

Norton City School District

* * * *

Report Letters

June 30, 2006



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Norton City School District, Summit County, prepared by Rea & Associates, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 21, 2007

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NORTON CITY SCHOOL DISTRICT

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 15, 2006

The Board of Education
Norton City School District
4128 Cleveland- Massillon Rd.
Norton Ohio 44203

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Norton City School District as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Norton City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Norton City School District in a separate letter dated December 15, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Norton City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Norton City School District in a separate letter dated December 15, 2006.

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

Hea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 15, 2006

The Board of Education
Norton City School District
4128 Cleveland- Massillon Rd.
Norton, Ohio 44203

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

Compliance

We have audited the compliance of Norton City School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Norton City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Norton City School District's management. Our responsibility is to express an opinion on Norton City School District's compliance based on our audit.

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

In our opinion, Norton City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Norton City School District

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Report on OMB A-133 Compliance-Internal Control

Internal Control Over Compliance

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

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

Schedule of Expenditures of Federal Awards – Non GAAP Budgetary Basis

We have audited the basic financial statements, the governmental activities, each major fund and the aggregate remaining fund information of Norton City School District as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 15, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of Norton City School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Rea & Associates, Inc.

**NORTON CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
U. S. Department of Education (Passed Through Ohio Department of Education):					
Title I	83.010	C1-S1-2004	\$ -	\$ 1,566	\$ -
Title I	84.010	C1-S1-2005	11,584	17,804	-
Title I	84.010	C1-S1-2006	152,083	173,229	-
Total Title I			<u>163,667</u>	<u>192,599</u>	<u>-</u>
<i>Special Education Cluster</i>					
IDEA-B	84.027	6B-SF-2005	78,156	9,066	-
IDEA-B	84.027	6B-SF-2006	424,809	464,674	-
Total IDEA-B			<u>502,965</u>	<u>473,740</u>	<u>-</u>
Preschool Grants	84.173	PG-S1-2006	4,981	5,946	-
Total Preschool Grants			<u>4,981</u>	<u>5,946</u>	<u>-</u>
<i>Total Special Education Cluster</i>					
			<u>507,946</u>	<u>479,686</u>	<u>-</u>
Safe and Drug-Free Schools and Communities	84.186	DR-S1-2006	8,670	8,670	-
Total Safe and Drug-Free Schools and Communities			<u>8,670</u>	<u>8,670</u>	<u>-</u>
Title V	83.298	C2-S1-2004	-	200	-
Title V	84.298	C2-S1-2005	1,279	822	-
Title V	84.298	C2-S1-2006	2,592	3,353	-
Total Title V			<u>3,871</u>	<u>4,375</u>	<u>-</u>
Title II-D	83.318	TJ-S1-2004	-	62	-
Title II-D	84.318	TJ-S1-2005	3,469	1,000	-
Title II-D	84.318	TJ-S1-2006	4,452	4,411	-
Total Title II-D			<u>7,921</u>	<u>5,473</u>	<u>-</u>
Title II-A {C}	84.367	TR-S1-2005	(957)	7,490	-
Title II-A	84.367	TR-S1-2006	39,894	42,320	-
Total Title II-A			<u>38,937</u>	<u>49,810</u>	<u>-</u>
Total Department of Education			<u>731,012</u>	<u>740,613</u>	<u>-</u>
U. S. Department of Agriculture (Passed Through Ohio Department of Education):					
<i>Nutrition Cluster:</i>					
National School Lunch Program (B)	10.555		160,348	160,348	-
Total Nutrition Cluster			<u>160,348</u>	<u>160,348</u>	<u>-</u>
Food Distribution Program (A)	10.550		82,365	-	82,365
Total Food Distribution Program			<u>82,365</u>	<u>-</u>	<u>82,365</u>
Total Department of Agriculture			<u>242,713</u>	<u>160,348</u>	<u>82,365</u>
Total Federal Assistance			<u>\$ 973,725</u>	<u>\$ 900,961</u>	<u>\$ 82,365</u>

(A) Government commodities are reported at the fair market value of the commodities received and disbursed.

(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

{C} Refunded Receipt

**NORTON CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2006**

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) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Special Education Cluster CFDA # 84.027 & 84.173
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

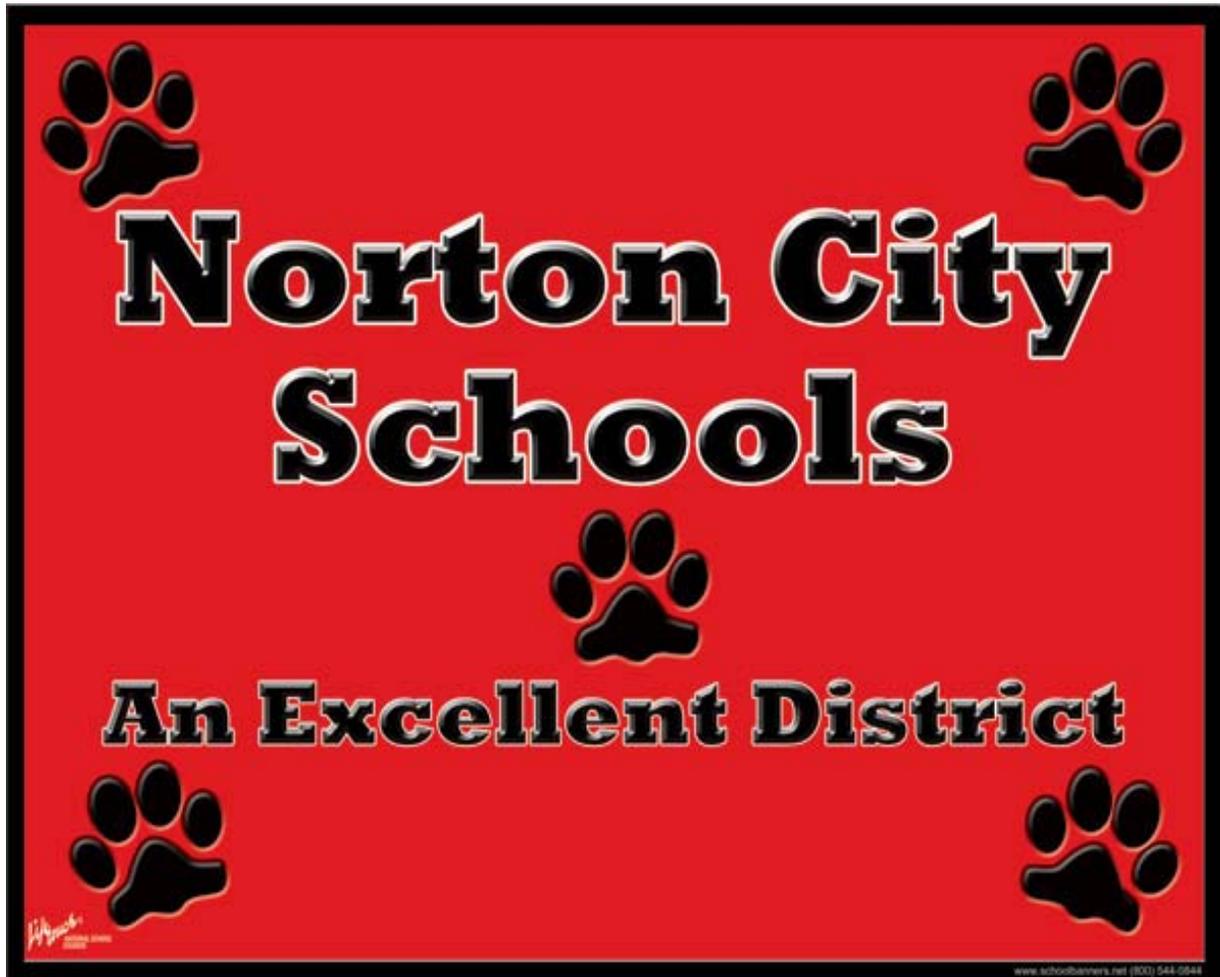
2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted

**Norton City School District
Norton, Ohio**



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2006

Norton City School District

Norton, Ohio

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2006

Prepared by:
Stephanie Hagenbush and
Treasurer's Office Staff

Norton City School District
 Comprehensive Annual Financial Report
 Fiscal Year Ended June 30, 2006

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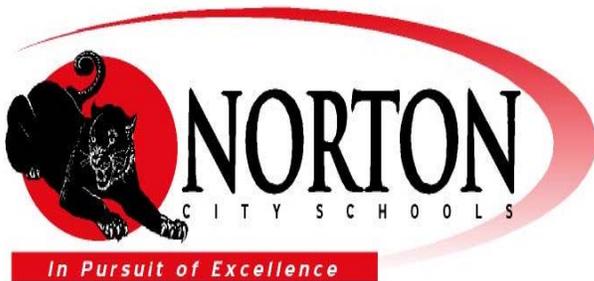
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INTRODUCTORY SECTION



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

Stephanie Hagenbush
Treasurer

Mary Renick
Assistant Treasurer

Betsy McGeorge
EMIS Coordinator

Cindy Dohner
Financial Secretary

Sherry McNab
Accounts Payable Specialist

Sheila Wade
Accounts
Receivable/Inventory

December 20, 2006

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

The Norton City School District's (the "School District") Comprehensive Annual Financial Report (CAFR) compiled for the fiscal year July 1, 2005, through June 30, 2006 is respectfully submitted. Prepared by the Treasurer's office for the purpose of informing the Norton City School District's taxpayers, this comprehensive report's design provides complete and accurate disclosure of the School District's material financial operations for the fiscal year ended June 30, 2006.

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

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

The arrangement of the CAFR is divided into three sections: The Introductory Section, Financial Section and Statistical Section. The first section, the Introductory Section, which is unaudited, includes this transmittal letter, a list of elected officials, the School District's organizational chart and the Government Finance Officers' Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for fiscal year 2005. The next section, the Financial Section, includes the Independent Auditor's Report, Management's Discussion and Analysis, the Basic Financial Statements, Notes that provide an overview of the School District's financial position and operating results, the combining statements for nonmajor funds, and other schedules that provide detailed information relative to the basic financial statements. The final section, the Statistical Section, which is unaudited, consists of a ten-year compilation of miscellaneous demographic statistics and pertinent financial information, reported in accordance with GAAP.

HISTORY OF THE NORTON COMMUNITY AND SCHOOLS

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

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

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

For fiscal year 2005-06 the student head count totaled 2,383 with a projection of 2,501 for the 2006-07 school year. Resident students enroll in six schools: Norton High School (grades 9-12) built in 1953, Norton Middle School (grades 5-8) built in 1966, Norton Cornerstone (grades K-4) built in 1914, Norton Primary (grades K-4) built in 1956, Grill School (grades K-4) built in 1928, and Norton 21 (grades 1-4) for general education. Other facilities operated by the School District include the Central Administration Office, Bus Garage, Vocational Building, Football Stadium, and other athletic fields.

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

The City of Norton's increased growth potential materializes, again, with the expansion of new residential apartment-type units and single-family housing developments; and, with the City's plans for the availability of water and sewer. The Mount Vernon Estates allotment began construction of single-family units in 1993 and recently expanded acquiring access through the Norton Acres allotment. The housing development, Brookforest Estates, began construction in 1997. In addition, property zoned for the building of Hudson Run Estates, and construction of a sixteen-acre apartment complex situated adjacent to Norton's Shopping Center and City Park, began construction of single-family units in 1999. The Knollbrook Estates housing development began construction in 2003 to build forty new homes on ninety-acres. In 2005, a new development, Stonewyck, broke ground with an anticipated additional ninety nine homes.

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

SCHOOL DISTRICT ORGANIZATION

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

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

The Superintendent functions as the Chief Executive Officer of the School District with responsibility for the education and support operations of the School District in accordance with Section 3319.01 of the Ohio Revised Code and is directly responsible to the Board of Education. Ms. Karen Wilson was appointed Superintendent effective August 1, 2005 through July 31, 2007.

The Treasurer is the Chief Financial Officer of the School District with statutory obligations set forth in sections 3313.22 through 3313.32 of the Ohio Revised Code and is directly responsible to the Board of Education. Ms. Stephanie Hagenbush was appointed as Treasurer in January 2006 and her contract will expire at the organizational meeting in January 2008.

REPORTING ENTITY

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

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

ECONOMIC CONDITION AND FUTURE OUTLOOK

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

B & C Corporation
Norton City School District
Fred Martin Motor Group
SA Commune Company
Fred W. Albrecht Grocery, Inc.

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

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

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

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Continuous Improvement

A Continuous Improvement Plan (CIP) is in place and used as the School District's strategic plan in guiding decision-making and actions of the School District toward continual improvements in student academic achievement. The goal is to improve the processes and results as they relate to teaching and learning. The first steps, data collection and analysis, were completed and a Plan was drafted and Board approved. CIP meetings between faculty and administrators are held periodically providing ongoing evaluation and enhancement of the Plan. During fiscal year 2004-05 the District earned an "excellent" status, which means according to state standards the Norton students are performing at or above the highest level attainable.

Technology

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

Fiscal Forecast

The Five Year Forecast is updated as significant changes take place, but by law, must be approved by the Board of Education and submitted to the state twice a year, in October and May. At the end of fiscal year 2006, the forecast showed an unencumbered balance of \$4,666,333. However, as the costs of doing business continue to grow, the controversy over state funding, and the increasing numbers of unfunded state and federal mandates, a resulting effect of the School District expenditures exceeding its revenues will begin to produce a future deficit as projected in the School District's financial forecast.

FINANCIAL INFORMATION & RELEVANT FINANCIAL POLICIES

Accounting System

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

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

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

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

As determined by criteria established by GASB Statement No. 34, the School District does not report any activities that qualify as enterprise or business type activities. As part of this new reporting model, management is also responsible for preparing a “Management’s Discussion and Analysis” of the School District. This discussion follows the Independent Auditor’s Report, providing an assessment of the School District’s finances for fiscal year 2006 and the outlook for the future. Because that discussion focuses on major funds, the financial highlights provided in this letter focus on certain nonmajor funds of the School District.

Internal Controls

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

Budgetary Controls

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

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

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

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

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

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

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

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

Single Audit Act

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

Financial Highlights - Internal Service Fund

The only internal service fund carried on the financial records relates to self-insurance. This fund accounts for the revenues and expenses related to the provision of medical, surgical, prescription drug, vision and dental benefits to the School District's employees. The balance at June 30, 2006 was sufficient to meet all claims outstanding at year-end.

Financial Highlights - Fiduciary Fund

The trust fund carried on the financial records of the School District is a scholarship private purpose trust fund that has assets totaling \$84,422 as of June 30, 2006.

CASH MANAGEMENT

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

Protection of the School District's cash and investments is provided by the Federal Deposit Insurance Corporation as well as by qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. As required under Ohio law, pooled securities have been pledged in an amount equal to 105% of the total deposits, to secure the repayment of all public moneys deposited in a financial institution. A detailed description of the School District's investment function is described in Note 5 to the financial statements.

RISK MANAGEMENT

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

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

The health benefits liability is limited by reinsurance that caps the individual specific liability at \$60,000 for the School District's plan year from June 1, 2004 through May 31, 2006. Control of the plan rests solely with the School District.

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

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

PENSION PLANS

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

School District contributions for fiscal year 2006 were \$1,277,208 as the employer portion to STRS and \$303,836 in employer contributions to SERS. Included in the SERS remittance is an annual employer surcharge. Starting in 1988-89 an additional employer charge (surcharge) was levied on salaries of lower-paid SERS members. Minimum annual compensation is determined annually by the System's actuaries and was \$35,800 for fiscal 2006. Surcharge is calculated at 14% of the difference between the member's annual compensation and the minimum compensation level. However, the surcharge is now capped at 2% of each employer's SERS salaries. For the 2006 fiscal year, a surcharge of \$40,185 was incurred.

OTHER INFORMATION

Independent Audit

Provisions of State statute require an independent auditor subject the School District's financial statements to an annual examination. In addition to meeting the requirement set forth in state statutes, the audit was also designed to meet the requirements of the Federal Office of Management and Budget Circular A-133. Rea & Associates, Inc. Certified Public Accountants, performed the audit for the period ended June 30, 2006. Those provisions have been satisfied and the opinion of the Independent Auditors is included in the financial section of this CAFR.

GFOA Certificate of Achievement

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Norton City School District for its CAFR for the fiscal year ended June 30, 2005. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of a state and local government financial reports.

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

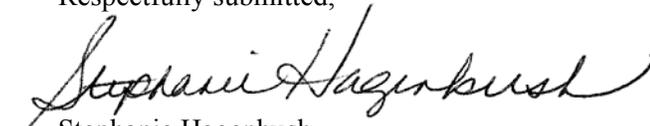
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the high standards required by the Certificate of Achievement program.

Acknowledgments

The preparation and publication of the 2006 CAFR of the Norton City School District was facilitated through the assistance of many people. My sincere appreciation is extended to the staff of the Treasurer's office for their dedication, support, and encouragement throughout this process. In addition, sincere thanks are also extended to various administrators and employees of the School District, the Summit County Fiscal Officer's office staff and other outside agencies whose efforts contributed to the fair presentation of the statistical data.

Finally, sincere appreciation is expressed to the Norton City Schools Board of Education for their support and commitment to continuing efforts made in improvements of financial management and reporting as we continue in our effort to reach "*Every Child Every Day*".

