196,902	196,192	710
Support Services:						
Pupils	0	0	0	1,292,206	1,222,832	69,374
Instructional Staff	0	0	0	1,303,669	1,136,204	167,465
Board of Education	0	0	0	25,215	21,924	3,291
Administration	0	0	0	1,672,114	1,607,963	64,151
Fiscal	0	0	0	518,149	507,388	10,761
Business	0	0	0	6,123	5,211	912
Operation and Maintenance of Plant	0	0	0	2,860,131	2,484,544	375,587
Pupil Transportation	0	0	0	113,885	89,305	24,580
Central	0	0	0	528,437	498,175	30,262
Operation of Non-Instructional Services:	2,000	2,000	0	942,746	842,752	99,994
Extracurricular Activities:	0	0	0	445,012	385,769	59,243
Capital Outlay:	0	0	0	108,753	101,030	7,723
Debt Service:						
Principal Retirement	0	0	0	810,000	810,000	0
Interest and Fiscal Charges	0	0	0	75,870	75,870	0
Total Expenditures	7,000	4,500	2,500	25,353,324	23,869,625	1,483,699
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,471)	779	3,250	(1,539,993)	472,792	2,012,785
Other Financing Sources (Uses):						
Advances In	0	0	0	6,000	6,000	0
Advances Out	0	0	0	(36,000)	(36,000)	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	0	0	0	(20,000)	(20,000)	0
Contingency	0	0	0	(60,647)	0	60,647
Total Other Financing Sources (Uses)	0	0	0	(110,647)	(50,000)	60,647
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,471)	779	3,250	(1,650,640)	422,792	2,073,432
Fund Balances at July 1, 2000	66,111	66,111	0	2,076,866	2,076,866	0
Prior Year Encumbrances Appropriated	3,500	3,500	0	511,609	511,609	0
Fund Balances at June 30, 2001	\$67,140	\$70,390	\$3,250	\$937,835	\$3,011,267	\$2,073,432

See accompanying notes to the general purpose financial statements

**NORWOOD CITY SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND AND NON-EXPENDABLE TRUST FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Proprietary --- Fund Type --- Enterprise	Fiduciary --- Fund Type --- Non-Expendable Trust	Totals (Memorandum Only) Primary Government
Operating Revenues:			
Sales	\$562,355	\$0	\$562,355
Gifts and Donations	0	0	0
Miscellaneous	2,110	0	2,110
Total Operating Revenue	564,465	0	564,465
Operating Expenses:			
Salaries	360,637	0	360,637
Fringe Benefits	133,706	0	133,706
Purchased Services	7,666	0	7,666
Materials and Supplies	1,742	0	1,742
Cost of Sales	572,803	0	572,803
Depreciation	62	0	62
Other	0	0	0
Total Operating Expenses	1,076,616	0	1,076,616
Operating Income	(512,151)	0	(512,151)
Non-Operating Revenues:			
Federal Donated Commodities	52,561	0	52,561
Interest	0	1,525	1,525
Operating Grants	465,724	0	465,724
Total Non-Operating Revenues	518,285	1,525	519,810
Net Income	6,134	1,525	7,659
Operating Transfers In	20,000	0	20,000
Operating Transfers Out	0	0	0
Total Net Income	26,134	1,525	27,659
Retained Earnings (Deficit) at July 1, 2000 (Restated)	(61,799)	70,980	9,181
Retained Earnings (Deficit) at June 30, 2001	(\$35,665)	\$72,505	\$36,840

See accompanying notes to the general purpose financial statements

**DISCRETELY PRESENTED COMPONENT UNIT
 TRI-STATE EDUCATION AND TECHNOLOGY FOUNDATION
 STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2001**

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue			
Planetarium revenue	\$97,397	\$ -	\$97,397
Store sales	26,473	-	26,473
Gifts and grants	434,955	-	434,955
Interest income	9,970	-	9,970
Unrealized gain on investments	647	-	647
Miscellaneous	426	-	426
	<u>569,868</u>	<u>-</u>	<u>569,868</u>
Program Expenses			
Planetarium	194,016	-	194,016
Store	23,575	-	23,575
	<u>217,591</u>	<u>-</u>	<u>217,591</u>
Administrative Expenses	<u>62,938</u>	<u>-</u>	<u>62,938</u>
	<u>280,529</u>	<u>-</u>	<u>280,529</u>
Change in Net Assets			
Before Extraordinary Item	289,339	-	289,339
Extraordinary Item -			
Extinguishment of Debt (Note K)	404,856	-	404,856
Change in Net Assets	694,195	-	694,195
Beginning Net Assets	<u>(348,412)</u>	<u>155,948</u>	<u>(192,464)</u>
Ending Net Assets	<u>\$345,783</u>	<u>\$155,948</u>	<u>\$501,731</u>

See accompanying notes to the general purpose financial statements

**DISCRETELY PRESENTED COMPONENT UNIT
 TRI-STATE EDUCATION AND TECHNOLOGY FOUNDATION
 STATEMENT OF FUNCTIONAL EXPENSES
 YEAR ENDED JUNE 30, 2001**

	Plane- tarium	Store	Admin.	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Wages and contract labor	\$126,242	\$9,587	\$50,439	\$186,268
Payroll taxes	8,317	700	1,547	10,564
Merchandise	-	12,653	-	12,653
Rent	5,071	-	-	5,071
Professional	-	-	9,348	9,348
Advertising	796	-	-	796
Telephone	1,708	-	-	1,708
Supplies	29,527	635	1,303	31,465
Dues and subscriptions	1,482	-	-	1,482
Insurance	2,317	-	-	2,317
Repairs and maintenance	5,316	-	-	5,316
Depreciation	8,679	-	-	8,679
Travel	936	-	-	936
Entertainment	-	-	301	301
Interest	427	-	-	427
Miscellaneous	3,198	-	-	3,198
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$194,016</u>	<u>\$23,575</u>	<u>\$62,938</u>	<u>\$280,529</u>

