

NORWOOD CITY SCHOOL DISTRICT

Basic Financial Statements

June 30, 2010



Dave Yost • Auditor of State

Board of Education
Norwood City School District
2132 Williams Avenue
Cincinnati, Ohio 45212

We have reviewed the *Independent Auditor's Report* of the Norwood City School District, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 Norwood City School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 25, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Norwood City School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Norwood City School District (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2010, and the respective changes in financial position 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 3, 2010, on our consideration of the District's internal control over financial reporting and on 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.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 3, 2010

**Norwood City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

The discussion and analysis of Norwood City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- Net assets of governmental activities decreased \$1,862,035 which represents a 22% decrease from 2009.
- General revenues accounted for \$23,778,880 in revenue or 84% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,576,406 or 16% of total revenues of \$28,355,286 .
- The District had \$30,217,321 in expenses related to governmental activities; \$4,576,406 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$23,778,880 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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 District, presenting both an aggregate view of the 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 tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund is the only major fund of the District.

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2010?" The Government-wide Financial Statements answers this question. 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.

**Norwood City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major funds begins on the balance sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end 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 District's general government operations and the basic services it provides. Governmental fund information helps you 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.

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

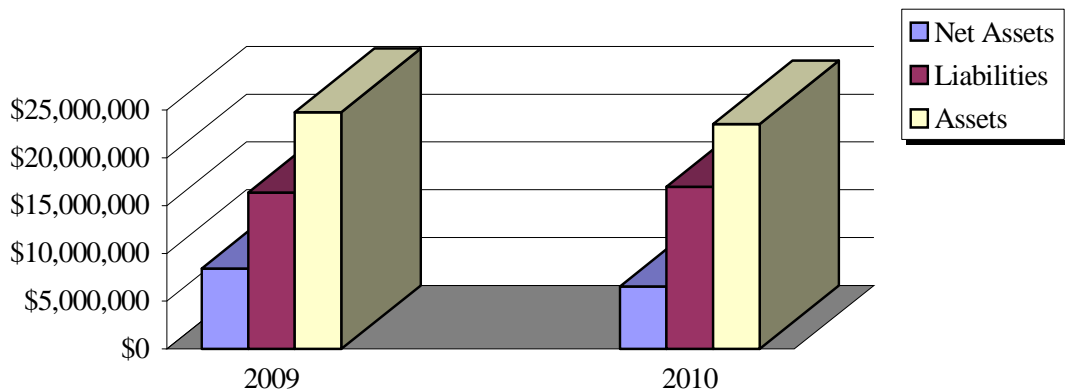
The District as a Whole

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for fiscal year 2010 compared to fiscal year 2009:

**Norwood City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

**Table 1
Net Assets**

	Governmental Activities	
	2010	2009
Assets:		
Current and Other Assets	\$16,671,136	\$18,172,088
Capital Assets	6,858,581	6,621,887
Total Assets	23,529,717	24,793,975
Liabilities:		
Other Liabilities	10,729,911	10,633,565
Long-Term Liabilities	6,240,271	5,738,840
Total Liabilities	16,970,182	16,372,405
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,727,756	1,902,887
Restricted	1,737,768	2,300,425
Unrestricted	3,094,011	4,218,258
Total Net Assets	\$6,559,535	\$8,421,570



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$6,559,535 .

At year-end, capital assets represented 29% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2010, was \$1,727,756 These capital assets are used to provide services to the students and are not available for future spending. Although the 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.

**Norwood City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

A portion of the District's net assets, \$1,737,768 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Net assets of governmental activities declined \$1,862,035 from 2009 to 2010. Total assets remained relatively consistent from 2009 to 2010. Total liabilities increased mainly due to an increase in unearned revenue which is due to an increase in taxes receivable by the District in 2010 compared to 2009.

Table 2 shows the changes in net assets for fiscal years 2010 and 2009.