Respectfully submitted,


Stephanie Hagenbush
Treasurer

Norton City School District
Principal Officials Roster
Year Ended June 30, 2006

Board of Education

Mrs. Laura Leonti	President
Mr. Scott Collins	Vice President
Mrs. Diane Farmer	Member
Mrs. Cindy Webel	Member
Ms. Lisa Stemple	Member

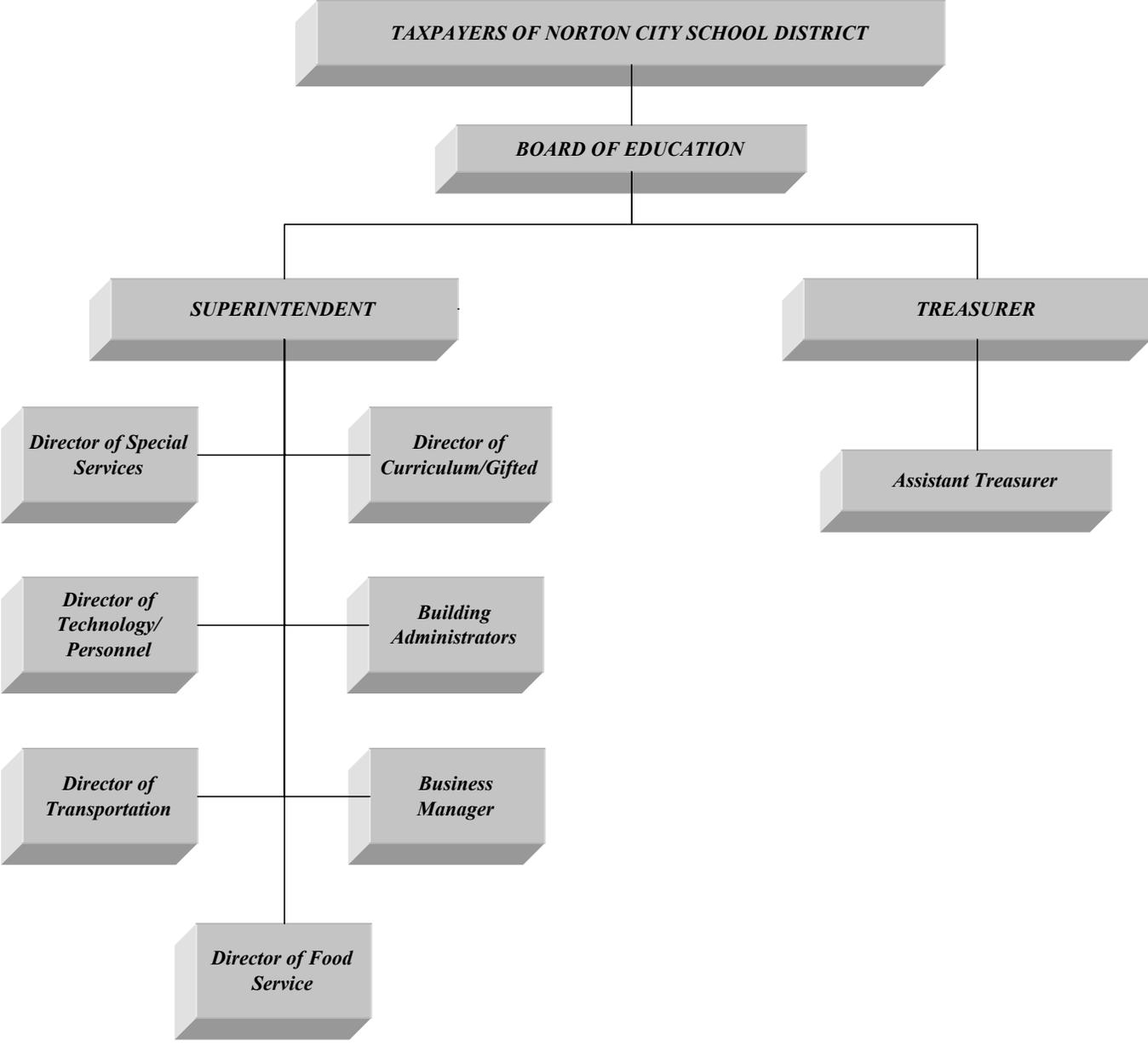
Treasurer/Chief Fiscal Officer

Mrs. Stephanie Hagenbush

Administration

Mrs. Karen Wilson	Superintendent
Mr. Ken Caldwell	Business Manager
Mrs. Janine Janke	Interim Director of Curriculum/Gifted
Mr. James Pivarski	Interim Director of Student Services
Ms. Judy Johnsen	Food Service Supervisor
Ms. Joyce Krusinski	Director of Technology/Special Services
Mr. Paul Stoneking	Transportation Supervisor

***Norton City School District
Organizational Chart***



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Norton City School District
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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



President

Executive Director

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FINANCIAL SECTION

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 15, 2006

The Board of Education
Norton City School District
Norton, Ohio 44203

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norton City School District, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated December 15, 2006 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Norton City School District's basic financial statements. The combining and individual nonmajor fund statements and other schedules, listed in the table of contents as supplementary information, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material aspects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Hea & Associates, Inc.

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

This discussion and analysis of Norton City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- Net assets of governmental activities increased \$1,086,403, representing a 12.4% increase from fiscal year 2005.
- General revenues accounted for \$18,783,585 in revenue or 83% of all revenues. Program specific revenues in the form of charges for services, and operating grants, contributions and interest accounted for \$3,799,031 or 17% of total revenues of \$22,582,616.
- Compared to fiscal year 2005, the total assets of governmental activities increased by \$1,386,270.
- The School District had \$21,496,213 in expenses related to governmental activities; only \$3,799,031 of these expenses was offset by program specific revenues that include charges for services, operating grants, contributions and interest. General revenues of \$18,783,585 contributed to support these programs.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

Norton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2006?" These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis, of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2006
 Unaudited

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2006 compared to 2005:

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Assets		
Current and other assets	\$ 17,478,822	\$ 15,963,847
Capital assets, net of depreciation	<u>4,410,111</u>	<u>4,538,816</u>
Total assets	<u><u>21,888,933</u></u>	<u><u>20,502,663</u></u>
Liabilities		
Current and other liabilities	11,109,061	10,849,445
Long-term liabilities:		
Due within one year	163,182	149,424
Due in more than one year	<u>741,941</u>	<u>715,448</u>
Total liabilities	<u><u>12,014,184</u></u>	<u><u>11,714,317</u></u>
Net Assets		
Invested in capital assets, net of debt	4,321,392	4,372,617
Restricted	1,025,298	1,125,401
Unrestricted	<u>4,528,059</u>	<u>3,290,328</u>
Total net assets	<u><u>\$ 9,874,749</u></u>	<u><u>\$ 8,788,346</u></u>

Over time, net assets can serve as a useful indicator of a government's financial position. During fiscal year 2006, the School District had an increase in net assets of \$1,086,403.

Capital assets, net of related debt reported on the government-wide statements represents a large component of net assets. Capital assets include land, land improvements, buildings, furniture and equipment, and vehicles, all of which are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$1,025,298, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$4,703 is restricted for debt service payments, \$540,433 is restricted for capital projects and \$480,162 is restricted for other purposes. The remaining balance of net assets of \$4,528,059 is unrestricted.

Norton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Table 2 shows changes in net assets for fiscal year 2006 compared to fiscal year 2005.

Table 2
Changes in Net Assets

	<i>Governmental Activities</i>	
	<u>2006</u>	<u>2005</u>
Revenues		
<i>Program revenues:</i>		
<i>Charges for services</i>	\$ 2,729,072	\$ 2,834,105
<i>Operating grants, contributions and interest</i>	1,059,686	1,071,713
<i>Capital grants and contributions</i>	10,273	17,276
<i>General revenues:</i>		
<i>Property taxes</i>	9,745,425	8,758,610
<i>Grants and entitlements</i>	8,500,989	8,388,771
<i>Investment earnings</i>	313,951	112,629
<i>Miscellaneous</i>	223,220	244,842
<i>Total revenues</i>	<u>22,582,616</u>	<u>21,427,946</u>
Program Expenses		
<i>Instruction:</i>		
<i>Regular</i>	10,095,929	9,599,189
<i>Special</i>	1,500,754	1,506,388
<i>Vocational</i>	756,342	870,552
<i>Adult/continuing</i>	355	575
<i>Other</i>	269,789	307,566
<i>Support services:</i>		
<i>Pupil</i>	810,870	745,018
<i>Instructional staff</i>	678,445	592,410
<i>Board of education</i>	16,283	84,202
<i>Administration</i>	1,517,744	1,452,860
<i>Fiscal</i>	488,161	489,406
<i>Business</i>	378,646	296,888
<i>Operation and maintenance of plant</i>	2,328,056	1,743,837
<i>Pupil transportation</i>	1,309,633	1,177,982
<i>Central</i>	73,612	69,815
<i>Operation non-instructional services</i>	5,036	2,526
<i>Operation of food services</i>	774,662	694,481
<i>Extracurricular activities</i>	487,038	422,265
<i>Interest and fiscal charges</i>	4,858	8,741
<i>Total expenses</i>	<u>21,496,213</u>	<u>20,064,701</u>
<i>Change in net assets</i>	1,086,403	1,363,245
<i>Net assets beginning of year</i>	<u>8,788,346</u>	<u>7,425,101</u>
<i>Net assets end of year</i>	<u>\$ 9,874,749</u>	<u>\$ 8,788,346</u>

Norton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Governmental Activities

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

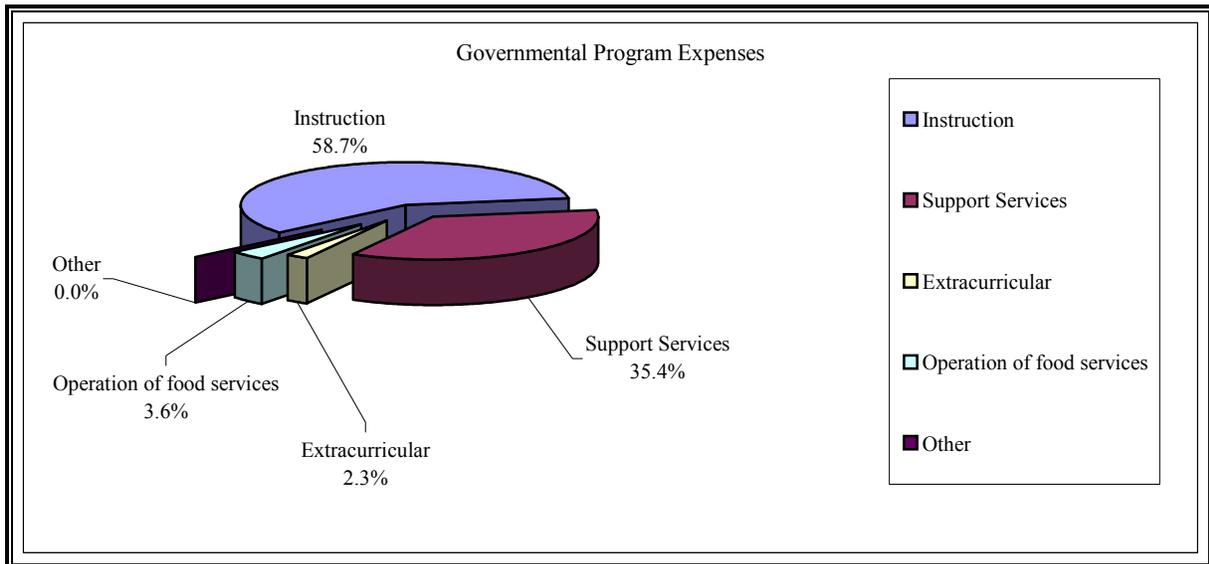
Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated over \$9.7 million in 2006. General revenues from grants and entitlements, such as the school foundation program, generated over \$8.5 million. Due to the combination of taxes and intergovernmental funding representing nearly 81% of all revenues, the School District monitors both of these sources very closely for fluctuations.

The DeRolph III Supreme Court decision has not eliminated the dependence on property taxes. The community has supported the Norton City School District by voting levies comprising nearly 43% of total revenues for the School District.

A review of Table 2 reflects that the total cost of instructional services was \$12,623,169 or 58.7% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. As compared to the prior year, these expenses increased \$338,899, or 2.8%. While these expenses increased, expenses throughout other programs decreased, due to cut-backs in human resources.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching pupils. These expenses represent \$1,489,315 of the total governmental program expenses, or 6.9%. These expenses increased over the prior year in the amount of \$151,887, or 11.35.

Below is a graphical display of the program expenses in a more aggregate total than the table above.



Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Board of Education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost was \$2,400,834 or 11.2% of governmental program expenses. Expenses of these programs increased \$77,478, or 3.3%, as compared to fiscal year 2005, driven mostly by increases in administration expenses.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District's operations. The total cost for the operation and maintenance services was \$2,328,056 or 10.8% of the governmental program expenses.

Pupil transportation expenses are expenses related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. Total transportation cost was \$1,309,633 or 6.1% of the total governmental program expenditures. Expenses for providing this program increased \$131,651, or 11.2% as compared to the prior year. The primary cause of this increase was due to the substantial increase in operating expenses and additional depreciation expense.

Overall, the School District's fiscal year revenues exceeded expenses by \$1,086,403. The School District continued to benefit from changes to the employee health care network made in prior years.

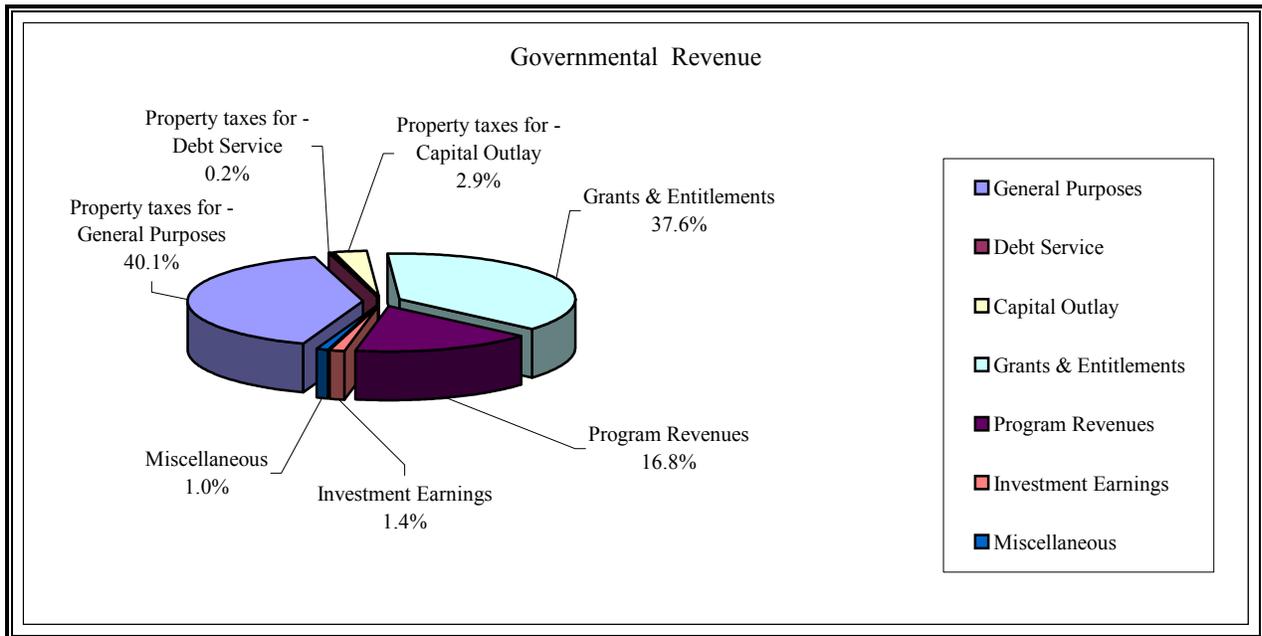
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services as compared to fiscal year 2005. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2006
 Unaudited

Table 3
Governmental Activities

	<i>Total Cost of Services <u>2006</u></i>	<i>Total Cost of Services <u>2005</u></i>	<i>Net Cost of Services <u>2006</u></i>	<i>Net Cost of Services <u>2005</u></i>
Program Expenses:				
<i>Instruction:</i>				
<i>Regular</i>	\$ 10,095,929	\$ 9,599,189	\$ (8,183,612)	\$ (7,277,618)
<i>Special</i>	1,500,754	1,506,388	(951,997)	(1,245,248)
<i>Vocational</i>	756,342	870,552	(751,545)	(868,835)
<i>Adult/continuing</i>	355	575	(355)	(575)
<i>Other</i>	269,789	307,566	(257,493)	(307,566)
<i>Support services:</i>				
<i>Pupil</i>	810,870	745,018	(678,551)	(598,706)
<i>Instructional staff</i>	678,445	592,410	(607,629)	(488,582)
<i>Board of education</i>	16,283	84,202	(16,283)	(84,202)
<i>Administration</i>	1,517,744	1,452,860	(1,388,642)	(1,332,620)
<i>Fiscal</i>	488,161	489,406	(488,161)	(489,406)
<i>Business</i>	378,646	296,888	(378,646)	(296,888)
<i>Operation and maintenance of plant</i>	2,328,056	1,743,837	(2,324,095)	(1,740,738)
<i>Pupil transportation</i>	1,309,633	1,177,982	(1,289,484)	(1,160,706)
<i>Central</i>	73,612	69,815	(65,232)	(61,954)
<i>Operation non-instructional services</i>	5,036	2,526	(4,225)	(2,526)
<i>Operation of food services</i>	774,662	694,481	53,482	19,462
<i>Extracurricular activities</i>	487,038	422,265	(359,856)	(196,158)
<i>Interest and fiscal charges</i>	4,858	8,741	(4,858)	(8,741)
<i>Total expenses</i>	<u>\$ 21,496,213</u>	<u>\$ 20,064,701</u>	<u>\$ (17,697,182)</u>	<u>\$ (16,141,607)</u>

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2006
 Unaudited



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

Property taxes made up 43% of total revenues for governmental activities for the Norton City Schools in fiscal year 2006. Program revenues for governmental activities provided 16.8% of governmental revenues with 83.2% of all governmental activities supported through property taxes, grants and entitlement, and other general revenues. The 45.3% provided by the grants and entitlements portion of general revenues includes monies received from the Ohio Department of Education, State Foundation Program and property tax relief such as the homestead exemptions and rollbacks provided by HB 920.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$22,726,311 and total expenditures were \$21,116,082. The net change in fund balance was significant in the general fund with an increase of \$1,695,405. This increase is attributed to increases in taxes and intergovernmental revenues and an insignificant increase in expenditures.

General Fund Budgeting Highlights

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

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

For the general fund, the final budget basis revenue and other financing sources estimate was \$19,313,755. This was in line with the original budget estimate of \$19,082,100. Actual revenues were \$716,725 higher due to conservative estimates for intergovernmental revenues and tuition and fees revenue.