See accompanying notes to the general purpose financial statements

**NORWOOD CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Proprietary Fund Type <u>Enterprise</u>	Fiduciary Fund Type Nonexpendable <u>Enterprise</u>	Totals (Memorandum Only) Primary <u>Government</u>
Cash Flows from Operating Activities:			
Cash Received from Customers	\$566,600	\$0	\$566,600
Cash Payments to Suppliers for Goods and Services	(529,190)	0	(529,190)
Cash Payments to Employees for Services	(403,833)	0	(403,833)
Cash Payments for Employee Benefits	(185,024)	0	(185,024)
Cash Payments for Purchased Services	(7,218)	0	(7,218)
Cash Payments for Materials and Supplies	<u>(1,742)</u>	<u>0</u>	<u>(1,742)</u>
Net Cash Provided by for Operating Activities	<u>(560,407)</u>	<u>0</u>	<u>(560,407)</u>
Cash Flows (Used) from Noncapital Financing Activities:			
Federal and State Grants Received	544,055	0	544,055
Operating Transfer In	20,000	0	20,000
Advances In	36,000	0	36,000
Advances Out	<u>(6,000)</u>	<u>0</u>	<u>(6,000)</u>
Net Cash Provided by Noncapital Financing Activities	<u>594,055</u>	<u>0</u>	<u>594,055</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of Fixed Assets	<u>(2,242)</u>	<u>0</u>	<u>(2,242)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(2,242)</u>	<u>0</u>	<u>(2,242)</u>
Cash Flows from Investing Activities			
Interest on Investments	<u>0</u>	<u>1,525</u>	<u>1,525</u>
Net Cash Provided by Investing Activities	<u>0</u>	<u>1,525</u>	<u>1,525</u>
Net Increase in Cash and Cash Equivalents	31,406	1,525	32,931
Cash and Cash Equivalents at July 1, 2000 (Restated)	<u>(17,352)</u>	<u>70,980</u>	<u>53,628</u>
Cash and Cash Equivalents at June 30, 2001	<u><u>\$14,054</u></u>	<u><u>\$72,505</u></u>	<u><u>\$86,559</u></u>

(Continued)

**NORWOOD CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001
 (CONTINUED)**

	Proprietary Fund Type	Fiduciary Fund Type Nonexpendable	Totals (Memorandum Only) Primary Government
	<u>Enterprise</u>	<u>Enterprise</u>	<u>Government</u>
Reconciliation of Operating Income to Net Cash Provided for Operating Activities:			
Operating Income	<u>(\$512,151)</u>	<u>\$0</u>	<u>(512,151)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	62	0	62
Donated Commodities Used During Year	52,561	0	52,561
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	2,134	0	2,134
Decrease in Inventory Held for Resale	3,612	0	3,612
(Increase) in Prepaid Items	(18,932)	0	(18,932)
Increase/(Decrease) in Accounts Payable	(10,217)	0	(10,217)
(Decrease) in Accrued Wages and Benefits	(42,002)	0	(42,002)
(Decrease) in Capital Lease Payable	(1,894)	0	(1,894)
(Decrease) in Compensated Absences Payable	(1,194)	0	(1,194)
Increase in Intergovernmental Payable	<u>(32,386)</u>	<u>0</u>	<u>(32,386)</u>
Total Adjustments	<u>(48,256)</u>	<u>0</u>	<u>(48,256)</u>
Net Cash Provided by Operating Activities	<u><u>(\$560,407)</u></u>	<u><u>\$0</u></u>	<u><u>(\$560,407)</u></u>
Reconciliation of Nonexpendable Trust Fund to Balance Sheet			
Cash and Cash Equivalents - All Fiduciary Funds		\$195,267	
Cash and Cash Equivalents - All Agency and Expendable Trust Funds		<u>(122,762)</u>	
Cash and Cash Equivalents - Nonexpendable Trust Fund		<u><u>\$72,505</u></u>	

See accompanying notes to the general purpose financial statements

DISCRETELY PRESENTED COMPONENT UNIT
 TRI-STATE EDUCATION AND TECHNOLOGY FOUNDATION
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2001

Cash flows from operating activities:

Change in net assets	<u>\$694,195</u>
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Adjustments to reconcile change in net assets to
 net cash provided (used) by operating activities:

Depreciation and amortization	8,679
Extinguishment of debt	(404,856)
Donated investment included in gifts & grants	(100,845)
Unrealized gain on investments	(647)
Increase in accounts receivable	(830)
Decrease in inventories	146
Increase in interest receivable	(107)
Increase in accounts payable	<u>14,898</u>

Total adjustments	<u>(483,562)</u>
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Net cash provided (used) by operating activities	<u>210,633</u>
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Cash flows from investing activities:

Purchase of equipment	<u>(62,701)</u>
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Net cash provided (used) by investing activities	<u>(62,701)</u>
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Cash flows from financing activities:

Proceeds from issuance of long-term debt	13,799
Principal payments on long-term debt	<u>(1,187)</u>

Net cash provided (used) by financing activities	<u>12,612</u>
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Net increase (decrease) in cash and equivalents	160,544
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Cash and equivalents, beginning of year	<u>190,508</u>
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Cash and equivalents, end of year	<u><u>\$351,052</u></u>
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Supplemental disclosures of cash flow information:

Cash paid during the period for interest	\$427
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See accompanying notes to the general purpose financial statement

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL

The Norwood City School District (the "District") operates under a locally elected five member Board and provides educational services as authorized by its charter or further mandated by state/or federal agencies. The Board controls the District's seven instructional facilities, staffed by 137 classified personnel, 213 certified full-time teaching personnel and administrative employees to provide services to students and other community members.