**Table 2
Changes in Net Assets**

	Governmental Activities	
	2010	2009
Revenues:		
Program Revenues		
Charges for Services	\$678,059	\$454,619
Operating Grants, Contributions	3,898,347	3,976,527
General Revenues:		
Property Taxes	11,576,137	10,690,166
Grants and Entitlements	11,759,872	10,118,569
Other	442,871	814,839
Total Revenues	<u>28,355,286</u>	<u>26,054,720</u>
Expenses:		
Instruction	17,833,688	16,364,243
Support Services:		
Pupil and Instructional Staff	3,464,990	3,315,666
School Administrative, General		
Administration and Fiscal	2,489,767	2,379,411
Operations and Maintenance	2,589,419	2,790,455
Pupil Transportation	749,877	628,997
Central	592,223	522,515
Operation of Non-Instructional Services	1,582,231	1,280,554
Extracurricular Activities	642,150	667,302
Interest and Fiscal Charges	272,976	258,246
Total Expenses	<u>30,217,321</u>	<u>28,207,389</u>
Changes in Net Assets	(1,862,035)	(2,152,669)
Net Assets Beginning of Year	<u>\$8,421,570</u>	<u>\$10,574,239</u>
Net Assets End of Year	<u><u>\$6,559,535</u></u>	<u><u>\$8,421,570</u></u>

**Norwood City School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

Of the total governmental activities revenues of \$28,355,286, \$4,576,406 is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, \$11,576,137 (49%) comes from property tax levies and \$11,759,872 (49%) is from state funding. This District’s operations are reliant upon its property tax levy and the state’s foundation program.

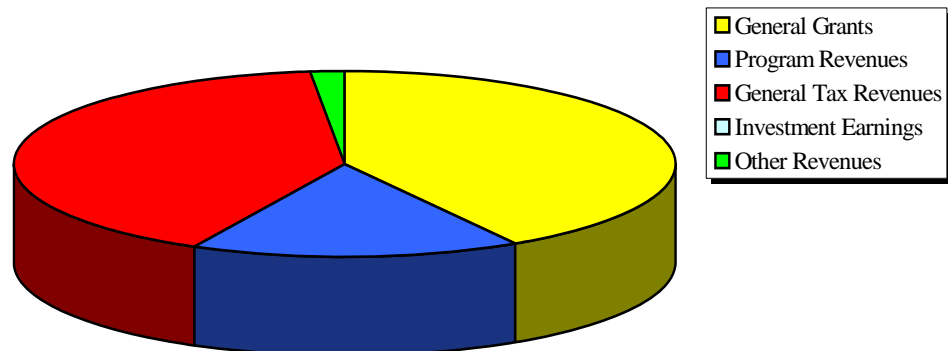
The District revenues are mainly from two sources. Property taxes levied for general purposes and grants and entitlements comprised 82% of the District’s revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts do not collect additional property tax revenue on the increased value of homes that is due to appreciation and must regularly return to the voters to maintain a constant level of service. Property taxes made up 41% of revenue for governmental activities for the District in fiscal year 2010.

**Governmental Activities
Revenue Sources**

Revenue Sources	2010	Percentage
General Grants	\$11,759,872	41.47%
Program Revenues	4,576,406	16.14%
General Tax Revenues	11,576,137	40.83%
Investment Earnings	6,094	0.02%
Other Revenues	436,777	1.54%
	<u>\$28,355,286</u>	<u>100.00%</u>



Instruction comprises 59% of governmental program expenses. Support services expenses were 33% of governmental program expenses. All other program expenses including interest expense were 8%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

**Norwood City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

Property tax revenue increased in 2010 compared to 2009. Investment earnings decreased due to the decline in economy and investment rates available to the District. Instruction, pupil and instructional staff expenses increased over the prior year due to increases of personnel costs and general inflationary factors.

Governmental Activities

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. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction	\$17,833,688	\$16,364,243	(\$14,991,017)	(\$13,670,945)
Support Services:				
Pupil and Instructional Staff	3,464,990	3,315,666	(2,812,310)	(2,884,342)
School Administrative, General Administration and Fiscal	2,489,767	2,379,411	(2,466,134)	(2,326,846)
Operations and Maintenance	2,589,419	2,790,455	(2,390,597)	(2,789,772)
Pupil Transportation	749,877	628,997	(524,132)	(626,301)
Central	592,223	522,515	(506,003)	(515,759)
Operation of Non-Instructional Services	1,582,231	1,280,554	(1,124,067)	(136,344)
Extracurricular Activities	642,150	667,302	(553,679)	(567,688)
Interest and Fiscal Charges	272,976	258,246	(272,976)	(258,246)
Total Expenses	<u>\$30,217,321</u>	<u>\$28,207,389</u>	<u>(\$25,640,915)</u>	<u>(\$23,776,243)</u>

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$14,933,327 (88%) of the total \$17,047,060 governmental funds assets.