The original expenditures and other financing uses estimate of \$19,314,994 was increased throughout the year with an ending estimate of \$20,314,993. Although budgeted expenditures were increased, actual expenditures and encumbrances of \$18,749,550, for the year, fell below the final budget by \$1,351,013. This is due to controls used with departmental budgeting. Even though the appropriated amount exceeded the actual amounts the individual departments fell closely within their budgets.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$4,410,111 invested in land and land improvements, buildings, furniture and equipment and vehicles. Table 4 shows fiscal year 2006 balances compared to fiscal year 2005:

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
<i>Land</i>	\$ 71,000	\$ 71,000
<i>Land improvements</i>	761,139	722,861
<i>Buildings</i>	2,478,496	2,404,182
<i>Furniture and equipment</i>	458,443	590,208
<i>Vehicles</i>	641,033	750,565
<i>Total capital assets</i>	<u>\$ 4,410,111</u>	<u>\$ 4,538,816</u>

The increase in Land improvements and in Buildings was due to the completion of capital projects initiated in the prior fiscal year. No major purchases, acquisitions or construction projects were made by the School District during the fiscal year. The total decrease in the value of assets, as compared to the prior year, is due to the current year's depreciation on the School District's assets. See Note 6 to the basic financial statements for detail on the School District's capital assets.

Norton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2006
 Unaudited

Debt

Table 5 summarizes the bonds and capital leases outstanding:

*Table 5
 Outstanding Debt, at Fiscal Year End*

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
<i>1995 Energy Conservation Bonds</i>	\$ -	\$ 43,400
<i>Capital Leases</i>	<u>88,719</u>	<u>122,799</u>
<i>Total outstanding debt</i>	<u>\$ 88,719</u>	<u>\$ 166,199</u>

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

At June 30, 2006, the School District's overall legal debt margin was \$28,297,887 with an unvoted debt margin of \$309,666. The School District is not currently rated by Standard & Poor's or Moody's Investors Service. See Note 11 to the basic financial statements for detail on the School District's long-term obligations.

Current Issues Affecting Financial Condition

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

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

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

Norton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Contacting the School District's Financial Management

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

Norton City School District

Statement of Net Assets

June 30, 2006

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 6,177,865
Cash and cash equivalents:	
In segregated accounts	1,060,291
Receivables:	
Taxes	9,803,762
Accounts	62,644
Intergovernmental	107,986
Prepaid items	242,540
Inventory held for resale	4,928
Materials and supplies inventory	18,806
Capital assets:	
Land	71,000
Depreciable capital assets, net	4,339,111
Total capital assets	<u>4,410,111</u>
Total assets	<u>21,888,933</u>
<u>Liabilities:</u>	
Accounts payable	38,439
Accrued wages	1,245,781
Intergovernmental payable	511,423
Deferred revenue	8,616,019
Unearned revenue	242,540
Claims payable	454,859
Long-term liabilities:	
Due within one year	163,182
Due in more than one year	741,941
Total liabilities	<u>12,014,184</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	4,321,392
Restricted for:	
Capital projects	540,433
Debt service	4,703
Other purposes	480,162
Unrestricted	<u>4,528,059</u>
Total net assets	<u>\$ 9,874,749</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 10,095,929	\$ 1,659,294	\$ 253,023	\$ -	\$ (8,183,612)
Special	1,500,754	341,416	207,341	-	(951,997)
Vocational	756,342	3,914	883	-	(751,545)
Adult/continuing	355	-	-	-	(355)
Other	269,789	-	12,296	-	(257,493)
Support services:					
Pupils	810,870	-	132,319	-	(678,551)
Instructional staff	678,445	1,315	69,501	-	(607,629)
Board of education	16,283	-	-	-	(16,283)
Administration	1,517,744	-	129,102	-	(1,388,642)
Fiscal	488,161	-	-	-	(488,161)
Business	378,646	-	-	-	(378,646)
Operation and maintenance of plant	2,328,056	3,425	536	-	(2,324,095)
Pupil transportation	1,309,633	-	9,876	10,273	(1,289,484)
Central	73,612	-	8,380	-	(65,232)
Operation of non-instructional services	5,036	-	811	-	(4,225)
Operation of food services	774,662	593,051	235,093	-	53,482
Extracurricular activities	487,038	126,657	525	-	(359,856)
Interest and fiscal charges	4,858	-	-	-	(4,858)
Total governmental activities	\$ 21,496,213	\$ 2,729,072	\$ 1,059,686	\$ 10,273	(17,697,182)

General Revenues:

Property taxes levied for:

General purposes	9,054,931
Debt service	45,852
Capital outlay	644,642
Grants and entitlements not restricted to specific programs	8,500,989
Investment earnings	313,951
Miscellaneous	223,220
Total general revenues	18,783,585

Change in net assets

Net assets at beginning of year

Net assets at end of year

1,086,403

8,788,346

\$ 9,874,749

See accompanying notes to the basic financial statements.

Norton City School District

Balance Sheet

Governmental Funds

June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 5,142,178	\$ 1,021,182	\$ 6,163,360
Receivables:			
Taxes	9,127,226	676,536	9,803,762
Accounts	62,644	-	62,644
Intergovernmental	-	107,986	107,986
Interfund	142,134	-	142,134
Prepaid items	234,487	8,053	242,540
Inventory held for resale	-	4,928	4,928
Materials and supplies inventory	17,900	906	18,806
Equity in pooled cash and cash equivalents (restricted)	14,505	-	14,505
Total assets	<u>\$ 14,741,074</u>	<u>\$ 1,819,591</u>	<u>\$ 16,560,665</u>
<u>Liabilities:</u>			
Accounts payable	\$ 24,452	\$ 10,612	\$ 35,064
Accrued wages	1,225,583	20,198	1,245,781
Interfund payable	-	142,134	142,134
Intergovernmental payable	503,573	7,850	511,423
Deferred revenue	8,282,615	617,726	8,900,341
Total liabilities	<u>10,036,223</u>	<u>798,520</u>	<u>10,834,743</u>
<u>Fund balances:</u>			
Reserved for:			
Encumbrances	453,352	147,268	600,620
Inventory	17,900	5,834	23,734
Property taxes	884,502	59,605	944,107
Prepaid items	234,487	8,053	242,540
Unclaimed money	14,505	-	14,505
Unreserved, undesignated, reported in:			
General fund	3,100,105	-	3,100,105
Special revenue funds	-	433,219	433,219
Debt service fund	-	4,703	4,703
Capital projects funds	-	362,389	362,389
Total fund balances	<u>4,704,851</u>	<u>1,021,071</u>	<u>5,725,922</u>
Total liabilities and fund balances	<u>\$ 14,741,074</u>	<u>\$ 1,819,591</u>	<u>\$ 16,560,665</u>

See accompanying notes to the basic financial statements.

Norton City School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2006

Total governmental funds balances		\$ 5,725,922
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,410,111
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 243,636	
Charges for services	11,360	
Intergovernmental	795	
Miscellaneous	28,531	
Total	284,322	284,322
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		359,517
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences	\$ (816,404)	
Capital leases	(88,719)	
Total	(905,123)	(905,123)
Net assets of governmental activities		\$ 9,874,749

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Taxes	\$ 9,059,208	\$ 691,404	\$ 9,750,612
Intergovernmental	8,437,117	1,077,868	9,514,985
Interest	275,736	13,322	289,058
Tuition and fees	2,061,785	56,518	2,118,303
Extracurricular activities	300	176,876	177,176
Gifts and donations	-	66,237	66,237
Charges for services	-	574,984	574,984
Rent	3,425	-	3,425
Miscellaneous	195,134	36,397	231,531
Total revenues	<u>20,032,705</u>	<u>2,693,606</u>	<u>22,726,311</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	9,471,519	363,441	9,834,960
Special	1,154,071	317,951	1,472,022
Vocational	723,735	6,416	730,151
Adult/continuing	355	-	355
Other	257,493	12,296	269,789
Support services:			
Pupils	611,711	181,869	793,580
Instructional staff	574,272	86,927	661,199
Board of education	15,734	-	15,734
Administration	1,305,335	136,566	1,441,901
Fiscal	462,200	10,855	473,055
Business	365,688	13,867	379,555
Operation and maintenance of plant	1,699,746	400,987	2,100,733
Pupil transportation	1,179,540	10,000	1,189,540
Central	62,535	8,380	70,915
Operation of non-instructional services	-	4,032	4,032
Operation of food services	828	753,234	754,062
Extracurricular activities	361,710	111,543	473,253
Capital outlay	52,092	314,566	366,658
Debt service:			
Principal retirement	34,080	43,400	77,480
Interest and fiscal charges	4,656	2,452	7,108
Total expenditures	<u>18,337,300</u>	<u>2,778,782</u>	<u>21,116,082</u>
Net change in fund balances	1,695,405	(85,176)	1,610,229
Fund balances at beginning of year	3,009,446	1,106,259	4,115,705
Increase (decrease) in reserve for inventory	-	(12)	(12)
Fund balances at end of year	<u>\$ 4,704,851</u>	<u>\$ 1,021,071</u>	<u>\$ 5,725,922</u>

See accompanying notes to the basic financial statements.

Norton City School District

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2006**

Net change in fund balances - total governmental funds \$ 1,610,229

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

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

In the current period, these amounts are:

Capital asset additions	\$ 366,658	
Depreciation expense	(495,363)	
Excess of depreciation expense over capital asset additions		(128,705)

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

Property taxes	\$ (5,187)	
Intergovernmental	(23,986)	
Charges for services	(180,823)	
Miscellaneous	28,086	
Net change in deferred revenues during the year		(181,910)

Repayment of debt and capital lease principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net assets. 77,480

Some items reported in the statement of activities do not require the use of current financial
resources and therefore are not reported as expenditures in governmental funds. These
activities consist of:

Increase in compensated absences	\$ (117,731)	
Decrease in consumable inventory	(12)	
Decrease in accrued interest	2,250	
Total reduced expenditures		(115,493)

The internal service fund used by management to charge the costs of medical, prescription
drug, dental and vision claims to individual funds are not reported in the statement of
activities. Governmental fund expenditures and related internal service fund revenues
are eliminated. (175,198)

Change in net assets of governmental activities \$ 1,086,403

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 8,698,187	\$ 8,698,187	\$ 8,717,380	\$ 19,193
Intergovernmental	7,894,157	7,894,157	8,437,117	542,960
Interest	270,527	270,527	275,736	5,209
Tuition and fees	2,001,518	2,001,518	2,136,224	134,706
Extracurricular activities	300	300	300	-
Rent	3,425	3,425	3,425	-
Miscellaneous	213,986	213,986	228,643	14,657
Total revenues	19,082,100	19,082,100	19,798,825	716,725
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,488,669	10,051,298	9,474,933	576,365
Special	1,301,203	1,296,270	1,205,865	90,405
Vocational	812,367	839,911	780,406	59,505
Adult/continuing	-	276	275	1
Other	316,793	271,830	257,493	14,337
Support services:				
Pupils	663,201	665,850	612,278	53,572
Instructional staff	577,096	694,657	595,178	99,479
Board of education	38,887	41,155	38,012	3,143
Administration	1,374,480	1,393,870	1,308,679	85,191
Fiscal	487,872	514,932	482,752	32,180
Business	428,507	470,426	438,491	31,935
Operation and maintenance of plant	1,894,138	2,004,219	1,839,593	164,626
Pupil transportation	1,287,277	1,360,562	1,256,468	104,094
Central	61,960	61,960	61,555	405
Operation of non-instructional services	-	480	478	2
Extracurricular activities	383,000	396,286	363,140	33,146
Capital outlay	30,606	34,006	33,954	52
Total expenditures	19,146,056	20,097,988	18,749,550	1,348,438
Excess of revenues over (under) expenditures	(63,956)	(1,015,888)	1,049,275	2,065,163
<u>Other financing sources (uses):</u>				
Refund of prior year expenditures	-	7,856	7,856	-
Refund of prior year receipts	(103)	(117)	(117)	-
Advances in	-	223,799	223,799	-
Advances out	(166,260)	(214,313)	(214,313)	-
Transfers out	(2,575)	(2,575)	-	2,575
Total other financing sources (uses)	(168,938)	14,650	17,225	2,575
Net change in fund balance	(232,894)	(1,001,238)	1,066,500	2,067,738
Fund balances at beginning of year	3,299,334	3,299,334	3,299,334	-
Prior year encumbrances appropriated	314,994	314,994	314,994	-
Fund balances at end of year	\$ 3,381,434	\$ 2,613,090	\$ 4,680,828	\$ 2,067,738

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2006

	Self Insurance
<u>Assets:</u>	
Current:	
Cash and cash equivalents in segregated accounts	\$ 1,060,291
<u>Liabilities:</u>	
Current:	
Accounts payable	\$ 3,375
Unearned revenue	242,540
Claims payable	454,859
Total liabilities	700,774
<u>Net assets:</u>	
Unrestricted	359,517
Total liabilities and net assets	\$ 1,060,291

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2006

	Self Insurance
<u>Operating revenues:</u>	
Charges for services	<u>\$ 2,569,193</u>
<u>Operating expenses:</u>	
Purchased services	388,906
Claims	<u>2,393,700</u>
Total operating expenses	<u>2,782,606</u>
Operating income (loss)	<u>(213,413)</u>
<u>Non-operating revenues:</u>	
Interest	<u>38,215</u>
Change in net assets	(175,198)
Net assets at beginning of year	<u>534,715</u>
Net assets at end of year	<u><u>\$ 359,517</u></u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2006

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received for charges for services	\$ 2,609,643
Cash payments to suppliers for goods and services	(385,531)
Cash payments for claims	<u>(2,295,482)</u>
Net cash used for operating activities	<u>(71,370)</u>
<u>Cash flows from noncapital financing activities:</u>	
Advances in	10,000
Advances out	<u>(10,000)</u>
Net cash used for noncapital financing activities	<u>-</u>
<u>Cash flows from investing activities:</u>	
Interest on investments	<u>38,215</u>
Net cash provided by investing financing	<u>38,215</u>
Net decrease in cash and cash equivalents	(33,155)
Cash and cash equivalents at beginning of year	<u>1,093,446</u>
Cash and cash equivalents at end of year	<u>\$ 1,060,291</u>
 <u>Reconciliation of operating loss to net cash used for operating activities:</u>	
Operating loss	<u>\$ (213,413)</u>
Adjustments to reconcile operating loss to net cash used for operating activities:	
Increase (decrease) in liabilities:	
Accounts payable	3,375
Claims payable	98,218
Unearned revenue	40,450
Total adjustments	<u>142,043</u>
Net cash used for operating activities	<u>\$ (71,370)</u>

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Private Purpose Trust	
	Scholarships	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ -	\$ 51,533
Cash and cash equivalents:		
In segregated accounts	84,422	-
Total assets	<u>\$ 84,422</u>	<u>\$ 51,533</u>
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ 28
Due to students	-	51,505
Total liabilities	-	<u>\$ 51,533</u>
<u>Net assets:</u>		
Held in trust for scholarships	<u>\$ 84,422</u>	

See accompanying notes to the basic financial statements.

Norton City School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2006

	Private Purpose Trust Scholarships
<u>Additions:</u>	
Interest	\$ 504
Gifts and donations	13,460
Total additions	<u>13,964</u>
 <u>Deductions:</u>	
Payments in accordance with trust agreements	<u>7,100</u>
Change in net assets	6,864
Net assets at beginning of year	<u>77,558</u>
Net assets at end of year	<u>\$ 84,422</u>

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's six instructional/support facilities staffed by 114 non-certificated employees and 171 certificated teaching and support personnel, including 16 administrators that provide services to 2,383 students and other community members.

Reporting Entity

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

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

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

The School District is associated with the Northeast Ohio Network for Educational Technology and the Four Cities Educational Compact, which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 13.

Notes to the Basic Financial Statements

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

A. Basis of Presentation - Fund Accounting

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling-up" revenues and expenses. However, the services provided and used are not eliminated in the process of consolidation.

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Fund Types:

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

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

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

Proprietary Fund Type

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

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

Fiduciary Fund Types

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Revenue - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

**D. Budgets and
Budgetary
Accounting**

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

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2006. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

E. Cash and Investments To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents". During the fiscal year, investments were limited to overnight repurchase agreements, certificates of deposit, and interest in STAROhio, the State Treasurer's Investment Pool. These investments are stated at cost, which approximates market value (fair value). Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board has passed a resolution to allow interest to also be recorded in other funds as listed in Note 3.

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

F. Prepaids Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

G. Interfund balances On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

H. Inventory On the governmental-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used.

Inventories on the fund financial statements are stated at cost on a first-in, first-out basis. Inventories of the general fund consist of expendable supplies held for consumption. Inventories of the food service special revenue fund consist of donated food, purchased food and supplies held for resale. Inventories reported on the fund financial statements are expensed when purchased.

I. Restricted Assets Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in the general fund include the amount required to be reserved for unclaimed monies. See Note 16 for additional information regarding statutory reserves.

J. Capital Assets General capital assets are those assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. The School District's policy is not to capitalize interest costs incurred as part of construction.

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

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

K. Compensated Absences

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

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

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

L. Net Assets

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

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

M. Accrued Liabilities and Long-term Obligations

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

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

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary cost's incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are classified as non-operating.

O. Interfund Transactions

Interfund transactions are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of net assets.

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Fund Balance Reserves

The School District records reservations for portions of fund balances, which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund balances, which are available for appropriation in future periods. Fund balance reserves are established for encumbrances, inventories, prepaids, property taxes and unclaimed monies.

Notes to the Basic Financial Statements

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance

	<u>General</u>
<i>GAAP Basis</i>	\$ 1,695,405
<i>Revenue Accruals</i>	(2,225)
<i>Expenditure Accruals</i>	(150,519)
<i>Encumbrances (Budget Basis)</i>	
<i>Outstanding at year end</i>	<u>(476,161)</u>
<i>Budget Basis</i>	<u>\$ 1,066,500</u>

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

Notes to the Basic Financial Statements

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

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

A. Deposits:

For the fiscal year ended June 30, 2006, the School District reported \$14,505 in "Equity in pooled cash and cash equivalents (restricted)" on the balance sheet. This amount represents a reserve for unclaimed monies.

The carrying value of the School District's deposits totaled (\$114,434), and the bank balances of the deposits totaled \$162,971. The entire bank balance of \$162,971 was covered by federal depository insurance.

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

B. Investments:

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Repurchase agreements	\$ 3,830,000	Daily	N/A ⁽¹⁾
STAROhio	<u>3,644,040</u>	N/A	AAAm ⁽²⁾
	<u>\$ 7,474,040</u>		

⁽¹⁾ Underlying securities are exempt.