The District is located in Norwood, Ohio, Hamilton County, and serves an area of approximately 3 square miles. The enrollment for the District during the 2001 fiscal year was 2,964. The District operates four elementary schools (K-5), one middle school (6-8), a high school (9-12) and leases one former elementary school.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (the "GASB") and other recognized authoritative sources. The District also applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements.

A. Financial Reporting Entity

The reporting entity is composed of the primary government. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Norwood City School District, this includes general operations, food service, preschool and student related activities of the District.

The District reviewed potential component units for possible inclusion in the reporting entity. Component units are legally separate organizations for which the District is financially accountable. The District would be financially accountable for an organization if the District appointed a voting majority of the organization's governing board and (1) the District was able to significantly influence the programs or services performed or provided by the organization; or (2) the District was legally entitled to or can otherwise access the organizations' resources; the District was legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the District was obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

A. Financial Reporting Entity (Continued)

In conformity with GAAP, the financial statements of the following component unit have been included in the financial reporting entity as a discretely presented component unit. The component unit is presented in a separate column to emphasize that it is legally separate from the District.

An agreement was entered with the Tri-State Education and Technology Foundation (the "Foundation") on September 21, 2000, between the Tri-State Education and Technology Foundation and the Board of Education of the District. The Foundation is a non-profit corporation formed under Section 1702.01 of the Ohio Revised Code to provide educational benefits to students of the District, as well as serving all schools in the tri-state area who wish to participate. Under the agreement, the Board of Education hires a regular full-time employee of the District, one person who shall exclusively serve the interests of the Foundation. The Foundation shall pay to the Board of Education, according to amounts determined by the Treasurer, an amount equal to the total cost of employment of such person.

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

The District is not involved in the budgeting or management of the Great Oaks Joint Vocational School District. The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code. This is a jointly governed organization and the District's participation is discussed in Note 16 to the General Purpose Financial Statements.

The Norwood City School District is a participating member of the Southwestern Ohio Computer Association (SWOCA). SWOCA provides data processing services needed by the participating school districts. D. Russell Lee Vocational School serves as the fiscal agent. This is a jointly governed organization and the District's participation is discussed in Note 16 to the General Purpose Financial Statements.

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan. This organization is defined as an insurance purchasing pool. The District's participation is discussed in Note 11 to the General Purpose Financial Statements.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

B. Basis of Presentation – Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available resources.

For financial statement presentation purposes, the various funds of the District are grouped as follows:

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities, except those accounted for in proprietary or fiduciary funds, are accounted for through governmental funds. The governmental fund category includes:

The General Fund is the general operating fund of the District and is used to account for all financial resources, except those required to be accounted for in another fund.

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

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

B. Basis of Presentation – Fund Accounting (Continued)

Governmental Funds (Continued)

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs not being financed by proprietary funds.

Capital Projects Funds are used to account for financial resources to be used for the acquisition of fixed assets or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Funds

Proprietary funds are used to account for the District's ongoing activities, which are similar to those found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the District's business and quasi-business activities, where net income and capital maintenance are measured, are accounted for through proprietary funds.

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

The Internal Service Fund accounts for the financing of services provided by one department or agency to another department or agency of the District on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds.

Non-Expendable Trust Funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Non-expendable trust funds are accounted for in essentially the same manner as proprietary funds.

Agency Funds are purely custodial and thus do not involve measurement of results of operations.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

B. Basis of Presentation – Fund Accounting (continued)

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations and certain other liabilities of the District except those accounted for in the proprietary or trust funds.

C. Measurement Focus and Basis of Accounting

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

All proprietary funds and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental and agency funds. 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 District, available means expected to be received within sixty days of year-end.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

C. Measurement Focus and Basis of Accounting (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 5.) 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchanges transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are deemed both measurable and available at fiscal year end: investment earnings, tuition, grants, property taxes available for advance, and student fees.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The proprietary fund types and the non-expendable trust fund utilize the full accrual basis of accounting for reporting purposes. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. There were no unbilled service charges receivable at year-end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

D. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level must be made by resolution of the Board of Education. The auxiliary services fund is presented as a special revenue fund on the statements prepared using generally accepted accounting principles.

Tax Budget:

Prior to January 15, the Superintendent and the Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Hamilton County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year do not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or the District Treasurer identifies decreases in revenue. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 2001.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

D. Budgetary Data (Continued)

Appropriations:

Upon receipt from the County Auditor of an amended official certificate of estimated resources based on the final assessed values and tax rates or a certificate stating no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds, including the Debt Service Fund, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the Non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

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.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

E. Cash and Cash Equivalents

Cash received by the District, except for building capital projects funds and expendable trust and non-expendable trust funds are pooled for investment purposes in one bank account with individual fund cash balance integrity maintained through the District's financial records. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. During fiscal year 2001, investments were limited to certificates of deposit, nonparticipating repurchase agreements, and interest in STAR Ohio (the State Treasurer's Investment Pool). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on, quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001. Under existing Ohio statutes, all investment earnings accrued are allocated to the General Fund except those specifically related to auxiliary services agency funds, the food service fund, certain trust funds and those funds individually authorized by Board resolution. Interest income earned in 2001 totaled \$233,388.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments with maturity of three months or less at the time they are purchased by the District and investments made from the cash management pool are considered to be cash equivalents. Investments with maturity greater than three months are considered investments of the fund.

F. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out (FIFO) method. Inventories of proprietary funds consist of donated food and purchased food and are expensed when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

H. Fixed Assets and Depreciation

General Fixed Assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District does not capitalize interest on construction projects. Donated fixed assets are recorded at their fair market values as of the date received. The District follows the policy of net capitalizing assets with a cost of less than one thousand dollars and a useful life of less than 3 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of 3 to 10 years.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

The District currently participates in several State and Federal (*) programs, categorized as follows:

Entitlements

- General Fund
 - State Foundation Program

Non-Reimbursable Grants

- Special Revenue Funds
 - Career Education
 - Block Grant
 - Education Management Information Systems
 - Disadvantaged Pupil Impact Aid (DPIA)
 - SchoolNet
 - Summer School Remediation
 - Alternative Schools
 - Extended Learning Opportunities
 - Ohio Reads
 - Safe School Helpline
 - Adult Basic Literacy Education (ABLE) (*)
 - Eisenhower (*)
 - Title VI-B (*)
 - Carl Perkins Vocational Education (*)
 - Title I (*)
 - Even Start (*)
 - Title VI (*)
 - Drug Free Schools Program (*)
 - Public School Preschool (*)
 - Continuous Improvement (*)
 - Erate (*)
 - 21st Century Community Learning Center (*)
 - Title VI-R (*)

Reimbursable Grants

- General Fund
 - Medical Assistance Payments

Proprietary Funds

- National School Lunch Program
- Food Commodity Distribution

Grants and entitlements amounted to approximately 49.12 percent of the District's operating revenue during the 2001 fiscal year.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

J. Short-Term Interfund Assets/Liabilities

Short-term interfund loans are classified as “interfund receivables/payables.”

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 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 vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements and state laws.

<u>Vacation</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Classified</u>
How Earned	Not Eligible	20 days annually	10 to 20 days per year depending on length of service
Maximum Accumulation	Not Applicable	Amount equal to yearly accrual	Amount equal to yearly accrual
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid Upon Termination	Paid Upon Termination

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

K. Compensated Absences (Continued)

<u>Sick Leave</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Classified</u>
How Earned	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)
Maximum Accumulation	200 days	260 days	260 days
Vested	15 yrs. of service Eligible for Retirement	15 yrs. of service Eligible for Retirement	15 yrs. of service Eligible for Retirement
Termination Entitlement	Paid Upon Retirement	Paid Upon Retirement	Paid Upon Retirement

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. The remaining portion of such obligations is reported in the general long-term obligations account group.

M. Fund Balance Reserves

The District records reservations for portions of fund equity, which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, prepaids, property taxes, and textbook set aside. The reserve for property taxes represents taxes recognized as revenue under generally accounting principles but not available for appropriations under state statute.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

N. Set-Aside Calculations and Fund Reserves

The District is required by State statute to annually set aside an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted resources must be held in cash at year-end and carried forward to be used for the same purposes in future years.

For fiscal year ended June 30, 2001, the District was no longer required to set aside funds in the budget reserve set-aside, with the exception of monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes. The District did not receive monies from the Bureau of Workers' Compensation, thus no set aside was required.

The following information describes any changes in the amounts set-aside for textbooks and instructional materials, capital improvements and budget stabilization from the end of the prior year to the end of the current year.

A. Textbooks and Instructional Materials

Set-aside balance carried forward from the prior year		\$18,675
Current year set-aside requirement	\$497,928	
Qualifying expenditures made during the year	385,119	
Amount of offsets for the year	0	
Total	<u> </u>	112,809
Balance of set-aside to be carried forward to next year		<u><u>\$131,484</u></u>

B. Capital Improvements

Set-aside balance carried forward from the prior year		\$0
Current year set-aside requirement	\$497,928	
Qualifying expenditures made during the year	497,928	
Amount of offsets for the year	0	
Total	<u> </u>	0
Balance of set-aside to be carried forward to next year		<u><u>\$0</u></u>

C. Budget Stabilization

Set-aside balance carried forward from the prior year		\$262,401
Reduction Authorized by Legislation Restrictions	(\$262,401)	
Property taxes allocated to set-aside	0	
Total	<u> </u>	(262,401)
Balance of set-aside to be carried forward to next year		<u><u>\$0</u></u>

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

O. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to the proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end.

P. Estimates

The preparation of the 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 could differ from those estimates.

Q. Total columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3- CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES

For fiscal year 2001, the District has implemented GASB No. 33, Accounting and Financial Reporting for Nonexchange Transactions,” and GASB No. 36, “Recipient Reporting for Certain Shared Nonexchange Transactions,” an amendment of GASB No. 33, which changes how the District reports certain types of revenues.

The effect of these changes on the excess of the revenues and other financing over expenditures and other financing uses and fund balances as of June 30, 2000 is as follows:

	Special Revenue <u>Funds</u>
Excess as previously reported	\$182,583
Restatement for Intergovernmental Receivable	<u>(624,721)</u>
Restated Amounts for the year ended June 30, 2000	<u>(\$442,138)</u>

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 3- CHANGE IN ACCOUNTING PRINCIPLE, CORRECTION OF ERRORS AND RESTATEMENT OF FUND BALANCES (Continued)

There was also a restatement to fund balances due to correction of prior year posting errors as follows:

	General <u>Fund</u>	Special Revenue <u>Funds</u>	Capital Projects <u>Funds</u>	Expendable Trust <u>Fund</u>	Enterprise <u>Funds</u>	Non-Expendable Trust <u>Fund</u>	Agency <u>Fund</u>
Fund Balance at June 30, 2000	\$2,303,784	\$508,220	\$266,400	\$109,611	\$85,236	\$30,980	\$35,524
Restatement for Intergovernmental Receivable	0	(624,721)	0	0	0	0	0
Restatement for Correction of Prior Year Posting	63,866	(2,445)	(4,000)	(40,000)	(63,866)	40,000	6,445
Restatement for Fixed Asset Estimate	0	0	0	0	(83,169)	0	0
Fund Balance at July 1, 2000	<u>\$2,367,650</u>	<u>(\$118,946)</u>	<u>\$262,400</u>	<u>\$69,611</u>	<u>(\$61,799)</u>	<u>\$70,980</u>	<u>\$41,969</u>