General Fund: Fund balance at June 30, 2010 was \$3,627,104, a decrease in fund balance of \$1,231,856 from 2009. The primary reason for the decrease in fund balance was the increase in instructional expenses due to increases of personnel costs and general inflationary factors.

General Fund Budgeting Highlights

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

**Norwood City School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

During the course of fiscal year 2010, the District amended its general fund budget at times, however none were significant. The District’s budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the final budgeted revenue was \$24,468,912 and the original budgeted revenue was \$23,852,859. The difference was \$616,053. Of this difference, most was due to underestimates of tax and intergovernmental revenue.

The District’s final budgeted revenue and expenditures when compared to the actual revenue and expenditures did not have any significant variances. The District’s ending unobligated actual fund balance for the General fund was \$1,586,649.

Capital Assets and Long-Term Obligations

Capital Assets

At the fiscal year end, the District had \$6,858,581 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2010 balances compared to fiscal year 2009:

**Table 4
Capital Assets at Year End
(Net of Depreciation)**

	Governmental Activities	
	2010	2009
Land	\$524,809	\$524,809
Buildings and Improvements	5,464,122	5,850,430
Equipment	869,650	246,648
Total Net Capital Assets	\$6,858,581	\$6,621,887

Overall, capital assets increased due to depreciation expense being less than current fiscal year additions.

See note 5 in the notes to the basic financial statements for further details on the District’s capital assets.

**Norwood City School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

Long-Term Obligations

At June 30, 2010, the District had \$5,130,825 in lease-purchase agreement and copier lease outstanding, \$230,700 due within one year. Table 5 summarizes bonds outstanding.

**Table 5
Outstanding Debt at Year End**

	Governmental Activities	
	2010	2009
Lease - Purchase Agreement	\$4,605,000	\$4,719,000
Copier Lease	525,825	0
Total	\$5,130,825	\$4,719,000

See note 10 in the notes to the basic financial statements for further details on the District’s outstanding debt.

For the Future

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither “adequate” nor “equitable.” Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not “equitable” nor “adequate”. The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court’s concerns.

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2006 and will be eliminated by 2009. The tax on telephone and telecommunication property will begin being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

**Norwood City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

In July, 2009, the Ohio's Governor signed HB 1, the state biennium budget bill. Included in this bill was a complete overhaul of the school funding model for all school districts in Ohio. The new Ohio Evidence-Based Model (OEBM) replaces the long-standing foundation formula that was declared unconstitutional by the Ohio Supreme Court. If ever fully-funded, the new model has the potential to drive funding based on student needs and could result in additional revenue. However, the current economic crisis has reduced revenue at the state level prompting budget reduction measures across the State. As such, the funding for the OEBM started in FY10 by allocating the funding for each year based on 99% of the FY09 funding and 98% of the FY10 funding, respectively. Federal stimulus funds are being used in Ohio to balance the education budget and as such, funding for public education at the current level is not secure beyond FY11. This uncertainty could have a major impact on our instructional and operational programs. The need for additional revenue and or expenditure reductions will need to be monitored closely.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at Norwood City School District, 2132 Williams Avenue, Norwood, Ohio 45212.

Norwood City School District
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$3,124,089
Restricted Cash and Investments	276,070
Receivables:	
Taxes	12,195,791
Accounts	21,729
Interest	109
Intergovernmental	1,036,603
Inventory	16,745
Nondepreciable Capital Assets	524,809
Depreciable Capital Assets, Net	<u>6,333,772</u>
 Total Assets	 <u>23,529,717</u>
Liabilities:	
Accounts Payable	663,420
Accrued Wages and Benefits	2,907,343
Accrued Interest Payable	20,761
Unearned Revenue	7,138,387
Long-Term Liabilities:	
Due Within One Year	458,949
Due In More Than One Year	<u>5,781,322</u>
 Total Liabilities	 <u>16,970,182</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	1,727,756
Restricted for:	
Special Revenue	400,240
Capital Projects	986,799
Set Aside	276,070
Permanent Fund	74,659
Unrestricted	<u>3,094,011</u>
 Total Net Assets	 <u><u>\$6,559,535</u></u>

See accompanying notes to the basic financial statements.