⁽²⁾ Standard and Poor's rating

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2006.

All interest is legally required to be placed in the general fund, the food service special revenue fund and the scholarships private purpose trust fund. Interest revenue credited to the general fund during fiscal year 2006 amount to \$275,736, which includes \$39,413 assigned from other School District funds.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's \$3,830,000 investment in repurchase agreements is to be secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the School District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

NOTE 4 - PROPERTY TAX

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed at 35% of true value and public utility tangible personal property currently is assessed at varying percentages of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009.

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

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

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

Accrued property tax receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of year end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at year-end is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at year-end was \$884,502 in the general fund and \$59,605 in the permanent improvement capital projects fund. These advances are recognized as revenue on the fund financial statements.

Norton City School District

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

<i>Property Category</i>	<i>2005 Assessed Value</i>	<i>2004 Assessed Value</i>
<i>Real Property</i>		
<i>Residential and agricultural</i>	\$ 251,020,120	\$ 226,246,280
<i>Commercial, industrial and mineral</i>	39,806,390	38,504,470
<i>Public utilities</i>	81,560	61,010
<i>Tangible Personal Property</i>		
<i>General</i>	15,659,573	19,596,241
<i>Public utilities</i>	<u>7,801,070</u>	<u>8,659,890</u>
<i>Total</i>	<u>\$ 314,368,713</u>	<u>\$ 293,067,891</u>

NOTE 5 - RECEIVABLES

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

Notes to the Basic Financial Statements

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006 was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2006</u>
<i>Capital assets, not being depreciated:</i>				
Land	<u>71,000</u>	<u>-</u>	<u>-</u>	<u>71,000</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,285,533	89,630	-	1,375,163
Buildings	6,880,725	211,069	-	7,091,794
Furniture and equipment	1,498,504	65,959	-	1,564,463
Vehicles	<u>1,990,800</u>	<u>-</u>	<u>-</u>	<u>1,990,800</u>
Total capital assets, being depreciated	<u>11,655,562</u>	<u>366,658</u>	<u>-</u>	<u>12,022,220</u>
<i>Less: Accumulated depreciation</i>				
Land improvements	(562,672)	(51,352)	-	(614,024)
Buildings	(4,476,543)	(136,755)	-	(4,613,298)
Furniture and equipment	(908,296)	(197,724)	-	(1,106,020)
Vehicles	<u>(1,240,235)</u>	<u>(109,532)</u>	<u>-</u>	<u>(1,349,767)</u>
Total accumulated depreciation	<u>(7,187,746)</u>	<u>(495,363)</u>	<u>-</u>	<u>(7,683,109)</u>
Total capital assets being depreciated, net	<u>4,467,816</u>	<u>(128,705)</u>	<u>-</u>	<u>4,339,111</u>
Governmental activities capital assets, net	<u>\$ 4,538,816</u>	<u>\$ (128,705)</u>	<u>\$ -</u>	<u>\$ 4,410,111</u>

Norton City School District

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
<i>Regular</i>	\$ 93,203
<i>Special</i>	6,095
<i>Vocational</i>	22,656
<i>Support services:</i>	
<i>Pupils</i>	7,615
<i>Instructional staff</i>	13,190
<i>Board of education</i>	549
<i>Administration</i>	46,505
<i>Fiscal</i>	2,646
<i>Operation and maintenance of plant</i>	181,453
<i>Pupil transportation</i>	104,172
<i>Operation of non-instructional services</i>	1,004
<i>Operation of food services</i>	13,124
<i>Extracurricular activities</i>	<u>3,151</u>
<i>Total depreciation expense</i>	<u>\$ 495,363</u>

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

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

Due to general fund from:

Nonmajor governmental funds \$ 142,134

NOTE 8 - RISK MANAGEMENT

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

Notes to the Basic Financial Statements

The School District uses an internal service fund to record and report its self-funded health care insurance program. The claims liability of \$454,859, reported in the fund at year end was estimated by third party administrators and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The School District purchases stop-loss coverage of \$60,000 per employee.

Changes in the fund's claims liability during 2005 and 2006 were:

<i>Fiscal Year</i>	<i>Balance at beginning of year</i>	<i>Current year claims</i>	<i>Claim payments</i>	<i>Balance at end of year</i>
2005	\$ 245,991	1,949,846	1,839,196	\$ 356,641
2006	\$ 356,641	2,393,700	2,295,482	\$ 454,859

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006 10.58% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$304,124, \$285,879, and \$262,244, respectively; 40% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$182,906 representing the unpaid contribution for fiscal year 2006 is recorded as an intergovernmental payable.

**B. State Teachers
Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer defined benefit pension plan. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

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

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

For the fiscal year ended June 30, 2006 plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 14% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,277,208, \$1,123,943, and \$1,136,772, respectively; 83% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$200,270, representing the unpaid contribution for fiscal year 2006 is recorded as an intergovernmental payable. Contributions to the DC and Combined plans for fiscal year 2006 were \$3,051 made by the School District and \$2,994 made by the plan members.

NOTE 10 - POST-EMPLOYMENT BENEFITS

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

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District this amount equaled \$86,457 during the 2006 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3.3 billion at June 30, 2005 (latest information available). For the year ended June 30, 2005 (latest information available), the net health care costs paid by the STRS were \$254,780,000 and eligible benefit recipients totaled 115,395.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2005, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply. For this fiscal year, employer contributions to fund health care benefits were 3.43% of covered payroll.

Norton City School District

In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2006, the minimum pay has been established at \$35,800. However, the surcharge is capped at 2% of each employer's SERS salaries. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$139,123, which includes a surcharge of \$40,815 during the 2006 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006 were \$158,751,207. The target level for the health care reserve is 150% of projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual claims costs. The number of participants eligible to receive benefits is 59,492.

NOTE 11 - BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

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

	<i>Balance July 1</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance June 30</i>	<i>Due within one year</i>
<i>Governmental activities</i>					
<i>Bonds</i>					
<i>Energy conservation bonds, 5.65%</i>	\$ 43,400	\$ -	\$ (43,400)	\$ -	\$ -
<i>Other obligations</i>					
<i>Compensated absences</i>	698,673	164,813	(47,082)	816,404	127,593
<i>Capital leases payable</i>	122,799	-	(34,080)	88,719	35,589
<i>Total other liabilities</i>	<u>821,472</u>	<u>164,813</u>	<u>(81,162)</u>	<u>905,123</u>	<u>163,182</u>
<i>Governmental activities Total long-term liabilities</i>	<u>\$ 864,872</u>	<u>\$ 164,813</u>	<u>\$ (124,562)</u>	<u>\$ 905,123</u>	<u>\$ 163,182</u>

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

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

NOTE 12- CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital assets acquired by lease have been capitalized as equipment in the amount of \$173,829, which is equal to the present value of the future minimum lease payments on the government-wide financial statements. Principal payments in the current fiscal year totaled \$34,080.

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

<i>Fiscal</i>	<i>Lease</i>
<u>Year</u>	<u>Payments</u>
2007	38,736
2008	38,736
2009	<u>16,140</u>
<i>Total minimum lease payments</i>	93,612
<i>Less: amount representing interest</i>	<u>(4,893)</u>
<i>Total</i>	<u>\$ 88,719</u>

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEOnet) is the computer service organization or Data Acquisition Site (DAS) used by the School District. NEOnet is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges, and assessments as charged. NEOnet is governed by a board made up of superintendents from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEOnet are made from various funds. During fiscal year 2006, the School District contributed \$20,796 to NEOnet. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center, who serves as the fiscal agent, at 420 Washington Ave., Suite 200, Cuyahoga Falls, Ohio 44221.

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

NOTE 14 - ACCOUNTABILITY

A. Change in Accounting Principles

For the fiscal year 2006, the School District has implemented GASB Statement No. 42, "Accounting and Financial Reporting Impairment of Capital Assets and for Insurance Recoveries", which establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 44 "Economic Condition Reporting: The Statistical Section (An amendment of NCGA Statement 1)", GASB Statement No 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits". The implementation of these new standards did not require a restatement of balances.

B. Accountability

As of June 30, 2006, one nonmajor special revenue fund had a deficit fund balance. This deficit was caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following fund had a deficit at year-end:

<u>Fund</u>	<u>Deficit</u>
<i>Vocational education enhancement</i>	\$ 795

NOTE 15 - CONTINGENT LIABILITIES

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

NOTE 16 - STATUTORY RESERVES

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

Norton City School District

Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<i>Textbook Reserve</i>	<i>Capital Maintenance Reserve</i>	<i>Total</i>
<i>Set-aside cash balance as of June 30, 2005</i>	\$ (816,475)	\$ -	\$ (816,475)
<i>Current year set-aside requirement</i>	366,953	366,953	733,906
<i>Current year offset</i>	-	(625,755)	(625,755)
<i>Qualifying disbursements</i>	<u>(373,110)</u>	<u>-</u>	<u>(373,110)</u>
<i>Total</i>	<u>\$ (822,632)</u>	<u>\$ (258,802)</u>	<u>\$ (1,081,434)</u>
<i>Balance carried forward to future years</i>	<u>\$ (822,632)</u>		<u>\$ (822,632)</u>

NOTE 17 – NORTON DIGITAL ACADEMY

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

NOTE 18 – REQUIRED SUPPLEMENTARY INFORMATION (RSI) IS OMITTED

For the fiscal year ended June 30, 2005, the School District was required to implement GASB Technical Bulletin No. 2004-2. In addition to the implementation of this guidance, the School District simultaneously implemented GASB Statement No. 45, as recommended by the GASB. This Statement requires employers to present as required supplementary information (RSI) schedules of funding progress and employer contributions for the plan as a whole if a plan financial report, prepared in accordance with GASB Statement No. 43 is not issued and made publicly available and the plan is not included in the financial report of a public employee retirement system or another entity. SERS and STRS have not issued a financial report in accordance with the statement and have not conducted a valuation of their plans, as they were not required to implement the statement as of the date of this report. Therefore, RSI is unavailable to the School District and it does not follow these notes to the financial statements.

**Combining Statements for
Governmental Funds**

Governmental Fund Descriptions

Nonmajor Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

Governmental Fund Descriptions

Nonmajor Special Revenue Funds (continued)

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

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

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

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

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

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

Poverty Aid: A fund use to account for monies appropriated for poverty based assistance as part of the state foundation system. Programs include are academic intervention, all-day kindergarten, class-size reduction, Limited English Proficient students, professional development, dropout prevention, and community outreach.

Miscellaneous State Grants: A fund used to account for various monies received from state agencies which are not classified elsewhere.

Governmental Fund Descriptions

Nonmajor Special Revenue Funds (continued)

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

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

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

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

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

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

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

Nonmajor Debt Service Fund

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

Governmental Fund Descriptions

Nonmajor Capital Projects Funds

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

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

SchoolNet: To account for monies received that are used to help the School District obtain computers and related educational technology equipment and/or the necessary infrastructure for educational technology.

Norton City School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 546,962	\$ 4,703	\$ 469,517	\$ 1,021,182
Receivables:				
Taxes	-	45,852	630,684	676,536
Intergovernmental	107,986	-	-	107,986
Prepaid items	8,053	-	-	8,053
Inventory held for resale	4,928	-	-	4,928
Materials and supplies inventory	906	-	-	906
Total assets	<u>\$ 668,835</u>	<u>\$ 50,555</u>	<u>\$ 1,100,201</u>	<u>\$ 1,819,591</u>
<u>Liabilities and fund balance:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 8,430	\$ -	\$ 2,182	\$ 10,612
Accrued wages	20,198	-	-	20,198
Interfund payable	142,134	-	-	142,134
Intergovernmental payable	7,850	-	-	7,850
Deferred revenue	795	45,852	571,079	617,726
Total liabilities	<u>179,407</u>	<u>45,852</u>	<u>573,261</u>	<u>798,520</u>
<u>Fund balance:</u>				
Reserved for encumbrances	42,322	-	104,946	147,268
Reserved for inventory	5,834	-	-	5,834
Reserved for prepaid items	8,053	-	-	8,053
Reserved for property taxes	-	-	59,605	59,605
Unreserved:				
Undesignated, reported in:				
Special revenue funds	433,219	-	-	433,219
Debt service fund	-	4,703	-	4,703
Capital projects funds	-	-	362,389	362,389
Total fund balance	<u>489,428</u>	<u>4,703</u>	<u>526,940</u>	<u>1,021,071</u>
Total liabilities and fund balance	<u>\$ 668,835</u>	<u>\$ 50,555</u>	<u>\$ 1,100,201</u>	<u>\$ 1,819,591</u>

Norton City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2006

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ -	\$ 45,852	\$ 645,552	\$ 691,404
Intergovernmental	1,003,723	-	74,145	1,077,868
Interest	13,322	-	-	13,322
Tuition and fees	56,518	-	-	56,518
Extracurricular activities	176,876	-	-	176,876
Gifts and donations	66,237	-	-	66,237
Charges for services	574,984	-	-	574,984
Miscellaneous	36,397	-	-	36,397
Total revenues	<u>1,928,057</u>	<u>45,852</u>	<u>719,697</u>	<u>2,693,606</u>
Expenditures:				
Current:				
Instruction:				
Regular	294,620	-	68,821	363,441
Special	317,951	-	-	317,951
Vocational	6,416	-	-	6,416
Other	12,296	-	-	12,296
Support services:				
Pupils	133,977	-	47,892	181,869
Instructional staff	86,927	-	-	86,927
Administration	136,566	-	-	136,566
Fiscal	-	-	10,855	10,855
Business	-	-	13,867	13,867
Operation and maintenance of plant	543	-	400,444	400,987
Pupil transportation	10,000	-	-	10,000
Central	8,380	-	-	8,380
Operation of non-instructional services	4,032	-	-	4,032
Operation of food services	746,546	-	6,688	753,234
Extracurricular activities	111,543	-	-	111,543
Capital outlay	-	-	314,566	314,566
Debt service:				
Principal retirement	-	43,400	-	43,400
Interest and fiscal charges	-	2,452	-	2,452
Total expenditures	<u>1,869,797</u>	<u>45,852</u>	<u>863,133</u>	<u>2,778,782</u>
Net change in fund balances	58,260	-	(143,436)	(85,176)
Fund balances at beginning of year	431,180	4,703	670,376	1,106,259
Decrease in reserve for inventory	(12)	-	-	(12)
Fund balances at end of year	<u>\$ 489,428</u>	<u>\$ 4,703</u>	<u>\$ 526,940</u>	<u>\$ 1,021,071</u>

Norton City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Customer Service Rotary</u>	<u>Adult Education</u>	<u>Public School Support</u>	<u>Miscellaneous Local Grants</u>
<u>Assets:</u>						
Equity in pooled cash and cash equivalents	\$ 313,612	\$ 34,135	\$ 21,174	\$ 17,451	\$ 35,654	\$ 10,148
Receivables:						
Intergovernmental	-	-	-	-	-	-
Prepaid items	8,053	-	-	-	-	-
Inventory held for resale	4,928	-	-	-	-	-
Materials and supplies inventory	906	-	-	-	-	-
Total assets	<u>\$ 327,499</u>	<u>\$ 34,135</u>	<u>\$ 21,174</u>	<u>\$ 17,451</u>	<u>\$ 35,654</u>	<u>\$ 10,148</u>
<u>Liabilities and fund equity :</u>						
<u>Liabilities:</u>						
Accounts payable	\$ 35	\$ 320	\$ -	\$ 97	\$ 758	\$ -
Accrued wages	3,619	-	-	-	-	-
Interfund payable	-	-	-	-	-	-
Intergovernmental payable	2,922	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	<u>6,576</u>	<u>320</u>	<u>-</u>	<u>97</u>	<u>758</u>	<u>-</u>
<u>Fund balance:</u>						
Reserved for encumbrances	16,669	3,232	-	186	4,261	371
Reserved for inventory	5,834	-	-	-	-	-
Reserved for prepaid items	8,053	-	-	-	-	-
Unreserved:						
Undesignated, reported in:						
Special revenue funds	290,367	30,583	21,174	17,168	30,635	9,777
Total fund balance	<u>320,923</u>	<u>33,815</u>	<u>21,174</u>	<u>17,354</u>	<u>34,896</u>	<u>10,148</u>
Total liabilities and fund balance	<u>\$ 327,499</u>	<u>\$ 34,135</u>	<u>\$ 21,174</u>	<u>\$ 17,451</u>	<u>\$ 35,654</u>	<u>\$ 10,148</u>

<u>Underground Storage Tanks</u>	<u>District Managed Student Activity</u>	<u>Management Information System</u>	<u>Entry Year Programs</u>	<u>Data Communications</u>	<u>School Net Professional Development</u>	<u>Ohio Reads</u>
\$ 11,000	\$ 25,447	\$ -	\$ -	\$ -	\$ 823	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 11,000</u>	<u>\$ 25,447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 823</u>	<u>\$ -</u>
\$ -	\$ 6,878	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>6,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	5,628	-	-	-	100	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>11,000</u>	<u>12,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>723</u>	<u>-</u>
<u>11,000</u>	<u>18,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>823</u>	<u>-</u>
<u>\$ 11,000</u>	<u>\$ 25,447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 823</u>	<u>\$ -</u>

(Continued)

Norton City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006

	<u>Student Reading Intervention</u>	<u>Vocational Education Enhancement</u>	<u>Poverty Aid</u>	<u>Miscellaneous State Grants</u>	<u>IDEA Grant</u>	<u>Title I</u>
<u>Assets:</u>						
Equity in pooled cash and cash equivalents	\$ -	\$ -	\$ -	\$ 390	\$ 2,451	\$ 20,876
<u>Receivables:</u>						
Intergovernmental	-	795	-	-	42,317	42,022
Prepaid items	-	-	-	-	-	-
Inventory held for resale	-	-	-	-	-	-
Materials and supplies inventory	-	-	-	-	-	-
Total assets	\$ -	\$ 795	\$ -	\$ 390	\$ 44,768	\$ 62,898
<u>Liabilities and fund equity :</u>						
<u>Liabilities:</u>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued wages	-	-	-	-	-	16,579
Interfund payable	-	795	-	-	42,317	42,022
Intergovernmental payable	-	-	-	-	1,059	3,068
Deferred revenue	-	795	-	-	-	-
Total liabilities	-	1,590	-	-	43,376	61,669
<u>Fund balance:</u>						
Reserved for encumbrances	-	-	-	-	2,451	123
Reserved for inventory	-	-	-	-	-	-
Reserved for prepaid items	-	-	-	-	-	-
<u>Unreserved:</u>						
<u>Undesignated, reported in:</u>						
Special revenue funds	-	(795)	-	390	(1,059)	1,106
Total fund balance	-	(795)	-	390	1,392	1,229
Total liabilities and fund balance	\$ -	\$ 795	\$ -	\$ 390	\$ 44,768	\$ 62,898