NOTE 4 - CHANGE IN FIXED ASSET ACCOUNTING ESTIMATE

For the fiscal year 2001, the District changed its capitalization threshold from \$500 to \$1,000. The District also had a revaluation of its fixed asset inventory. The effect of this change in accounting estimate and revaluation of its fixed assets is as follows:

General Fixed Assets Account Group	6/30/2000 <u>Balance</u>	<u>Restatement</u>	7/1/2001 <u>Balance</u>
Land	\$378,868	(\$279,787)	\$99,081
Buildings	9,169,543	(502,395)	8,667,148
Furniture and Equipment	4,476,075	(1,838,465)	2,637,610
Vehicles	0	97,785	97,785

The District also had a net change of fixed assets in the Enterprise Funds in the amount of \$80,988.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis), All Governmental Fund Types and Similar Trust Funds are 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).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP Basis).
4. For proprietary funds the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
6. The District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued):

The table below summarizes the adjustments to reconcile the governmental GAAP & budgetary basis statements, and proprietary & nonexpendable trust GAAP & budget (no budgetary basis statements presented) information .

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses					
All Governmental Fund Types					
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$1,751,422	\$319,509	\$0	(\$72,881)	\$3,279
Net Adjustment for Revenue Accruals	57,571	(131,490)	0	0	0
Proceeds from Sale of Notes	0	0	0	0	0
Advances In	6,000	0	0	0	0
Transfer In	0	(1,545)	0	0	0
Net Adjustment for Expenditure Accruals	(544,336)	(19,654)	0	0	(2,500)
Advances Out	(36,000)	0	0	0	0
Transfer Out	1,545	0	0	0	0
Adjustment for Encumbrances	(626,517)	(269,216)	0	(12,395)	0
Budget Basis	<u>\$609,685</u>	<u>(\$102,396)</u>	<u>\$0</u>	<u>(\$85,276)</u>	<u>\$779</u>

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued):

Net Income (Loss)/Excess (Deficiency) of Revenues Over/(Under)
Expenses, Advances and Operating Transfers

All Proprietary Fund and Nonexpendable Trust Fund Types

	<u>Enterprise</u>	Non-Expendable <u>Trust</u>
Net Adjustment for GAAP Basis	\$26,134	\$1,525
Revenue Accruals	80,466	40,000
Commodities Received	(52,561)	0
Advances In	36,000	0
Net Adjustment for Expense Accruals	(52,694)	0
Depreciation Expense	62	0
Advances Out	(6,000)	0
Adjustment for Encumbrances	(5,355)	0
Budget Basis	\$26,052	\$41,525

NOTE 6 – DEFICIT IN RETAINED EARNINGS AND NON-COMPLIANCE

For the fiscal year ending June 30, 2001, the following fund had a deficit in retained earnings:

Deficit Fund Balance

Proprietary Funds:

Food Service Fund:	\$37,291
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The deficit in retained earnings resulted from adjustments for accrued liabilities. The General Fund is liable for any deficit in this fund and provides operating transfers when cash is required, not when accruals occur.

Ohio Revised Code Section 5705.41(D) requires that the District certify that funds are available prior to committing District funds. The District did not always encumber funds prior to commitment during fiscal year 2001.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 7 - DEPOSITS AND INVESTMENTS

State statutes require the classification of monies held by the District into three categories.

Category 1 consists of “active” monies, those monies required to be kept in a “cash” or “near-cash” status for immediate use by the District. Such monies must be maintained either as cash in the District Treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Category 2 consists of “inactive” monies, those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Category 3 consists of “interim” monies, 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 monies may be invested or deposited in the following securities provided they mature or are redeemable within one year from the date of purchase:

1. Bond, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or instrumentality.
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 purchase.
4. Bonds and other obligations of the State of Ohio.
5. No load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer’s investment pool (STAR Ohio).
7. Certain banker’s acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Protection of District cash and investments is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 110 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 7 - DEPOSITS AND INVESTMENTS (Continued)

Deposits: The District is required to categorize deposits and investments according to GASB Statement No. 3 "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements". At year-end, the carrying amount of the District's deposits was \$2,220,599. The bank balance of the District's deposit was \$2,654,528. Of the bank balance, \$200,000 was covered by federal depository insurance, \$1,750,000 was covered by an Ohio Depository Bond and the remaining amounts were covered by collateral held by the pledging bank's trust department but not in the District's name pursuant to Section 135.181, Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions. Ohio Revised Code Section 135.181 Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure payment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance. Although the pledging bank has an investment and securities pool used to collateralize all public deposits, which are held in the financial institutions name, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC. The deposits not covered by federal depository insurance are considered uninsured and uncollateralized under the provisions of Statement No. 3.

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the District at year-end:

Category 1 includes investments that are insured or registered or for which the District or its agent in the District's name holds the securities.

Category 2 includes uninsured and unregistered investments, which are held by the counterparty's, trust department or agent but not in the 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 District's name.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 7 - DEPOSITS AND INVESTMENTS (Continued)

Based on the above criteria, the District's investments at June 30, 2001, are classified as follows:

<u>Description</u>	<u>Category</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Star Ohio	N/A	N/A	N/A	\$2,041,779
Total	\$0	\$0	\$0	\$2,041,779

- 1) The District's investment in Star Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting."

Reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash</u> <u>Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$4,262,378	\$0
Star Ohio	(2,041,779)	2,041,779
GASB Statement 3	\$2,220,599	\$2,041,779

NOTE 8 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year.

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

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 8 - PROPERTY TAXES (Continued)

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 percent of true value.