Norwood City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$13,593,644	\$108,428	\$857,902	(\$12,627,314)
Special	3,508,667	62,409	1,747,040	(1,699,218)
Vocational	3,117	0	2,766	(351)
Other	728,260	0	64,126	(664,134)
Support Services:				
Pupil	1,968,591	801	409,535	(1,558,255)
Instructional Staff	1,496,399	6,042	236,302	(1,254,055)
General Administration	35,644	0	0	(35,644)
School Administration	1,905,080	0	23,633	(1,881,447)
Fiscal	549,043	0	0	(549,043)
Operations and Maintenance	2,589,419	92,572	106,250	(2,390,597)
Pupil Transportation	749,877	0	225,745	(524,132)
Central	592,223	0	86,220	(506,003)
Operation of Non-Instructional Services	1,582,231	319,336	138,828	(1,124,067)
Extracurricular Activities	642,150	88,471	0	(553,679)
Interest and Fiscal Charges	272,976	0	0	(272,976)
Total Governmental Activities:	\$30,217,321	\$678,059	\$3,898,347	(25,640,915)

General Revenues:	
Property Taxes Levied for:	
General Purposes	11,576,137
Grants and Entitlements not Restricted	11,759,872
Revenue in Lieu of Taxes	245,697
Investment Earnings	6,094
Other Revenues	191,080
Total General Revenues	23,778,880
Change in Net Assets	(1,862,035)
Net Assets Beginning of Year	8,421,570
Net Assets End of Year	\$6,559,535

See accompanying notes to the basic financial statements.

Norwood City School District
Balance Sheet
Governmental Funds
June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$1,765,447	\$1,358,642	\$3,124,089
Restricted Cash and Investments	276,070	0	276,070
Receivables:			
Taxes	12,195,791	0	12,195,791
Accounts	21,729	0	21,729
Interest	98	11	109
Intergovernmental	281,523	755,080	1,036,603
Interfund	375,924	0	375,924
Inventory	16,745	0	16,745
Total Assets	14,933,327	2,113,733	17,047,060
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	577,769	85,651	663,420
Accrued Wages and Benefits	2,594,971	312,372	2,907,343
Compensated Absences	158,995	0	158,995
Interfund Payable	0	375,924	375,924
Deferred Revenue	7,974,488	488,999	8,463,487
Total Liabilities	11,306,223	1,262,946	12,569,169
Fund Balances:			
Reserved for Encumbrances	4,644	267,053	271,697
Reserved for Inventory	16,745	0	16,745
Reserved for Property Tax Advances	4,467,000	0	4,467,000
Reserved for Set-Aside	276,070	0	276,070
Unreserved, Undesignated, Reported in:			
General Fund	(1,137,355)	0	(1,137,355)
Special Revenue Funds	0	(286,262)	(286,262)
Capital Projects Funds	0	795,337	795,337
Permanent Funds	0	74,659	74,659
Total Fund Balances	3,627,104	850,787	4,477,891
Total Liabilities and Fund Balances	\$14,933,327	\$2,113,733	\$17,047,060

See accompanying notes to the basic financial statements.

Norwood City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2010

Total Governmental Fund Balance		\$4,477,891
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.		6,858,581
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Income Taxes	\$836,101	
Intergovernmental	<u>488,999</u>	
		1,325,100
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(20,761)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(950,451)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(5,130,825)</u>
Net Assets of Governmental Activities		<u><u>\$6,559,535</u></u>

See accompanying notes to the basic financial statements.