<u>Title V</u>	<u>Drug Free School Grant</u>	<u>EHA Preschool Grant</u>	<u>Title II-A</u>	<u>Miscellaneous Federal Grants</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 10,929	\$ -	\$ -	\$ 42,460	\$ 412	\$ 546,962
3,080	-	966	18,435	371	107,986
-	-	-	-	-	8,053
-	-	-	-	-	4,928
-	-	-	-	-	906
<u>\$ 14,009</u>	<u>\$ -</u>	<u>\$ 966</u>	<u>\$ 60,895</u>	<u>\$ 783</u>	<u>\$ 668,835</u>
\$ 82	\$ -	\$ -	\$ 260	\$ -	\$ 8,430
-	-	-	-	-	20,198
10,366	-	966	45,297	371	142,134
-	-	-	801	-	7,850
-	-	-	-	-	795
<u>10,448</u>	<u>-</u>	<u>966</u>	<u>46,358</u>	<u>371</u>	<u>179,407</u>
781	-	-	8,467	53	42,322
-	-	-	-	-	5,834
-	-	-	-	-	8,053
<u>2,780</u>	<u>-</u>	<u>-</u>	<u>6,070</u>	<u>359</u>	<u>433,219</u>
<u>3,561</u>	<u>-</u>	<u>-</u>	<u>14,537</u>	<u>412</u>	<u>489,428</u>
<u>\$ 14,009</u>	<u>\$ -</u>	<u>\$ 966</u>	<u>\$ 60,895</u>	<u>\$ 783</u>	<u>\$ 668,835</u>

Norton City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2006

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Customer Service Rotary</u>	<u>Adult Education</u>	<u>Public School Support</u>	<u>Miscellaneous Local Grants</u>
Revenues:						
Intergovernmental	\$ 221,771	\$ -	\$ -	\$ -	\$ -	\$ 3,000
Interest	13,322	-	-	-	-	-
Tuition and fees	-	56,518	-	-	-	-
Extracurricular activities	-	-	-	-	61,144	-
Gifts and donations	-	-	-	-	65,071	641
Charges for services	573,669	-	-	1,315	-	-
Miscellaneous	19,382	-	-	-	6,000	-
Total revenues	828,144	56,518	-	1,315	132,215	3,641
Expenditures:						
Current:						
Instruction:						
Regular	-	63,441	-	-	127,612	3,657
Special	-	-	-	-	-	-
Vocational	-	5,533	-	-	-	-
Other	-	-	-	-	-	-
Support services:						
Pupils	-	-	-	-	-	-
Instructional staff	-	-	-	143	11,097	-
Administration	-	-	-	-	1,692	-
Operation and maintenance of plant	-	-	-	-	-	-
Pupil transportation Central	-	-	-	-	-	-
Operation of non- instructional services	-	-	-	-	-	-
Operation of food services	746,546	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-
Total expenditures	746,546	68,974	-	143	140,401	3,657
Net change in fund balances	81,598	(12,456)	-	1,172	(8,186)	(16)
Fund balances (deficit)						
at beginning of year	239,337	46,271	21,174	16,182	43,082	10,164
Decrease in reserve for inventory	(12)	-	-	-	-	-
Fund balances (deficit)						
at end of year	\$ 320,923	\$ 33,815	\$ 21,174	\$ 17,354	\$ 34,896	\$ 10,148

<u>Underground Storage Tanks</u>	<u>District Managed Student Activity</u>	<u>Management Information System</u>	<u>Entry Year Programs</u>	<u>Data Communications</u>	<u>School Net Professional Development</u>	<u>Ohio Reads</u>
\$ -	\$ -	\$ 8,380	\$ 1,600	\$ 18,000	\$ 3,925	\$ 8,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	115,732	-	-	-	-	-
-	525	-	-	-	-	-
-	-	-	-	-	-	-
-	10,625	-	-	-	-	-
<u>-</u>	<u>126,882</u>	<u>8,380</u>	<u>1,600</u>	<u>18,000</u>	<u>3,925</u>	<u>8,000</u>
-	-	-	709	18,000	-	8,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	891	-	5,047	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	8,380	-	-	-	-
-	1,935	-	-	-	-	-
-	-	-	-	-	-	-
-	111,543	-	-	-	-	-
<u>-</u>	<u>113,478</u>	<u>8,380</u>	<u>1,600</u>	<u>18,000</u>	<u>5,047</u>	<u>8,000</u>
-	13,404	-	-	-	(1,122)	-
11,000	5,165	-	-	-	1,945	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 11,000</u>	<u>\$ 18,569</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 823</u>	<u>\$ -</u>

(Continued)

Norton City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2006

	Student Reading Intervention	Vocational Education Enhancement	Poverty Aid	Miscellaneous State Grants	IDEA Grant	Title I
Revenues:						
Intergovernmental	\$ -	\$ 88	\$ 12,296	\$ -	\$ 467,126	\$ 194,031
Interest	-	-	-	-	-	-
Tuition and fees	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-
Gifts and donations	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	390	-	-
Total revenues	<u>-</u>	<u>88</u>	<u>12,296</u>	<u>390</u>	<u>467,126</u>	<u>194,031</u>
Expenditures:						
Current:						
Instruction:						
Regular	654	-	-	-	-	8,033
Special	-	-	-	-	140,466	177,485
Vocational	-	883	-	-	-	-
Other	-	-	12,296	-	-	-
Support services:						
Pupils	-	-	-	-	133,977	-
Instructional staff	-	-	-	-	59,945	-
Administration	-	-	-	-	128,048	6,826
Operation and maintenance of plant	-	-	-	-	543	-
Pupil transportation Central	-	-	-	-	10,000	-
Operation of non- instructional services	-	-	-	-	-	2,097
Operation of food services	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-
Total expenditures	<u>654</u>	<u>883</u>	<u>12,296</u>	<u>-</u>	<u>472,979</u>	<u>194,441</u>
Net change in fund balance	(654)	(795)	-	390	(5,853)	(410)
Fund balances (deficit) at beginning of year	654	-	-	-	7,245	1,639
Decrease in reserve for inventory	-	-	-	-	-	-
Fund balances (deficit) at end of year	<u>\$ -</u>	<u>\$ (795)</u>	<u>\$ -</u>	<u>\$ 390</u>	<u>\$ 1,392</u>	<u>\$ 1,229</u>

<u>Title V</u>	<u>Drug Free School Grant</u>	<u>EHA Preschool Grant</u>	<u>Title II-A</u>	<u>Miscellaneous Federal Grants</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 6,951	\$ 8,670	\$ 5,947	\$ 35,645	\$ 8,293	\$ 1,003,723
-	-	-	-	-	13,322
-	-	-	-	-	56,518
-	-	-	-	-	176,876
-	-	-	-	-	66,237
-	-	-	-	-	574,984
-	-	-	-	-	36,397
<u>6,951</u>	<u>8,670</u>	<u>5,947</u>	<u>35,645</u>	<u>8,293</u>	<u>1,928,057</u>
-	8,670	-	50,371	5,473	294,620
-	-	-	-	-	317,951
-	-	-	-	-	6,416
-	-	-	-	-	12,296
-	-	-	-	-	133,977
3,857	-	5,947	-	-	86,927
-	-	-	-	-	136,566
-	-	-	-	-	543
-	-	-	-	-	10,000
-	-	-	-	-	8,380
-	-	-	-	-	4,032
-	-	-	-	-	746,546
-	-	-	-	-	111,543
<u>3,857</u>	<u>8,670</u>	<u>5,947</u>	<u>50,371</u>	<u>5,473</u>	<u>1,869,797</u>
3,094	-	-	(14,726)	2,820	58,260
467	-	-	29,263	(2,408)	431,180
-	-	-	-	-	(12)
<u>\$ 3,561</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,537</u>	<u>\$ 412</u>	<u>\$ 489,428</u>

Norton City School District
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2006

	<u>Permanent Improvement</u>	<u>SchoolNet</u>	<u>Total Nonmajor Capital Projects Funds</u>
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 469,517	\$ -	\$ 469,517
Receivables:			
Taxes	630,684	-	630,684
Total assets	<u>\$ 1,100,201</u>	<u>\$ -</u>	<u>\$ 1,100,201</u>
<u>Liabilities and fund equity :</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 2,182	\$ -	\$ 2,182
Deferred revenue	571,079	-	571,079
Total liabilities	<u>573,261</u>	<u>-</u>	<u>573,261</u>
<u>Fund balance:</u>			
Reserved for encumbrances	104,946	-	104,946
Reserved for property taxes	59,605	-	59,605
Unreserved:			
Undesignated, reported in:			
Capital projects funds	362,389	-	362,389
Total fund balance	<u>526,940</u>	<u>-</u>	<u>526,940</u>
Total liabilities and fund balance	<u>\$ 1,100,201</u>	<u>\$ -</u>	<u>\$ 1,100,201</u>

Norton City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2006

	<u>Permanent Improvement</u>	<u>SchoolNet</u>	<u>Total Nonmajor Capital Projects Funds</u>
<u>Revenues:</u>			
Taxes	\$ 645,552	\$ -	\$ 645,552
Intergovernmental	74,145	-	74,145
Total revenues	<u>719,697</u>	<u>-</u>	<u>719,697</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	67,839	982	68,821
Support services:			
Pupils	47,892	-	47,892
Fiscal	10,855	-	10,855
Business	13,867	-	13,867
Operation and maintenance of plant	400,444	-	400,444
Operation of food services	6,688	-	6,688
Capital outlay	<u>314,566</u>	<u>-</u>	<u>314,566</u>
Total expenditures	<u>862,151</u>	<u>982</u>	<u>863,133</u>
Net change in fund balances	(142,454)	(982)	(143,436)
Fund balances at beginning of year	<u>669,394</u>	<u>982</u>	<u>670,376</u>
Fund balances at end of year	<u>\$ 526,940</u>	<u>\$ -</u>	<u>\$ 526,940</u>

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

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2006

Food Services Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 164,737	\$ 165,573	\$ 836
Interest	1,739	13,322	11,583
Customer services	550,609	573,669	23,060
Miscellaneous	18,889	19,382	493
Total revenues	<u>735,974</u>	<u>771,946</u>	<u>35,972</u>
<u>Expenditures:</u>			
Current:			
Food service operations	969,659	708,725	260,934
Net change in fund balance	(233,685)	63,221	296,906
Fund balance at beginning of year	140,235	140,235	-
Prior year encumbrances appropriated	93,451	93,451	-
Fund balance at end of year	<u>\$ 1</u>	<u>\$ 296,907</u>	<u>\$ 296,906</u>

Uniform School Supplies Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Tuition and fees	\$ 56,636	\$ 56,518	\$ (118)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	85,972	66,371	19,601
Special	217	-	217
Vocational	16,717	5,833	10,884
Total expenditures	<u>102,906</u>	<u>72,204</u>	<u>30,702</u>
Net change in fund balance	(46,270)	(15,686)	30,584
Fund balance at beginning of year	39,669	39,669	-
Prior year encumbrances appropriated	6,601	6,601	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 30,584</u>	<u>\$ 30,584</u>

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2006

Customer Service Rotary Fund

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

Adult Education Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Customer services	\$ 1,060	\$ 1,315	\$ 255
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff	17,242	329	16,913
Net change in fund balance	(16,182)	986	17,168
Fund balance at beginning of year	16,154	16,154	-
Prior year encumbrances appropriated	28	28	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 17,168</u>	<u>\$ 17,168</u>

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2006

Public School Support Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Extracurricular activities	\$ 61,207	\$ 61,144	\$ (63)
Gifts and donations	65,071	65,071	-
Miscellaneous	6,000	6,000	-
Total revenues	<u>132,278</u>	<u>132,215</u>	<u>(63)</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	156,307	131,895	24,412
Support services:			
Instructional staff	13,817	11,097	2,720
Administration	4,911	1,979	2,932
Pupil transportation	633	-	633
Total expenditures	<u>175,668</u>	<u>144,971</u>	<u>30,697</u>
Net change in fund balance	(43,390)	(12,756)	30,634
Fund balance at beginning of year	34,924	34,924	-
Prior year encumbrances appropriated	8,466	8,466	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 30,634</u>	<u>\$ 30,634</u>

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2006

Miscellaneous Local Grants Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 3,000	\$ 3,000	\$ -
Gifts and donations	641	641	-
Total revenues	<u>3,641</u>	<u>3,641</u>	<u>-</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	6,621	4,028	2,593
Special	36	-	36
Adult/continuing	6,648	-	6,648
Support services:			
Operation and maintenance of plant	500	-	500
Total expenditures	<u>13,805</u>	<u>4,028</u>	<u>9,777</u>
Net change in fund balance	(10,164)	(387)	9,777
Fund balance at beginning of year	9,794	9,794	-
Prior year encumbrances appropriated	371	371	-
Fund balance at end of year	<u>\$ 1</u>	<u>\$ 9,778</u>	<u>\$ 9,777</u>

Underground Storage Tanks Fund

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

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2006

District Managed Student Activity Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Extracurricular activities	\$ 115,752	\$ 115,732	\$ (20)
Gifts and donations	525	525	-
Miscellaneous	11,645	10,625	(1,020)
Total revenues	<u>127,922</u>	<u>126,882</u>	<u>(1,040)</u>
<u>Expenditures:</u>			
Current:			
Operation of non-instructional services	2,116	1,935	181
Extracurricular activities	135,771	121,975	13,796
Total expenditures	<u>137,887</u>	<u>123,910</u>	<u>13,977</u>
Excess of revenues over (under) expenditures	<u>(9,965)</u>	<u>2,972</u>	<u>12,937</u>
<u>Other financing sources (uses):</u>			
Refund of prior year expenditures	<u>2,340</u>	<u>2,340</u>	<u>-</u>
Net change in fund balance	(7,625)	5,312	12,937
Fund balance at beginning of year	2,305	2,305	-
Prior year encumbrances appropriated	5,320	5,320	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 12,937</u>	<u>\$ 12,937</u>

Management Information System Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	<u>\$ 8,380</u>	<u>\$ 8,380</u>	<u>\$ -</u>
<u>Expenditures:</u>			
Current:			
Support services:			
Central	<u>8,380</u>	<u>8,380</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2006

Entry Year Programs Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 1,600	\$ 1,600	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	709	709	-
Support services:			
Instructional staff	891	891	-
Total expenditures	1,600	1,600	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

Data Communications Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 18,000	\$ 18,000	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	18,000	18,000	-
Net change in fund balance	-	-	-
Fund balances at beginning of year	-	-	-
Fund balances at end of year	\$ -	\$ -	\$ -

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2006

School Net Professional Development Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 3,925	\$ 3,925	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff	5,870	5,147	723
Net change in fund balance	(1,945)	(1,222)	723
Fund balances at beginning of year	1,945	1,945	-
Fund balances at end of year	\$ -	\$ 723	\$ 723

Ohio Reads Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 8,000	\$ 8,000	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	8,000	8,000	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2006

Student Reading Intervention Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Total revenues	\$ -	\$ -	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	\$ 4,950	\$ 4,950	\$ -
Net change in fund balance	(4,950)	(4,950)	-
Fund balance at beginning of year	4,951	4,951	-
Fund balance at end of year	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>

Vocational Education Enhancement Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 883	\$ 88	\$ (795)
<u>Expenditures:</u>			
Current:			
Instruction:			
Vocational	883	883	-
Excess of revenues over (under) expenditures	-	(795)	(795)
<u>Other financing sources (uses):</u>			
Advances in	795	795	-
Advances out	(795)	-	795
Total other financing sources (uses)	-	795	795
Net change in fund balance	-	-	-
Fund balances at beginning of year	-	-	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2006

Poverty Aid Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 12,296	\$ 12,296	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Other	12,296	12,296	-
Net change in fund balance	-	-	-
Fund balances at beginning of year	-	-	-
Fund balances at end of year	\$ -	\$ -	\$ -

Miscellaneous State Grants Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Total revenues	\$ -	\$ -	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	390	-	390
Excess of revenues over (under) expenditures	(390)	-	390
<u>Other financing sources (uses):</u>			
Refund of prior year receipts	390	390	-
Net change in fund balance	-	390	390
Fund balances at beginning of year	-	-	-
Fund balances at end of year	\$ -	\$ 390	\$ 390

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2006

IDEA Grant Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 545,281	\$ 502,965	\$ (42,316)
<u>Expenditures:</u>			
Current:			
Instruction:			
Special	143,128	143,128	-
Support services:			
Pupils	134,152	134,152	-
Instructional staff	60,111	60,111	-
Administration	128,258	128,258	-
Operation and maintenance of plant	543	543	-
Pupil transportation	10,000	10,000	-
Total expenditures	476,192	476,192	-
Excess of revenues over (under) expenditures	69,089	26,773	(42,316)
<u>Other financing sources (uses):</u>			
Advances in	100,000	100,000	-
Advances out	(199,999)	(157,683)	42,316
Total other financing sources (uses)	(99,999)	(57,683)	42,316
Net change in fund balance	(30,910)	(30,910)	-
Fund balance at beginning of year	24,986	24,986	-
Prior year encumbrances appropriated	5,924	5,924	-
Fund balance at end of year	\$ -	\$ -	\$ -

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2006

	Title I Fund		
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 205,689	\$ 163,667	\$ (42,022)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	9,327	8,106	1,221
Special	195,147	175,726	19,421
Support services:			
Administration	6,906	6,793	113
Operation of non-instructional services	2,097	2,097	-
Total expenditures	213,477	192,722	20,755
Excess of revenues over (under) expenditures	(7,788)	(29,055)	(21,267)
<u>Other financing sources (uses):</u>			
Advances in	42,022	42,022	-
Advances out	(72,020)	(30,000)	42,020
Total other financing sources (uses)	(29,998)	12,022	42,020
Net change in fund balance	(37,786)	(17,033)	20,753
Fund balance at beginning of year	36,030	36,030	-
Prior year encumbrances appropriated	1,756	1,756	-
Fund balance at end of year	\$ -	\$ 20,753	\$ 20,753