The assessed values upon which the fiscal year 2001 taxes were collected are:

	<u>2000 Second- Half Collections</u>		<u>2001 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$212,197,220	72.18%	\$240,282,510	74.85%
Public Utility Personal	18,483,600	6.29%	18,178,810	5.66%
Tangible Personal Property	63,305,930	21.53%	62,575,880	19.49%
Total Assessed Value	<u>\$293,986,750</u>	<u>100.00%</u>	<u>\$321,037,200</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$48.57		\$52.80

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits later 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 semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Hamilton County. The county auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$2,250,000 and is recognized as revenue. The amount available for advance at June 30, 2000, was \$2,862,500.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 9 - RECEIVABLES

Receivables at June 30, 2001, consisted of taxes, interest, accounts and intergovernmental grants. 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. The principal item of receivables follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Intergovernmental</u>	<u>Interest</u>
General	\$12,355,983	\$11,649	\$4,514	\$33,189
Special Revenue	0	1,287	779,715	0
Enterprise	0	1,546	4,502	0
Total	<u>\$12,355,983</u>	<u>\$14,482</u>	<u>\$788,731</u>	<u>\$33,189</u>

NOTE 10 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$190,773
Less accumulated depreciation	<u>(188,593)</u>
Net Fixed Assets	<u>\$2,180</u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

	Restated Balance <u>June 30, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Restated Balance <u>June 30, 2001</u>
Land	\$99,081	\$0	\$0	\$0	\$99,081
Buildings	8,667,148	0	0	0	8,667,148
Furniture and Equipment	2,637,610	212,220	1,495	0	2,848,335
Vehicles	97,785	6,757	0	0	104,542
Total	<u>\$11,501,624</u>	<u>\$218,977</u>	<u>\$1,495</u>	<u>\$0</u>	<u>\$11,719,106</u>

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2001, the District contracted with Nationwide Insurance Company for general liability insurance with a \$5,000,000 aggregate limit covering all employees and volunteers of the District.

Property and Fleet Insurance is also provided by Nationwide Insurance and property holds a \$1,000 deductible and the bus fleet and maintenance vehicles have a \$250 deductible and a \$1,000,000 limit per occurrence.

The Nationwide Insurance Company maintains a \$20,000 performance bond for the Board President and Superintendent and maintains a \$100,000 public official bond for the Treasurer. Peerless Insurance maintains a \$10,000 employee dishonesty blanket bond for all employees.

Settlements have not exceeded insurance coverage in any of the last four fiscal years.

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

A. School Employees Retirement System

The Norwood City School District contributes to the School Employers Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the school employee's retirement board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3309 of the Ohio Revised Code establishes benefits. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Norwood City School District is required to contribute 14 percent; 10.50 percent was the portion to fund pension obligations. The contributions are not determined actuarially, but are established by SERS's Retirement Board within rates allowed by state statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$306,188, \$336,941 and \$329,931, respectively; 96.77 percent has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$10,212 representing the underpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The Norwood City School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3307 of the Ohio Revised Code establishes benefits. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.30 percent of their annual covered salary and the Norwood City School District is required to contribute 14 percent; 12 percent 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 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,458,115, \$1,552,177, and \$1,460,820, respectively 97.73 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$33,800 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System have an option to choose social security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, all members but one have elected social security. The Board's liability is 6.20 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System provides comprehensive health care benefits to retired teachers and their dependents, and the School Employees Retirement System provides the same coverage to retired non-certificated employees and their dependents. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

For the State Teachers Retirement System, all benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS fund shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$468,679 during the 2001 fiscal year. As of July 1, 2000, eligible benefit recipients totaled 99,011. For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000.

For the School Employees Retirement System, coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll.

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

For the District, this amount equaled \$224,884 during the 2001 fiscal year. The number of participating currently receiving health care benefits is 50,000, for the fiscal year ended June 30, 2000, net health care costs paid by SERS were \$140,696,340.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 14 -LONG TERM OBLIGATIONS

Long-term obligations activity of the District for the year ended June 30, 2001, was as follows:

General Obligation Bonds & Notes:	Principal Outstanding <u>6/30/2000</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/2001</u>
HB 264 Energy Conservation Notes 1994 6.75%	\$810,000	\$0	\$810,000	\$0
Compensated Absences	1,304,370	0	240,425	1,063,945
Pension Obligations	96,780	135,368	0	232,148
Total General Long-Term Obligations	\$2,211,150	\$135,368	\$1,050,425	\$1,296,093

The District's voted legal debt margin was \$321,037 with an unvoted debt margin of \$28,893,348 at June 30, 2001.

Compensated absences and pension obligations will be paid from the fund from which the person is paid.

NOTE 15 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2001, consist of the following individual fund receivables and payables:

Fund:	<u>Receivable</u>	<u>Payable</u>
General	\$30,000	\$0
Proprietary Funds		
Food Service Fund	0	30,000
Total	\$30,000	\$30,000

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 16 - JOINTLY GOVERNED ORGANIZATION

- A. The Southwestern Ohio Computer Association (SWOCA) is a jointly governed organization among a three county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized.

The Governing Board of SWOCA consists of six members elected by majority vote of all charter member schools plus one representative from the fiscal agent. The District has an equity interest that is explicit and measurable in that the jointly governed agreement stipulates that the participants have a future claim to the net resources of SWOCA upon dissolution. The agreement sets forth the method to determine each member's proportionate share.

SWOCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. The District's investment interest in SWOCA's fixed assets was \$34,223 at June 30, 2001. The District paid SWOCA \$45,897 for services provided during the year. Financial information can be obtained from Michael Crumley, who serves as director, at 3603 Hamilton-Middletown Road, Hamilton, OH. 45011.

- B. The Great Oaks Joint Vocational School, a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the thirty-six participating school district's elected board, which possesses its own budgeting and taxing authority. To obtain financial information write to The Great Oaks Vocational School, Mr. John Wahle, Chief Financial Officer, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 17 - ENTERPRISE FUND INFORMATION

The District maintains two Enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the Enterprise Funds of the Norwood City School District as of and for the fiscal year ended June 30, 2001.