Norwood City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$11,418,974	\$0	\$11,418,974
Revenue in lieu of taxes	245,697	0	245,697
Tuition and Fees	144,056	0	144,056
Investment Earnings	767	5,327	6,094
Intergovernmental	12,283,499	3,251,170	15,534,669
Extracurricular Activities	0	132,869	132,869
Charges for Services	312,927	0	312,927
Other Revenues	152,191	127,097	279,288
Total Revenues	24,558,111	3,516,463	28,074,574
Expenditures:			
Current:			
Instruction:			
Regular	12,387,438	1,636,916	14,024,354
Special	1,957,025	1,510,025	3,467,050
Vocational	0	3,117	3,117
Other	727,960	300	728,260
Support Services:			
Pupil	1,555,067	407,246	1,962,313
Instructional Staff	1,271,367	226,803	1,498,170
General Administration	35,644	0	35,644
School Administration	1,875,489	24,937	1,900,426
Fiscal	549,412	0	549,412
Operations and Maintenance	2,258,876	257,715	2,516,591
Pupil Transportation	580,977	168,900	749,877
Central	425,337	141,651	566,988
Operation of Non-Instructional Services	1,458,940	117,212	1,576,152
Extracurricular Activities	411,268	122,031	533,299
Capital Outlay	77,680	61,095	138,775
Debt Service:			
Principal Retirement	141,675	0	141,675
Interest and Fiscal Charges	252,215	0	252,215
Total Expenditures	25,966,370	4,677,948	30,644,318
Excess of Revenues Over (Under) Expenditures	(1,408,259)	(1,161,485)	(2,569,744)
Other Financing Sources (Uses):			
Issuance of Capital Leases	553,500	0	553,500
Transfers In	0	377,097	377,097
Transfers (Out)	(377,097)	0	(377,097)
Total Other Financing Sources (Uses)	176,403	377,097	553,500
Net Change in Fund Balance	(1,231,856)	(784,388)	(2,016,244)
Fund Balance Beginning of Year	4,858,960	1,635,175	6,494,135
Fund Balance End of Year	\$3,627,104	\$850,787	\$4,477,891

See accompanying notes to the basic financial statements.

Norwood City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2010

Net Change in Fund Balance - Total Governmental Funds (\$2,016,244)

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

Governmental funds report capital asset additions as expenditures.
 However, in the statement of activities, the cost of those assets is
 allocated over their estimated useful lives as depreciation
 expense. This is the amount of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	\$710,440	
Depreciation Expense	<u>(473,746)</u>	236,694

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

Income Taxes	\$157,163	
Intergovernmental	<u>123,549</u>	280,712

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 141,675

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. (20,761)

Some expenses 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.

Compensated Absences		69,389
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Proceeds from debt issues are an other financing source in the funds,
 but a debt issue increases long-term liabilities in the statement
 of net assets. (553,500)

Change in Net Assets of Governmental Activities (\$1,862,035)

See accompanying notes to the basic financial statements.

Norwood City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Investments	<u>\$24,420</u>	<u>\$53,005</u>
Total Assets	<u>24,420</u>	<u>53,005</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>53,005</u>
Total Liabilities	<u>0</u>	<u>\$53,005</u>
Net Assets:		
Held in Trust	<u>24,420</u>	
Total Net Assets	<u>\$24,420</u>	

See accompanying notes to the basic financial statements.

Norwood City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2010

	<u>Private Purpose Trust</u>
Additions:	
Investment Earnings	\$52
Donations	<u>34,097</u>
Total Additions	<u>34,149</u>
Deductions:	
Scholarships	<u>33,450</u>
Total Deductions	<u>33,450</u>
Change in Net Assets	699
Net Assets Beginning of Year	<u>23,721</u>
Net Assets End of Year	<u><u>\$24,420</u></u>

See accompanying notes to the basic financial statements.

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Norwood City School District, Ohio (the "School District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

A. Reporting Entity

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 Board of Education (five members) and is responsible for the education of the residents of the School District.

The reporting entity is comprised of the primary government, which 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. 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 component units.

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

The School District is associated with three organizations, two of which are defined as jointly governed organizations and one as an insurance purchasing pool. These organizations include Hamilton/Clermont Cooperative Association, Great Oaks Institute of Technology and Career Development and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 11 and 12.

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

B. Basis of Presentation

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 statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore 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. Revenues which 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 Fund financial statements report detailed information about the School District. 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. Fiduciary funds are reported by fund type.

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

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

C. Fund Accounting

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

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 following is the School District's major governmental fund:

General Fund -The General Fund 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.

Fiduciary Funds report on net assets and changes in net assets. The School District's fiduciary funds consist of a private-purpose trust fund and agency funds. The School District's private-purpose trust fund accounts for scholarship programs for students. These assets are not available for the School District's use. Agency funds, which are used to account for student activities, employee insurance and employee flexible spending are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Basis of Accounting

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

The modified accrual basis of accounting is used by the governmental funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, tuition, student fees, and grants.

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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 except for unmatured principal and interest on general long-term debt which is recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, private-purpose trust and agency funds utilize accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues - 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.

Non-exchange transactions, in which the School District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes were 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.