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2006

Title V Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 14,237	\$ 3,871	\$ (10,366)
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff	13,980	5,238	8,742
Excess of revenues over (under) expenditures	257	(1,367)	(1,624)
<u>Other financing sources (uses):</u>			
Advances in	10,366	10,366	-
Advances out	(16,690)	(5,000)	11,690
Total other financing sources (uses)	(6,324)	5,366	11,690
Net change in fund balance	(6,067)	3,999	10,066
Fund balance at beginning of year	4,189	4,189	-
Prior year encumbrances appropriated	1,878	1,878	-
Fund balance at end of year	\$ -	\$ 10,066	\$ 10,066

Drug Free School Grant Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 8,670	\$ 8,670	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	8,670	8,670	-
Excess of revenues over (under) expenditures	-	-	-
<u>Other financing sources (uses):</u>			
Advances in	867	867	-
Advances out	(867)	(867)	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2006

EHA Preschool Grant Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 5,946	\$ 4,981	\$ (965)
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff	5,946	5,947	(1)
Excess of revenues over (under) expenditures	-	(966)	(966)
<u>Other financing sources (uses):</u>			
Advances in	966	966	-
Advances out	(966)	-	966
Total other financing sources (uses)	-	966	966
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2006

	Title II-A Fund		
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 85,192	\$ 38,938	\$ (46,254)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	92,682	58,279	34,403
Excess of revenues over (under) expenditures	(7,490)	(19,341)	(11,851)
<u>Other financing sources (uses):</u>			
Advances in	45,297	45,297	-
Advances out	(55,842)	(10,000)	45,842
Total other financing sources (uses)	(10,545)	35,297	45,842
Net change in fund balance	(18,035)	15,956	33,991
Fund balance at beginning of year	10,575	10,575	-
Prior year encumbrances appropriated	7,460	7,460	-
Fund balance at end of year	\$ -	\$ 33,991	\$ 33,991

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2006

Miscellaneous Federal Grants Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 8,292	\$ 7,922	\$ (370)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	5,885	5,526	359
Excess of revenues over (under) expenditures	2,407	2,396	(11)
<u>Other financing sources (uses):</u>			
Advances in	4,000	4,000	-
Advances out	(10,619)	(10,249)	370
Total other financing sources (uses)	(6,619)	(6,249)	370
Net change in fund balance	(4,212)	(3,853)	359
Fund balance at beginning of year	4,088	4,088	-
Prior year encumbrances appropriated	124	124	-
Fund balance at end of year	\$ -	\$ 359	\$ 359

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2006

Bond Retirement Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Taxes	\$ 45,852	\$ 45,852	\$ -
<u>Expenditures:</u>			
Debt service:			
Principal retirement	43,790	43,400	390
Interest and fiscal charges	6,765	2,452	4,313
Total expenditures	50,555	45,852	4,703
Net change in fund balance	(4,703)	-	4,703
Fund balance at beginning of year	4,703	4,703	-
Fund balance at end of year	\$ -	\$ 4,703	\$ 4,703

Norton City School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2006

Permanent Improvement Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Taxes	\$ 625,755	\$ 625,755	\$ -
Intergovernmental	74,145	74,145	-
Total revenues	<u>699,900</u>	<u>699,900</u>	<u>-</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	90,586	90,587	(1)
Support services:			
Pupils	47,890	47,891	(1)
Fiscal	341,503	21,045	320,458
Business	13,867	13,867	-
Operation and maintenance of plant	38,086	38,086	-
Operation of non-instructional services	6,688	6,688	-
Extracurricular activities			
Capital outlay	790,867	748,936	41,931
Total expenditures	<u>1,329,487</u>	<u>967,100</u>	<u>362,387</u>
Excess of revenues over (under) expenditures	<u>(629,587)</u>	<u>(267,200)</u>	<u>362,387</u>
Net change in fund balance	(629,587)	(267,200)	362,387
Fund balance at beginning of year	195,776	195,776	-
Prior year encumbrances appropriated	433,811	433,811	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 362,387</u>	<u>\$ 362,387</u>

SchoolNet Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Total revenues	\$ -	\$ -	\$ -
<u>Expenditures:</u>			
Total expenditures	-	-	-
Excess of revenues over (under) expenditures	-	-	-
<u>Other financing sources (uses):</u>			
Refund of prior year expenditures	(982)	(982)	-
Net change in fund balance	(982)	(982)	-
Fund balance at beginning of year	982	982	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Internal Service Fund

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

Fiduciary Funds

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

Statement of Changes in Assets and Liabilities – Agency Fund

Norton City School District
Schedule of Revenues, Expenses and Changes in Fund Equity -
Budget (Non-GAAP) and Actual
Internal Service Fund
For the Fiscal Year Ended June 30, 2006

Self Insurance Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Charges for services	\$ 2,367,226	\$ 2,609,643	\$ 242,417
<u>Expenses:</u>			
Purchased services:			
Central support services	3,498,886	2,683,012	815,874
Excess of revenues over (under) expenses	(1,131,660)	(73,369)	1,058,291
<u>Non-operating revenues (expenses):</u>			
Advances in	10,000	10,000	-
Advances out	(10,000)	(10,000)	-
Interest	38,215	38,215	-
Total non-operating revenues (expenses):	38,215	38,215	-
Net change in fund equity	(1,093,445)	(35,154)	1,058,291
Fund equity at beginning of year	1,091,445	1,091,445	-
Prior year encumbrances appropriated	2,000	2,000	-
Fund equity at end of year	\$ -	\$ 1,058,291	\$ 1,058,291

Norton City School District
Schedule of Revenues, Expenses and Changes in Fund Equity -
Budget (Non-GAAP) and Actual
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2006

Scholarships Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Interest	\$ 945	\$ 945	\$ -
Gifts and donations	13,373	13,461	88
Total revenues	<u>14,318</u>	<u>14,406</u>	<u>88</u>
<u>Expenses:</u>			
Current:			
Instruction:			
Regular	87,085	7,100	79,985
Fiscal	4,350	-	4,350
Total expenses	<u>91,435</u>	<u>7,100</u>	<u>84,335</u>
Net change in fund equity	(77,117)	7,306	84,423
Fund equity at beginning of year	77,117	77,117	-
Fund equity at end of year	<u>\$ -</u>	<u>\$ 84,423</u>	<u>\$ 84,423</u>

Norton City School District
Statement of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2006

	Beginning Balance <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	Ending Balance <u>June 30, 2006</u>
<u>Student Managed Activity</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 47,910	\$ 59,656	\$ 56,033	\$ 51,533
<u>Liabilities:</u>				
Accounts payable	\$ 198	\$ 28	\$ 198	\$ 28
Due to students	47,712	59,628	55,835	51,505
Total liabilities	\$ 47,910	\$ 59,656	\$ 56,033	\$ 51,533

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STATISTICAL SECTION

Statistical Section

This part of Norton City School District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the School District's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends These schedules contain trend information to help the reader understand how the School District's financial position has changed over time.	S2 - S8
Revenue Capacity These schedules contain information to help the reader understand and assess the factors affecting the School District's ability to generate its most significant local revenue source(s), the property tax .	S9 - S12
Debt Capacity These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the School District's ability to issue additional debt in the future.	S13 - S16
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the School District's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	S17 - S18
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.	S19 - S26

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The School District implemented GASB Statement 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that fiscal year.

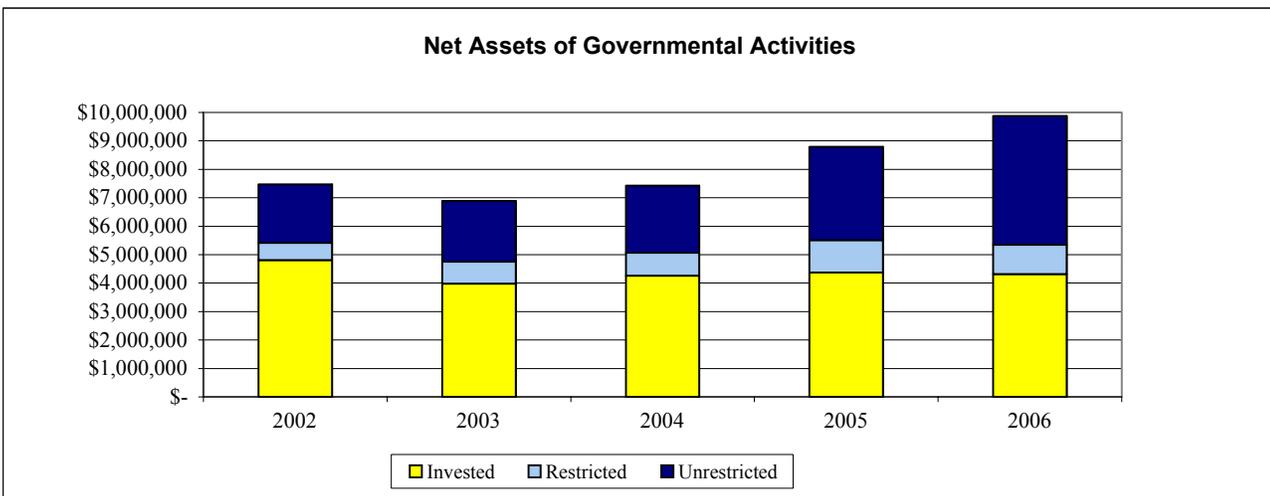
Norton City School District

Net Assets by Component (1)

Last Five Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities:					
Invested in capital assets, net of related debt	\$ 4,809,335	\$ 3,980,868	\$ 4,265,882	\$ 4,372,617	\$ 4,321,392
Restricted for:					
Capital projects	275,964	374,087	377,760	684,779	540,433
Debt service	-	48,708	15,349	2,453	4,703
Other purposes	331,982	355,316	410,085	438,169	480,162
Unrestricted (deficit)	<u>2,057,686</u>	<u>2,130,609</u>	<u>2,356,025</u>	<u>3,290,328</u>	<u>4,528,059</u>
Total governmental activities net assets	<u>\$ 7,474,967</u>	<u>\$ 6,889,588</u>	<u>\$ 7,425,101</u>	<u>\$ 8,788,346</u>	<u>\$ 9,874,749</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 4,809,335	\$ 3,980,868	\$ 4,265,882	\$ 4,372,617	\$ 4,321,392
Restricted	607,946	778,111	803,194	1,125,401	1,025,298
Unrestricted (deficit)	<u>2,057,686</u>	<u>2,130,609</u>	<u>2,356,025</u>	<u>3,290,328</u>	<u>4,528,059</u>
Total primary government net assets	<u>\$ 7,474,967</u>	<u>\$ 6,889,588</u>	<u>\$ 7,425,101</u>	<u>\$ 8,788,346</u>	<u>\$ 9,874,749</u>

(1) Accrual basis of accounting.



Norton City School District

Changes in Net Assets of Governmental Activities (1)

Last Five Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses					
Regular instruction	\$ 8,715,332	\$ 9,004,244	\$ 9,176,819	\$ 9,599,189	\$ 10,095,929
Special instruction	1,379,132	1,368,574	1,421,802	1,506,388	1,500,754
Vocational instruction	751,858	716,261	839,228	870,552	756,342
Adult/continuing	4,146	1,653	842	575	355
Other	35,787	166,237	147,727	307,566	269,789
Pupil support	699,775	839,294	713,899	745,018	810,870
Instructional staff support	753,463	721,001	630,319	592,410	678,445
Board of education	27,945	42,363	5,571	84,202	16,283
Administration	1,482,425	1,467,880	1,479,088	1,452,860	1,517,744
Fiscal	502,957	523,185	543,841	489,406	488,161
Business	298,014	357,272	322,587	296,888	378,646
Operation and maintenance of plant	2,184,104	2,159,874	1,711,278	1,743,837	2,328,056
Pupil transportation	1,271,955	1,058,785	1,023,012	1,177,982	1,309,633
Central	59,020	64,172	64,805	69,815	73,612
Operation of non-instructional services	6,795	10,923	3,332	2,526	5,036
Operation of food services	707,156	696,460	674,911	694,481	774,662
Extracurricular activities	439,649	540,724	406,468	422,265	487,038
Interest and fiscal charges	17,202	11,748	11,013	8,741	4,858
<i>Total expenses</i>	<u>\$ 19,336,715</u>	<u>\$ 19,750,650</u>	<u>\$ 19,176,542</u>	<u>\$ 20,064,701</u>	<u>\$ 21,496,213</u>
Program Revenues					
Charges for services:					
Regular instruction	\$ 357,999	\$ 1,421,437	\$ 1,692,597	\$ 2,084,493	\$ 1,659,294
Special instruction	256,345	260,830	118,424	-	341,416
Vocational instruction	14,190	4,106	-	-	3,914
Instructional staff support	3,400	13,101	4,043	785	1,315
Administration	-	7,079	-	-	-
Operation and maintenance of plant	-	-	2,652	3,099	3,425
Operation of food service	536,241	525,549	502,312	523,888	593,051
Extracurricular activities	98,159	77,564	214,412	221,840	126,657
Operating grants and contributions:					
Regular instruction	135,716	178,510	321,723	237,078	253,023
Special instruction	124,846	118,944	216,830	261,140	207,341
Vocational instruction	-	-	2,395	1,717	883
Other instruction	-	-	-	-	12,296
Pupil support	40,786	6,508	10,237	146,312	132,319
Instructional staff support	63,124	77,254	90,557	103,043	69,501
Administration	56,585	78,726	-	120,240	129,102
Business	-	21,000	106,844	-	-
Operation and maintenance of plant	6,327	-	-	-	536
Pupil transportation	42,820	34,640	19,999	-	9,876
Central	9,521	9,579	9,468	7,861	8,380
Operation of non-instructional services	1,429	-	2,401	-	811
Operation of food services	187,044	179,099	205,929	190,055	235,093
Extracurricular activities	-	-	15,291	4,267	525
Capital grants and contributions:					
Pupil transportation	-	34,781	16,963	17,276	10,273
<i>Total program revenues</i>	<u>\$ 1,934,532</u>	<u>\$ 3,048,707</u>	<u>\$ 3,553,077</u>	<u>\$ 3,923,094</u>	<u>\$ 3,799,031</u>
Net expense	<u>\$ (17,402,183)</u>	<u>\$ (16,701,943)</u>	<u>\$ (15,623,465)</u>	<u>\$ (16,141,607)</u>	<u>\$ (17,697,182)</u>

Norton City School District

Changes in Net Assets of Governmental Activities (1)

Last Five Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<i>General revenues</i>					
Property taxes levied for:					
General purposes	\$ 6,604,598	\$ 7,058,412	\$ 6,702,989	\$ 8,080,902	\$ 9,054,931
Debt service	45,536	103,965	15,160	48,304	45,852
Capital outlay	582,777	619,338	549,102	629,404	644,642
Grants and entitlements not restricted to specific programs	9,248,968	8,631,148	8,821,958	8,388,771	8,500,989
Investment earnings	151,532	73,455	52,399	112,629	313,951
Miscellaneous	153,436	292,876	17,370	244,842	223,220
<i>Total general revenues</i>	<u>\$ 16,786,847</u>	<u>\$ 16,779,194</u>	<u>\$ 16,158,978</u>	<u>\$ 17,504,852</u>	<u>\$ 18,783,585</u>
<i>Change in net assets</i>	<u>\$ (615,336)</u>	<u>\$ 77,251</u>	<u>\$ 535,513</u>	<u>\$ 1,363,245</u>	<u>\$ 1,086,403</u>

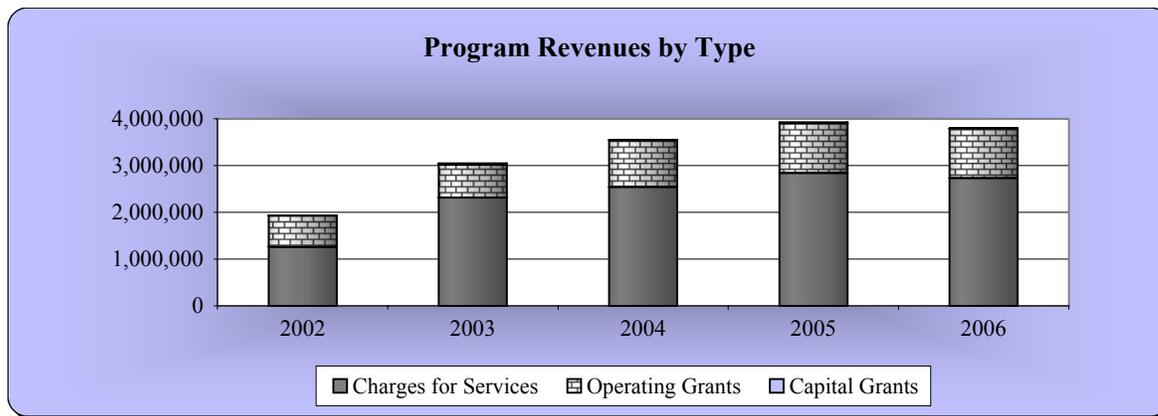
(1) Accrual basis of accounting.

Norton City School District

**Program Revenues of Governmental Activities by Function (1)
Last Five Fiscal Years**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities:					
<i>Function</i>					
Regular instruction	\$ 493,715	\$ 1,599,947	\$ 2,014,320	\$ 2,321,571	\$ 1,912,317
Special instruction	381,191	379,774	335,254	261,140	548,757
Vocational instruction	14,190	4,106	2,395	1,717	4,797
Other instruction	-	-	-	-	12,296
Pupil support	40,786	6,508	10,237	146,312	132,319
Instructional staff support	66,524	90,355	94,600	103,828	70,816
Administration	56,585	85,805	106,844	120,240	129,102
Business	-	21,000	-	-	-
Operation and maintenance of plant	6,327	-	2,652	3,099	3,961
Pupil transportation	42,820	69,421	36,962	17,276	20,149
Central	9,521	9,579	9,468	7,861	8,380
Operation of non-instructional services	1,429	-	2,401	-	811
Operation of food services	723,285	704,648	708,241	713,943	828,144
Extracurricular activities	98,159	77,564	229,703	226,107	127,182
Total program revenues	<u>\$ 1,934,532</u>	<u>\$ 3,048,707</u>	<u>\$ 3,553,077</u>	<u>\$ 3,923,094</u>	<u>\$ 3,799,031</u>

(1) Accrual basis of accounting.