<u>Segment Information</u>	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$563,935	\$530	\$564,465
Operating Expenses Before Depreciation	1,064,203	12,351	1,076,554
Depreciation	62	0	62
Operating Income/(Loss)	(500,330)	(11,821)	(512,151)
Equipment Additions	2,242	0	2,242
Donated Commodities	52,561	0	52,561
Operating Grants	465,724	0	465,724
Net Income (Loss)	37,955	(11,821)	26,134
Net Working Capital	(37,290)	1,625	(35,665)
Total Assets	54,098	3,925	58,023
Total Equity	(37,290)	1,625	(35,665)
Encumbrances at June 30, 2001	\$1,800	\$3,555	\$5,355

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 18 - CONTINGENCIES

Grants:

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

Litigation:

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

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

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

In general, it is expected that the decision would result in an increase in State Funding for most Ohio school districts. However, as of February 6, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 19 - TRI-STATE EDUCATION AND TECHNOLOGY FOUNDATION

As indicated in Note 1 to the General Purpose Financial Statements, the following disclosures are made on behalf of the Tri-State Education and Technology Foundation.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Tri-State Education and Technology Foundation (the Foundation) operates planetariums for the educational purposes of school-aged children and young adults in the Greater Cincinnati area. The financial statements of the Foundation have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Contributed Services

During the year ended June 30, 2001, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recognition of Donor Restricted Support

Support received which is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

Cash and equivalents

Cash and equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. Cash and equivalents for purposes of the statement of cash flows excludes permanently restricted cash and equivalents. The carrying value of cash and equivalents approximates fair value because of the short maturities of the financial instruments.

Income Taxes

The Foundation is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Equipment

Acquisition of equipment in excess of \$1,000 is capitalized. Equipment is carried at cost or, if donated, the approximate fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

Inventory

Inventory, consisting of various items held for resale through the Foundation-run gift store, is valued at lower of cost or market using the first-in, first-out (FIFO) cost flow assumption.

Concentration of Credit Risk

The Foundation maintains the majority of its cash at a single financial institution. The amount on deposit at June 30, 2001 exceeded the \$100,000 federally insured limit by \$246,258.

Investments

Investments in equities are carried at quoted market value which approximates fair value.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

Other Matters

Interest income from investments is accounted for as revenue of the unrestricted operating fund, except where interest is earned from the temporary investment of restricted funds, which is considered revenue of the department benefiting from the restricted gift.

NOTE B - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2001 of \$1,684 are considered to be fully collectible.

NOTE C - INVESTMENTS

Investments consist of shares of publicly traded stock donated to the Foundation during the year ended June 30, 2001. The stock had a value of \$100,845 on the date of donation. The value at June 30, 2001 of \$101,492 resulted in an unrealized gain of \$647 for the year then ended. This gain has been included in investment income of \$10,617. The remainder of the investment income is from interest on checking and money market accounts held by local banks.

NOTE D - CAPITAL LEASE AGREEMENT

The Foundation is obligated under a capital lease agreement for telephone equipment. Imputed interest under the agreement is 13%. The cost of the capitalized equipment is \$2,779. Accumulated depreciation on the equipment at June 20, 2001 is \$139. Minimum future lease payments are as follows:

June 30, 2002	\$ 1,122
June 30, 2003	1,122
June 30, 2004	<u>560</u>
	2,804
Less amount representing interest	<u>416</u>
Present value of future minimum lease payments	\$ <u>2,388</u>

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE E - PENSION PLAN

The Foundation offers a deferred income plan under Internal Revenue Code section 403(b) to provide retirement benefits for all of its full time employees. The employees may elect to contribute up to 15% of their salary under the plan. The Foundation does not contribute to the plan.

NOTE F - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are endowment funds restricted in perpetuity to continue the tradition of the Foundation. Income generated by these assets can be used for operating expenses.

NOTE G - RELATED PARTY TRANSACTIONS

The Foundation operated in cooperation with the Norwood City School District (the District) through August 31, 2000. The Foundation is located on District property and leases District employees.

The Foundation was not charged for facility rent in exchange for not charging admission to the District for its students who attend the Foundation's programs. Effective September 1, 2000, the Foundation and the District entered into a new agreement. The Foundation pays rent for the facility of \$250 per month. The lease expires August 31, 2002. The District pays for the students who attend the Foundation's programs up to \$25,000 annually.

NOTE H - DONATED EQUIPMENT

Donated equipment is reflected as contributions and is appropriately capitalized at the estimated values at the date of receipt.

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE I - OPERATING LEASE

The Foundation leases facilities and various equipment through operating lease agreements. The lease payments for the year ended June 30, 2001 were \$5,071. Future minimum lease payments are:

Year Ended	
<u>June 30</u>	
2002	\$ 5,625
2003	<u>2,250</u>
Total	<u>\$ 7,875</u>

NOTE J - LONG TERM DEBT

Long term consists of the following:

Note payable to bank, monthly payments of \$350 including interest at 8.24%, maturing March, 2004, secured by the related vehicle.	\$10,224
Less current portion	<u>3,435</u>
Long term portion	<u>\$ 6,789</u>

NOTE K - AGREEMENT WITH NORWOOD CITY SCHOOL DISTRICT

The Foundation and the District entered into an agreement with an effective date of September 1, 2000, stating the Foundation will operate the planetarium with no financial assistance from the District. As part of the agreement, the Foundation bought all assets related to the planetarium for \$5,000. The agreement calls for the Foundation to lease from the District its current space for \$3,000 annually for two years beginning September 1, 2000 and ending August 31, 2002. The agreement automatically renews for a two-year period unless notification is given in writing not to renew the agreement. Each party fully released

NORWOOD CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

and discharged the other from all claims, controversies and causes of action each may have had against the other including all issues raised in the Special Audit Report dated February 16, 1999. This agreement effectively relieved the Agency of the \$404,856 owed to the District at June 30, 2000.

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NORWOOD CITY SCHOOL DISTRICT
HAMILTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2001

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster						
Food Commodity Distribution	nn-n1	10.550	\$0	\$38,983	\$0	\$52,561
School Breakfast	05-PU	10.553	49,338	0	49,338	0
Summer Food Program		10.559	63,746	0	63,746	0
School Lunch	04-PU	10.555	399,447	0	399,447	0
Total Nutrition Cluster			512,531	38,983	512,531	52,561
Total U.S. Department of Agriculture			512,531	38,983	512,531	52,561
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (Title VI-B)	6B-SF	84.027	189,501	0	189,501	0
Special Education - Preschool Grant	PG-S1	84.173	11,411	0	11,411	0
Total Special Education Cluster			200,912	0	200,912	0
Adult Education - State Grant Program		84.002	51,677	0	51,230	0
Grants to Local Educational Agencies (Title I)	C1-S1	84.010	487,872	0	566,320	0
Carl Perkins		84.049	6,975	0	5,904	0
Even Start		84.213	166,691	0	173,840	0
Capital Equipment		84.216	0	0	4,813	0
Title VI	C2-S1	84.298	17,713	0	17,936	0
Eisenhower Math/Science	MS-S1	84.281	16,273	0	26,572	0
Drug Free Schools	DR-S1	84.186	32,673	0	31,862	0
Goals 2000	G2-S3	84.276	30,232	0	25,935	0
21st Century Grant		84.314	624,721	0	541,892	0
Class Size Reduction	nn-n1	84.340	96,284	0	92,002	0
Total U.S. Department of Education			1,732,023	0	1,739,218	0
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES						
<i>Passed Through Ohio Department of Jobs & Family Services</i>						
Medical Assistance Payments – Title XIX (Community Alternative Funding System)		93.778	41,065	0	41,065	0
Total U.S. Department of Health & Human Services			41,065	0	41,065	0
Totals			\$2,285,619	\$38,983	\$2,292,814	\$52,561

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

**NORWOOD CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2001**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had food commodities valued at \$48,580 in inventory.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Norwood City School District
Hamilton County
2132 Williams Avenue
Norwood, Ohio 45212

To the Board of Education:

We have audited the financial statements of Norwood City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2001, and have issued our report thereon dated February 6, 2002, wherein we noted the District adopted Governmental Accounting Standards Board Statements 33 and 36. We did not audit the financial statements of the Tri-State Education & Technology Foundation, which represents the component unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the general purpose financial statements, in so far as it relates to the amounts included for the discretely presented component unit, is based on the reports of the other auditors. 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. The financial statements of the Tri-State Education & Technology Foundation were audited by other auditors in accordance with auditing standard generally accepted in the United States of America and not in accordance with Government Auditing Standards and accordingly this report does not extend to that discretely presented component unit.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10431-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 6, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-10431-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 6, 2002.

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

Jim Petro
Auditor of State

February 6, 2002



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

Norwood City School District
Hamilton County
2132 Williams Avenue
Norwood, Ohio 45212

To the Board of Education:

Compliance

We have audited the compliance of Norwood City School District, Hamilton County, Ohio (the 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, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would

Norwood City School District
Hamilton County
Report of Independent Accountants on Compliance with Requirements
Applicable to Each Major Federal Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133
Page 2

be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Jim Petro
Auditor of State

February 6, 2002

**NORWOOD CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2001**

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)?	Yes
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	Yes
(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 § .510?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster – CFDA #10.555 Title I – CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all other programs
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2001-10431-001

Material noncompliance - Certification of Available Funds

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the

subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

1. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000, the Treasurer may authorize payment through a Then and Now Certificate without the affirmation of the Board of Education, if such expenditure is otherwise valid.

In over 10% of expenditures tested, there was no certification of funds made prior to the commitment of the funds.

We recommend that the District use then and now certificates or blanket certificates.

FINDING NUMBER 2001-10431-002

Reportable Condition

The District did not have established policies and procedures in place over the student activity/fundraising receipt cycle. Sales project potential forms were not used by the District to account for the income, either actual or projected, from sales projects conducted by student activity programs. One hundred percent of the projects tested at Norwood City School District did not have a completed sales potential form. Also, collection of receipts was not adequately documented by the schools, receipts were not written to the students and reconciliations were not performed by the activity sponsor. However, after interviewing student activity advisors and obtaining some supporting documentation, it was determined that student activity/fundraising monies were collected and deposited with the District's treasury.

The weaknesses stated above reduce the District's ability to monitor the receipt cycle and fundraising activities of the District, as well as increase the possibility of noncompliance with state and/or local statutes.

The District should establish policies and procedures for student activity fundraisers and enforce the applicable procedures for the receipt of student activity funds. Specific areas of the system that should be established include the following:

- A. All schools should adequately document the collection of all money by writing receipts and providing reconciliations to the Treasurer.
- B. Sales potential forms or ledgers should be completed as a source document to verify the activity of a fundraiser or sale. This will provide source information to substantiate the accuracy of the receipts.

Specific implementation of these procedures, as well as emphasis on the importance of all receipt procedures, will add a substantial measure of control to the District's receipt cycle. The Board of Education, as the district's governing board, should also stress to all schools the importance of adhering to District regulations and policies.

3. FINDINGS FOR FEDERAL AWARDS

None

**NORWOOD CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-10431-001	The current Treasurer has implemented student activity policies and procedures supported by the development of a procedure manual. Meetings with advisors have also been conducted for the 2001-02 fiscal year.	12/31/01	Cary Furniss, Treasurer
2001-10431-002	The current Treasurer has instituted the use of the Then and Now Certificate and requires purchase orders to be issued prior to making a commitment.	12/31/01	Cary Furniss, Treasurer



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NORWOOD CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 21, 2002**