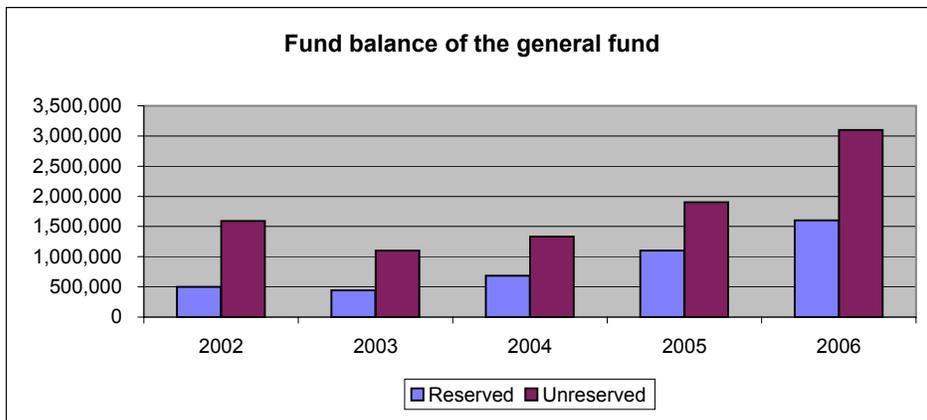
Norton City School District

Fund Balances, Governmental Funds (1)

Last Five Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund					
Reserved	\$ 503,312	\$ 440,320	\$ 684,937	\$ 1,104,090	\$ 1,604,746
Unreserved	<u>1,591,318</u>	<u>1,102,648</u>	<u>1,334,500</u>	<u>1,905,356</u>	<u>3,100,105</u>
<i>Total general fund</i>	<u>2,094,630</u>	<u>1,542,968</u>	<u>2,019,437</u>	<u>3,009,446</u>	<u>4,704,851</u>
All other governmental funds					
Reserved	300,385	158,729	277,616	614,734	220,760
Unreserved, undesignated, Reported in:					
Special revenue funds	252,284	311,768	327,394	290,062	433,219
Debt service funds	4,703	55,459	4,703	4,703	4,703
Capital projects funds	<u>33,938</u>	<u>270,017</u>	<u>166,789</u>	<u>196,760</u>	<u>362,389</u>
Total all other governmental funds	<u>591,310</u>	<u>795,973</u>	<u>776,502</u>	<u>1,106,259</u>	<u>1,021,071</u>
<i>Total governmental funds</i>	<u>\$ 2,685,940</u>	<u>\$ 2,338,941</u>	<u>\$ 2,795,939</u>	<u>\$ 4,115,705</u>	<u>\$ 5,725,922</u>

(1) Modified accrual basis of accounting.



Norton City School District

Changes in Fund Balances, Governmental Funds (1)

Last Ten Fiscal Years (2)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues										
Property and other local taxes	\$6,432,707	\$6,701,222	\$7,088,311	\$6,931,423	\$7,368,737	\$ 7,378,369	\$7,877,702	\$7,212,007	\$8,749,520	\$9,750,612
Intergovernmental	7,014,244	7,413,515	7,930,250	8,556,448	8,787,464	10,221,987	9,329,822	9,669,168	9,457,485	9,514,985
Interest	118,911	157,888	247,073	321,810	320,425	136,929	59,978	43,599	112,629	289,058
Tuition and fees	175,239	197,069	232,262	146,249	355,139	265,164	1,511,325	1,730,844	1,978,323	2,118,303
Extracurricular activities	152,561	146,710	158,845	180,012	193,290	238,837	219,150	280,693	279,425	177,176
Contributions and donations	-	-	-	13,305	71,967	26,243	64,699	65,934	53,252	66,237
Charges for services	-	-	-	-	-	539,641	528,739	576,306	524,673	574,984
Rentals	-	-	-	-	9,073	2,415	2,758	2,652	3,099	3,425
Miscellaneous	111,102	160,730	169,596	99,517	76,745	124,778	200,294	106,097	264,799	231,531
<i>Total revenues</i>	<u>14,004,764</u>	<u>14,777,134</u>	<u>15,826,337</u>	<u>16,248,764</u>	<u>17,182,840</u>	<u>18,934,363</u>	<u>19,794,467</u>	<u>19,687,300</u>	<u>21,423,205</u>	<u>22,726,311</u>
Expenditures										
Current:										
Instruction:										
Regular	\$6,281,782	\$6,932,488	\$6,813,089	\$7,325,399	8,259,175	8,697,751	9,241,788	8,879,162	9,373,521	9,834,960
Special	1,013,884	982,493	1,052,907	1,113,521	1,313,992	1,381,199	1,450,656	1,388,815	1,471,124	1,472,022
Vocational	650,805	677,539	611,958	507,387	640,602	722,660	759,539	794,851	835,886	730,151
Adult/continuing	1,818	17,318	9,672	15,835	17,189	4,146	1,653	842	575	355
Other	-	-	-	27,373	34,532	35,787	166,237	147,727	307,566	269,789
Support services:										
Pupil	479,455	480,932	512,235	634,511	710,539	934,375	851,076	719,563	730,493	793,580
Instructional staff	331,534	351,553	473,678	730,814	632,444	750,519	699,535	613,177	576,299	661,199
Board of education	23,144	14,456	19,081	24,176	15,006	28,098	41,034	7,007	84,202	15,734
Administration	963,244	993,579	1,128,782	1,178,060	1,312,524	1,456,769	1,505,272	1,421,284	1,374,162	1,441,901
Fiscal	298,796	390,357	403,386	470,814	430,129	496,683	525,049	529,292	497,276	473,055
Business	226,293	165,808	281,573	258,196	388,122	297,993	351,943	329,826	295,116	379,555
Operation and maintenance of plant	1,245,964	1,374,875	1,333,538	1,636,887	1,674,486	1,772,897	1,728,571	1,583,297	1,569,271	2,100,733
Pupil transportation	663,761	775,043	741,979	899,240	875,637	1,179,126	1,061,598	914,243	1,062,259	1,189,540
Central	6,596	6,802	7,119	7,195	49,219	59,904	65,030	63,910	69,247	70,915
Operation of non-instructional services	8,473	22,880	9,347	11,570	13,484	1,694	382	2,328	1,522	4,032
Operation of food services	-	-	-	-	-	931,824	676,038	666,605	672,020	754,062
Extracurricular activities	326,543	285,750	346,942	386,554	424,299	439,060	552,598	400,647	421,459	473,253
Capital outlay	885,275	112,200	511,031	1,003,816	538,950	720,204	369,792	832,067	490,728	366,658
Debt service:										
Principal retirement	43,400	43,400	43,400	43,400	69,449	71,899	74,578	95,904	76,035	77,480
Interest and fiscal charges	25,338	22,069	19,617	17,165	24,462	19,561	14,429	13,250	11,005	7,108
<i>Total expenditures</i>	<u>13,476,105</u>	<u>13,649,542</u>	<u>14,319,334</u>	<u>16,291,913</u>	<u>17,424,240</u>	<u>20,002,149</u>	<u>20,136,798</u>	<u>19,403,797</u>	<u>19,919,766</u>	<u>21,116,082</u>
<i>Excess of revenues over (under) expenditures</i>	<u>528,659</u>	<u>1,127,592</u>	<u>1,507,003</u>	<u>(43,149)</u>	<u>(241,400)</u>	<u>(1,067,786)</u>	<u>(342,331)</u>	<u>283,503</u>	<u>1,503,439</u>	<u>1,610,229</u>

Norton City School District

Changes in Fund Balances, Governmental Funds (1)

Last Ten Fiscal Years (2)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Other financing sources (uses)										
Sale of capital assets	3,785	20,865	-	-	-	-	-	-	-	-
General obligation bonds issued	-	-	-	-	-	-	-	-	-	-
Inception of capital lease	-	-	-	-	119,835	-	-	173,829	-	-
Transfers in	-	-	2,191	776	18,562	-	10,103	-	-	-
Transfers out	(12,331)	-	(3,118)	(776)	(18,562)	-	(10,103)	-	-	-
<i>Total other financing sources (uses)</i>	<u>(8,546)</u>	<u>20,865</u>	<u>(927)</u>	<u>-</u>	<u>119,835</u>	<u>-</u>	<u>-</u>	<u>173,829</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>\$ 520,113</u>	<u>\$1,148,457</u>	<u>\$1,506,076</u>	<u>\$ (43,149)</u>	<u>\$ (121,565)</u>	<u>\$ (1,067,786)</u>	<u>\$ (342,331)</u>	<u>\$ 457,332</u>	<u>\$1,503,439</u>	<u>\$1,610,229</u>
Debt service as a percentage of noncapital expenditures	0.5%	0.5%	0.5%	0.4%	0.6%	0.5%	0.5%	0.6%	0.4%	0.4%

(1) Modified accrual basis of accounting.

∞ (2) Includes general, special revenue, debt service and capital projects funds for fiscal years 2002 through 2006. Fiscal years 1997-2001 included general, special revenue, debt service, capital projects and expendable trust funds.

Norton City School District

**Assessed and Estimated Actual Value of Taxable Property
Last Ten Collection Years**

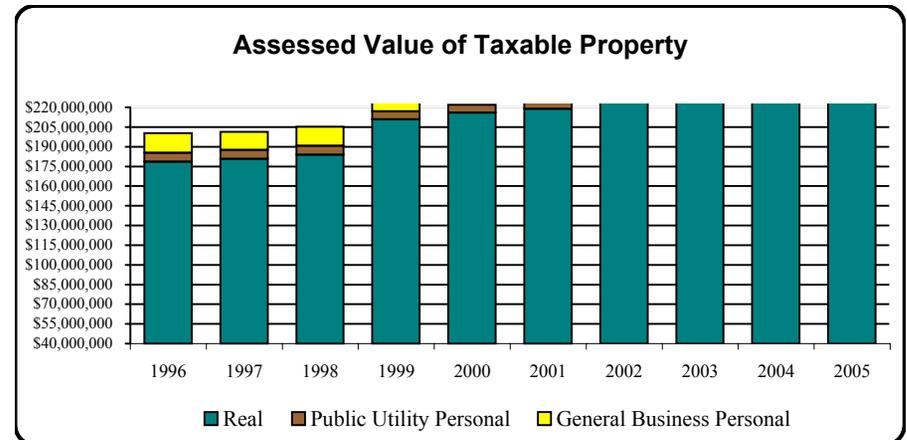
Collection Year	Real Property			Tangible Personal Property		Tangible Personal Property		Total		
	Assessed Value		Estimated Actual Value	Public Utility		General Business		Assessed Value	Estimated Actual Value	Ratio
	Residential/ Agricultural	Commercial/ Industrial/PU		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value			
1996	\$ 178,423,000	\$ -	\$ 509,780,000	\$ 11,578,900	\$ 13,157,841	\$ 17,107,776	\$ 68,431,104	\$ 207,109,676	\$ 591,368,945	35.02%
1997	180,696,320	-	516,275,200	11,662,850	13,253,239	18,422,694	73,690,776	210,781,864	603,219,215	34.94%
1998	183,968,200	-	525,623,429	12,819,380	14,567,477	18,157,729	72,630,916	214,945,309	612,821,822	35.07%
1999	182,465,740	28,302,810	602,195,857	13,181,080	14,978,500	19,048,419	76,193,676	242,998,049	693,368,033	35.05%
2000	184,844,760	30,988,330	616,665,971	12,132,210	13,786,602	18,292,861	73,171,444	246,258,161	703,624,018	35.00%
2001	187,555,690	31,346,640	625,435,229	8,294,520	9,425,591	20,398,661	81,594,644	247,595,511	716,455,463	34.56%
2002	217,133,400	38,019,310	729,007,743	8,768,500	9,964,205	19,345,067	77,380,268	283,266,277	816,352,215	34.70%
2003	221,743,890	37,596,610	740,972,857	8,453,470	9,712,113	17,792,625	71,170,500	285,586,595	821,855,470	34.75%
2004	226,246,280	38,504,470	756,430,714	8,720,900	9,910,114	19,596,241	78,384,964	293,067,891	844,725,792	34.69%
2005	251,020,120	39,806,390	830,932,886	7,882,630	8,957,534	15,659,573	62,638,292	314,368,713	902,528,712	34.83%

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Real property is reappraised every six years with a State mandated update of the current market value in the third year following each reappraisal.

The assessed value of real property (including public utility real property is 35% of estimated true value. Personal property tax is assessed on all tangible personal property used in business in Ohio. The assessed value of public utility personal property ranges from 25% of true value for railroad property to 88% for electric transmission and distribution property. General business tangible personal property was assessed in previous years at 25% for machinery and equipment and 23% for inventories. General business tangible personal property tax is being phased out beginning in 2006. The listing percentage is 18.75% for 2006, 12.5% for 2007, 6.25% for 2008 and zero for 2009.

The tangible personal property values associated with each year are the values that, when multiplied by the applicable rates, generated the property tax revenue billed in that year. For real property, the amounts generated by multiplying the assessed values by the applicable rates would be reduced by the 10%, the 2 1/2% and the homestead exemptions before being billed. Beginning in the 2006 collection year, the 10% rollback for commercial/industrial property has been eliminated.



Source: Summit County Fiscal Officer

Norton City School District

Property Tax Rates - Direct and Overlapping Governments (1)

(per \$1,000 of assessed value)

Last Ten Collection Years

<u>Collection Year</u>	<u>School Levy</u>	<u>City Levy (2)</u>	<u>Franklin Township Levy</u>	<u>County Levy</u>	<u>Akron Summit Library Levy</u>	<u>Total</u>
2006	59.90	10.00	14.65	13.07	2.04	99.66
2005	59.90	10.00	14.65	13.07	2.14	99.76
2004	55.00	10.00	14.65	13.07	0.78	93.50
2003	55.00	10.00	14.65	13.07	1.59	94.31
2002	55.00	10.00	14.65	13.07	1.35	94.07
2001	55.00	10.00	14.65	13.07	1.39	94.11
2000	55.00	10.00	14.65	12.27	1.39	93.31
1999	55.00	10.00	14.65	12.27	1.79	93.71
1998	55.00	6.50	14.65	11.65	1.87	89.67
1997	55.00	6.50	14.65	11.39	0.89	88.43

Source: Summit County Fiscal Officer.

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

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

(2) The City of Barberton now has overlapping valuations, therefore this includes 6.5 from the City of Norton and 3.5 from the City of Barberton (1999-2005 only).

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

Year	Current Levy	Delinquent Levy (2)	Total Levy	Current Collections	Percent of Current Levy Collected	Delinquent Collection	Total Collection	Total Collection as a Percent of Total Levy	Delinquent Taxes Receivable
2005	10,890,317	619,263	\$ 11,509,580	10,468,098	96.12%	\$ 315,442	\$ 10,783,540	93.69%	\$ 726,041
2004	10,365,254	554,995	10,920,249	9,968,049	96.17%	282,887	10,250,936	93.87%	669,313
2003	8,733,646	490,727	9,224,373	8,486,330	97.17%	286,843	8,773,173	95.11%	451,200
2002	8,208,438	655,238	8,863,676	7,933,738	96.65%	346,038	8,279,776	93.41%	583,900
2001	8,208,384	655,210	8,863,594	7,933,684	96.65%	345,998	8,279,682	93.41%	583,912
2000	8,400,858	633,570	9,034,428	8,113,663	96.58%	264,795	8,378,458	92.74%	655,970
1999	8,161,748	556,618	8,718,366	7,871,681	96.45%	228,223	8,099,904	92.91%	618,462
1998	7,900,026	581,689	8,481,715	7,689,081	97.33%	252,684	7,941,765	93.63%	539,950
1997	7,781,981	620,136	8,402,117	7,587,912	97.51%	233,503	7,821,415	93.09%	580,702
1996	7,420,409	440,589	7,860,998	7,185,887	96.84%	163,207	7,349,094	93.49%	511,904
1995	7,146,046	360,941	7,506,987	6,979,978	97.68%	164,583	7,144,561	95.17%	362,426

11-2

Source: Summit County Fiscal Officer.

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

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

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

(3) The 2006 information cannot be presented because all collections have not been made by June 30, 2006.

Norton City School District

Principal Taxpayers

2006 and 1997

2006 Top Taxpayers	Assessed Valuations					Estimated Actual Valuations			
	Real Property	Tangible Personal	Public Utility	Total	Percent of Total	Real Property	Tangible Personal	Public Utility (1)	Total
B&C Corp	\$ 2,268,140	\$ 4,217,630	\$ -	\$ 6,485,770	2.06%	\$ 6,480,400	\$ 16,870,520	\$ -	\$ 23,350,920
Ohio Edison	-	-	3,611,500	3,611,500	1.15%	-	-	4,103,977	4,103,977
PPG Industries	-	3,382,060	-	3,382,060	1.08%	-	13,528,240	-	13,528,240
Columbia Woods Apt. LL	2,887,300	-	-	2,887,300	0.92%	8,249,429	-	-	8,249,429
Albrecht, Inc.	2,312,070	-	-	2,312,070	0.74%	6,605,914	-	-	6,605,914
American Transmission	-	-	2,234,980	2,234,980	0.71%	-	-	2,539,750	2,539,750
Seal Real Estate Holdings LLC	-	1,754,440	-	1,754,440	0.56%	-	7,017,760	-	7,017,760
Albert's Screenprint, Inc.	-	1,409,400	-	1,409,400	0.45%	-	5,637,600	-	5,637,600
FOMO Products, Inc.	-	1,353,610	-	1,353,610	0.43%	-	5,414,440	-	5,414,440
SA Comunale Co., Inc.	-	1,287,450	-	1,287,450	0.41%	-	5,149,800	-	5,149,800
Total Top Ten Taxpayers	\$ 7,467,510	\$ 13,404,590	\$ 5,846,480	\$ 26,718,580	8.50%	\$ 21,335,743	\$ 53,618,360	\$ 6,643,727	\$ 81,597,830

Total All Assessed Valuations \$ 290,826,510 \$ 15,659,573 \$ 7,882,630 \$ 314,368,713

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1997 Top Taxpayers	Assessed Valuations					Estimated Actual Valuations			
	Real Property	Tangible Personal	Public Utility	Total	Percent of Total	Real Property	Tangible Personal	Public Utility (1)	Total
Ohio Edison	\$ -	\$ 5,955,370	\$ 276,800	\$ 6,232,170	3.03%	\$ -	\$ 23,821,480	\$ 314,545	\$ 24,136,025
PPG Industries	3,238,300	-	1,635,380	4,873,680	2.37%	9,252,286	-	1,858,386	11,110,672
East Ohio Gas	-	3,138,900	45,810	3,184,710	1.55%	-	12,555,600	52,057	12,607,657
Ohio Bell Telephone	-	2,397,680	-	2,397,680	1.16%	-	9,590,720	-	9,590,720
Albrecht Inc	-	-	1,600,940	1,600,940	0.78%	-	-	1,819,250	1,819,250
Isolab	850,660	-	481,370	1,332,030	0.65%	2,430,457	-	547,011	2,977,469
Liquid Carbonic Industries	1,116,260	-	-	1,116,260	0.54%	3,189,314	-	-	3,189,314
Midwest Rubber Custom Mixing	965,320	-	-	965,320	0.47%	2,758,057	-	-	2,758,057
Albert J. Falkenstein	-	-	955,500	955,500	0.46%	-	-	1,085,795	1,085,795
Louisiana Pacific	407,780	-	484,610	892,390	0.43%	1,165,086	-	550,693	1,715,779
Total Top Ten Taxpayers	\$ 6,578,320	\$ 11,491,950	\$ 5,480,410	\$ 23,550,680	11.44%	\$ 18,795,200	\$ 45,967,800	\$ 6,227,739	\$ 70,990,739

Total All Assessed Valuations \$ 178,423,000 \$ 15,842,483 \$ 11,578,900 \$ 205,844,383

Source: Summit County Fiscal Officer

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

Norton City School District
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Bonded Debt</u>	<u>Resources Available to Pay Principal</u>	<u>Net General Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Estimated Actual Value</u>	<u>Net Bonded Debt per Capita</u>
1997	\$ 390,600	\$ -	\$ 390,600	0.07%	\$ 34.03
1998	347,200	-	347,200	0.06%	30.25
1999	303,800	-	303,800	0.05%	26.47
2000	260,400	-	260,400	0.04%	22.60
2001	217,000	-	217,000	0.03%	18.83
2002	173,600	-	173,600	0.02%	15.07
2003	130,200	-	130,200	0.02%	11.30
2004	86,800	-	86,800	0.01%	7.53
2005	43,400	-	43,400	0.01%	3.77
2006	-	-	-	0.00%	-

Source: Summit County Fiscal Officer

Norton City School District
Computation of Legal Debt Margin
Last Ten Fiscal Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Tax Valuation	<u>\$ 207,109,676</u>	<u>\$ 210,781,864</u>	<u>\$ 214,945,309</u>	<u>\$ 242,998,049</u>
Debt Limit - 9% of Taxable Valuation (1)	<u>18,639,871</u>	<u>18,970,368</u>	<u>19,345,078</u>	<u>21,869,824</u>
Amount of Debt Applicable to Debt Limit				
General Obligation Bonds	390,600	347,200	303,800	260,400
Less Amount Available in Debt Service	<u>(4,703)</u>	<u>(4,703)</u>	<u>(4,703)</u>	<u>(4,703)</u>
Amount of Debt Subject to Limit	<u>385,897</u>	<u>342,497</u>	<u>299,097</u>	<u>255,697</u>
Legal Debt Margin	<u>\$ 18,253,974</u>	<u>\$ 18,627,871</u>	<u>\$ 19,045,981</u>	<u>\$ 21,614,127</u>
Legal Debt Margin as a Percentage of the Debt Limit	97.93%	98.19%	98.45%	98.83%
Unvoted Debt Limit - .10% of Taxable Valuation (1)	\$ 207,110	\$ 210,782	\$ 214,945	\$ 242,998
Amount of Debt Subject to Limit	<u>385,897</u>	<u>342,497</u>	<u>299,097</u>	<u>255,697</u>
Unvoted Legal Debt Margin	<u>\$ 593,007</u>	<u>\$ 553,279</u>	<u>\$ 514,042</u>	<u>\$ 498,695</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limit	286.32%	262.49%	239.15%	205.23%

Source: School District records, Summit County Fiscal Officer.

(1) Ohio Bond Law sets a limit of 9% for overall debt and 1/10 of 1% for unvoted debt.

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>\$ 246,258,161</u>	<u>\$ 247,595,511</u>	<u>\$ 283,266,277</u>	<u>\$ 285,586,595</u>	<u>\$ 293,067,891</u>	<u>\$ 314,368,713</u>
<u>22,163,234</u>	<u>22,283,596</u>	<u>25,493,965</u>	<u>25,702,794</u>	<u>26,376,110</u>	<u>28,293,184</u>
<u>217,000</u>	<u>173,600</u>	<u>130,200</u>	<u>86,800</u>	<u>43,400</u>	<u>-</u>
<u>(4,703)</u>	<u>(55,459)</u>	<u>(4,703)</u>	<u>(4,703)</u>	<u>(4,703)</u>	<u>(4,703)</u>
<u>212,297</u>	<u>118,141</u>	<u>125,497</u>	<u>82,097</u>	<u>38,697</u>	<u>(4,703)</u>
<u>\$ 21,950,937</u>	<u>\$ 22,165,455</u>	<u>\$ 25,368,468</u>	<u>\$ 25,620,697</u>	<u>\$ 26,337,413</u>	<u>\$ 28,297,887</u>
99.04%	99.47%	99.51%	99.68%	99.85%	100.02%
\$ 246,258	\$ 247,596	\$ 283,266	\$ 285,587	\$ 293,068	\$ 314,369
<u>212,297</u>	<u>118,141</u>	<u>125,497</u>	<u>82,097</u>	<u>38,697</u>	<u>(4,703)</u>
<u>\$ 458,555</u>	<u>\$ 365,737</u>	<u>\$ 408,763</u>	<u>\$ 367,684</u>	<u>\$ 331,765</u>	<u>\$ 309,666</u>
186.21%	147.72%	144.30%	128.75%	113.20%	98.50%

Norton City School District
Computation of Direct and Overlapping Debt
June 30, 2006

	<u>Net General Tax Supported Debt (1)</u>	<u>Percent Overlapping (2)</u>	<u>Amount Applicable to Norton CSD</u>
Direct:			
Norton City School District	<u>\$ -</u>	100.00%	<u>\$ -</u>
Overlapping:			
City of Norton	3,765,840	96.46%	3,632,529
City of Barberton	8,153,824	0.10%	8,154
Franklin Township	-	13.88%	-
New Franklin Village	-	13.88%	-
Summit County	70,270,000	2.43%	1,707,561
Metro Regional Transit Authority	1,345,000	2.43%	32,684
Akron-Summit Library District	58,721,401	3.58%	2,102,226
Muskingum Watershed Conservancy District	-	0.81%	-
Summit Metro Park District	<u>-</u>	<u>2.58%</u>	<u>-</u>
Total overlapping:	<u>142,256,065</u>		<u>7,483,154</u>
Total direct and overlapping debt:	<u>\$ 142,256,065</u>		<u>\$ 7,483,154</u>

Source: School District records, Summit County Fiscal Officer.

(1) All debt reported is as of December 31, 2005, except for Norton City School District, which is reported as of June 30, 2006.

(2) Overlapping percentages are calculated based on overlapping valuation and total entity valuation.

Norton City School District
Demographic and Economic Statistics
Last Ten Calendar Years

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u> <u>(in thousands)</u>	<u>Per Capita</u> <u>Personal</u> <u>Income</u>	<u>Unemployment</u> <u>Rate (3)</u>
1997	11,477	\$ 228,969	\$20	4.40%
1998	11,477	252,872	22	4.00%
1999	11,477	257,268	22	4.20%
2000	11,523	276,435	24	4.00%
2001	11,523	269,608	23	4.30%
2002	11,523	266,886	23	5.50%
2003	11,523	275,864	24	5.70%
2004	11,523	296,584	26	6.10%
2005	11,523	n/a	n/a	5.80%
2006	11,523	n/a	n/a	4.60%

Sources: (1) U.S. Bureau of Census, Census of Population.
(2) Ohio Department of Taxation.
(3) U.S. Department of Labor.

Norton City School District

Principal Employers

2005 and 2002

Employer	Nature of Business	2005			2002		
		Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
B&C Corporation	Communications	1,587	1	359.86%	949	1	209.03%
North City School District	Education	441	2	100.00%	454	2	100.00%
Fred Martin Motor Group	Automotive sales	273	3	61.90%	274	3	60.35%
SA Communale Company	Construction	272	4	61.68%	254	4	55.95%
Fred W. Albrecht Grocery, Inc.	Grocery Store	212	5	48.07%	238	5	52.42%
Albert Screenprint, Inc.	Screen printing	158	6	35.83%	168	6	37.00%
Ganley Ford, Inc.	Automotive sales	118	7	26.76%	150	7	33.04%
PPG Industries	Glass manufacturing	82	8	18.59%	86	10	18.94%
Fomo Products, Inc.	Manufacture foam	75	9	17.01%	-		0.00%
Lenic, Inc.	Fast food	-		0.00%	123	8	27.09%
Perkinelmer Wallace, Inc.	Automotive sales	-		0.00%	101	9	22.25%
Total		<u>3,218</u>			<u>2,797</u>		

Source: City of Norton, Ohio.

Norton City School District

**School District Employees by Function/Program
Last Three Fiscal Years**

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Regular instruction			
Elementary classroom teachers	49	50	54
Middle school classroom teachers	38	40	39
High school classroom teachers	34	35	40
Alternative school	1	1	2
Special instruction			
Academically gifted teachers	1	1	1
Muti handicapped teachers	3	3	3
Severe behavior handicapped teachers	3	3	2
Developmentally handicapped teachers	3	3	3
Specific learning disabled teachers	6	6	9
Disadvantaged youth teachers	3	3	3
Vocational instruction			
High school classroom teachers	10	10	8
Pupil support services			
Guidance counselors	3	3	4
Librarians	2	2	2
Psychologists	1	1	1
Speech and language pathologists	2	2	2
Aides	8	8	16
Computer	1	1	2
Other	10	13	10
Administrators			
Elementary	3	3	3
Middle school	1	1	1
High school	2	2	2
Operation of plant			
Custodians	17	18	20
Pupil transportation			
Bus drivers	21	23	22
Bus aides	6	6	6
Maintenance	3	3	3
Food service program			
Cooks	15	17	19

Information prior to 2004 is not available.

Source: School District records.

Norton City School District

Operating Statistics

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Expenses</u>	<u>Enrollment</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil/Teacher Ratio</u>
1997	n/a	2,488	n/a	n/a	n/a	n/a
1998	n/a	2,519	n/a	n/a	n/a	n/a
1999	n/a	2,444	n/a	n/a	n/a	n/a
2000	n/a	2,456	n/a	n/a	n/a	n/a
2001	n/a	2,429	n/a	n/a	142.90	17.0
2002	\$ 19,336,715	2,544	\$7,601	\$2,544	154.00	16.5
2003	\$ 19,750,650	2,544	\$7,764	\$2,544	147.60	17.2
2004	\$ 19,176,542	2,523	\$7,601	\$2,523	138.60	18.2
2005	\$ 20,064,701	2,425	\$8,274	\$2,425	138.80	17.5
2006	\$ 21,496,213	2,383	\$9,021	\$2,383	140.30	17.0

Source: School District Records, Ohio Department of Education.

Norton City School District

Building Statistics

Last Ten Fiscal Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Norton Corner Stone Elementary School										
Constructed in 1914										
Total building square footage	40,919	40,919	40,919	40,919	40,919	40,919	40,919	40,919	40,919	40,919
Enrollment grades K-4	382	356	355	360	366	366	349	216	229	217
Student capacity	510	510	510	510	510	510	510	510	510	510
Regular instruction classrooms	16	16	16	16	16	16	16	16	16	16
Regular instruction teachers	n/a	n/a	n/a	n/a	18	19	16	11	11	11
Special instruction classrooms	1	1	1	1	1	1	1	1	1	1
Special instruction teachers	1	1	1	1	1	1	1	1	1	1
Norton Primary Elementary School										
Constructed in 1956										
Total building square footage	32,658	32,658	32,658	32,658	32,658	32,658	32,658	32,658	32,658	32,658
Enrollment grades K-4	307	312	300	319	287	343	354	360	353	362
Student capacity	630	630	630	630	630	630	630	630	630	630
Regular instruction classrooms	19	19	19	19	19	19	19	19	19	19
Regular instruction teachers	n/a	n/a	n/a	n/a	14	15	15	16	16	18
Special instruction classrooms	2	2	2	2	2	2	2	2	2	2
Special instruction teachers	2	2	2	2	2	2	2	2	2	2
Grill Elementary School										
Constructed in 1928										
Total building square footage	26,562	26,562	26,562	26,562	26,562	26,562	26,562	26,562	26,562	26,562
Enrollment grades K-4	264	253	248	254	265	277	273	219	217	235
Student capacity	480	480	480	480	480	480	480	480	480	480
Regular instruction classrooms	14	14	14	14	14	14	14	14	14	14
Regular instruction teachers	n/a	n/a	n/a	n/a	12	13	13	9	9	11
Special instruction classrooms	2	2	2	2	2	2	2	2	2	2
Special instruction teachers	2	2	2	2	2	2	2	2	2	2
Junior High/Middle School										
Constructed in 1966										
Total building square footage	75,081	75,081	75,081	75,081	75,081	75,081	75,081	75,081	75,081	75,081
Enrollment grades 5-8	620	612	622	604	592	600	605	824	781	776
Student capacity	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140
Regular instruction classrooms	36	36	36	36	36	36	36	36	36	36
Regular instruction teachers	n/a	n/a	n/a	n/a	31	33	32	36	36	36
Special instruction classrooms	2	2	2	2	2	2	2	2	2	2
Special instruction teachers	2	2	2	2	2	2	2	2	2	4

Norton City School District
Building Statistics
Last Ten Fiscal Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
High School										
Constructed in 1953										
Total building square footage	112,097	112,097	112,097	112,097	112,097	112,097	112,097	112,097	112,097	112,097
Enrollment grades 9-12	813	875	807	801	802	843	844	815	766	701
Student capacity	1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,530
Regular instruction classrooms	47	47	47	47	47	47	47	47	47	47
Regular instruction teachers	n/a	n/a	n/a	n/a	43	49	47	43	43	46
Special instruction classrooms	4	4	4	4	4	4	4	4	4	4
Special instruction teachers	4	4	4	4	4	4	4	4	4	4

Source: School District records.

Norton City School District

Teachers' Salaries

Last Ten Fiscal Years

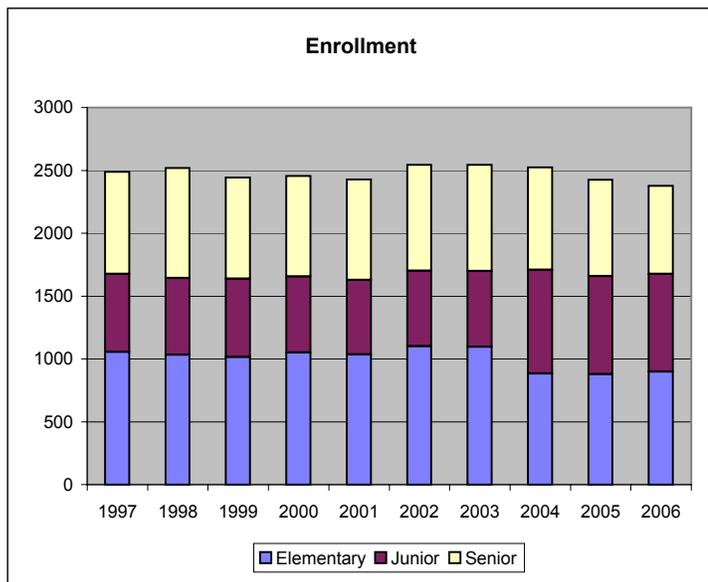
<u>Fiscal Year</u>	<u>School District Average Salary</u>	<u>Statewide Average Salary</u>
1997	\$ 39,039	n/a
1998	39,419	n/a
1999	38,720	n/a
2000	44,931	n/a
2001	42,303	42,995
2002	41,842	43,755
2003	45,167	45,645
2004	47,538	47,659
2005	47,583	49,438
2006	49,877	50,772

Source: Ohio Department of Education.

Norton City School District

**Enrollment Statistics
Last Ten Fiscal Years**

Fiscal Year	Elementary Schools	Junior High School	Senior High School	Total
1997	1055	620	813	2488
1998	1032	612	875	2519
1999	1015	622	807	2444
2000	1051	604	801	2456
2001	1035	592	802	2429
2002	1101	600	843	2544
2003	1095	605	844	2544
2004	884	824	815	2523
2005	878	781	766	2425
2006	900	776	701	2383



Source: Ohio Department of Education.

Norton City School District
Average Number of Students per Teacher
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>School District Average</u>	<u>State Average</u>
1997	21.40	20.70
1998	21.80	20.40
1999	21.30	18.60
2000	21.30	18.10
2001	20.70	18.00
2002	19.40	16.90
2003	19.20	16.50
2004	20.00	18.50
2005	19.30	18.50
2006	18.20	18.60

Source: Ohio Department of Education.

Norton City School District
Attendance and Graduation Rates
Last Ten Fiscal Years

Fiscal Year	School District Attendance Rate	State Average	School District Graduation Rate	State Average
1997	95.20%	93.30%	90.60%	N/A
1998	95.20%	93.60%	87.70%	79.90%
1999	94.30%	93.50%	88.40%	81.40%
2000	95.10%	93.60%	91.60%	80.70%
2001	95.20%	93.90%	87.60%	81.20%
2002	95.00%	94.30%	88.80%	82.80%
2003	95.10%	94.50%	92.90%	83.90%
2004	95.20%	94.50%	97.30%	84.30%
2005	94.90%	94.30%	97.50%	85.90%
2006	95.10%	94.10%	97.60%	86.20%

Source: Ohio Department of Education.



Mary Taylor, CPA
Auditor of State

NORTON CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 3, 2007**