Deferred Revenue Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2010 which are intended to finance fiscal year 2011 operations have been recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Unearned Revenue Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

E. Equity in Pooled Cash and Investments

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 Investments" on the balance sheet.

During fiscal year 2010, the District's investments were limited to STAR Ohio. Investments are reported at fair value, which is based on quoted market prices.

The State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2010.

Under existing Ohio statutes, all investment earnings accrue to the General Fund except those specifically related to agency funds, certain trust funds, and those other funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balance.

F. Inventory

Inventories of governmental funds are stated at cost, determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when consumed rather than when purchased.

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. 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 an asset's life are not capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Land Improvements	10 years
Buildings and Improvements	10-30 years
Equipment and Furniture	3-5 years
Vehicles	5 years

H. Interfund Balances

On fund financials, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable/payable." These amounts are eliminated in the governmental activities column of the statement of net assets.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' 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. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that have matured, for example, as a result of employee resignations and retirements.

J. 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 those, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and special termination benefits 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 in the current year. Bonds, long-term notes, and capital leases that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

K. Fund Balance Reserves

The School District records reservations for portions of fund equity that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicate that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, property taxes, and set-asides. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statutes.

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. Of the District's \$1,737,768, no net assets were restricted for enabling legislation.

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

M. 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, laws of other government or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set aside to create a reserve for capital and maintenance.

N. 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.

Note 2 - Deposits and Investments

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

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures":

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. At year-end, none of the School District's bank balance of \$3,241,005 was exposed to custodial credit risk because it was FDIC insured. ORC Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

The School District's investments at June 30, 2010 are as summarized as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
STAROhio	\$352,055	0.15

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

It is the School District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations. The School District's investment policy does not address concentration of credit risk. Investments in STAR Ohio were rated AAAM by Standard & Poor's.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a failure of a counter party, 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 investment securities are registered in the name of the School District.

Interest Rate Risk - In accordance with the investment policy, the School District manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to five years.

Note 3 – Property Taxes

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

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2011 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2010. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance \$4,467,000 in the General Fund.

The assessed values upon which fiscal year 2010 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$422,447,420
Public Utility Personal	12,575,070
Tangible Personal Property	<u>17,255,590</u>
Total	<u><u>\$452,278,080</u></u>

Note 4 – Interfund Transactions

On the fund financial statements, the General Fund has a receivable of \$375,924 that consists of amounts due from other governmental funds. These interfund loans were made to provide operating capital. These amounts are eliminated in the governmental activities column of the statement of net assets.

During the year ended June 30, 2010, the General Fund made transfers of \$377,097 to other governmental funds. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Note 5 – Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$524,809	\$0	\$0	\$524,809
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	16,039,301	0	0	16,039,301
Equipment	<u>4,191,446</u>	<u>710,440</u>	<u>0</u>	<u>4,901,886</u>
Totals at Historical Cost	<u>20,755,556</u>	<u>710,440</u>	<u>0</u>	<u>21,465,996</u>
Less Accumulated Depreciation:				
Buildings and Improvements	10,188,871	386,308	0	10,575,179
Equipment	<u>3,944,798</u>	<u>87,438</u>	<u>0</u>	<u>4,032,236</u>
Total Accumulated Depreciation	<u>14,133,669</u>	<u>473,746</u>	<u>0</u>	<u>14,607,415</u>
Governmental Activities Capital Assets, Net	<u>\$6,621,887</u>	<u>\$236,694</u>	<u>\$0</u>	<u>\$6,858,581</u>

Instruction:		
Regular		\$187,105
Special		48,504
Support Services:		
Pupil		9,701
Instructional Staff		25
School Administration		12,687
Fiscal		584
Operations and Maintenance		73,959
Central		25,235
Operation of Non-Instructional Services		7,095
Extracurricular Activities		108,851
Total Depreciation Expense		<u>\$473,746</u>

Note 6 – Risk Management

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School District contracted with Ohio School Plan for general liability insurance with a \$5,000,000 aggregate limit covering all employees and volunteers of the School District.

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Ohio School Plan also provides property and fleet insurance and property holds a \$1,000 deductible and the maintenance vehicles have a \$500 deductible for comprehensive and collision and a \$1,000,000 limit per occurrence. The Ohio Farmer's Insurance Company maintains a \$20,000 performance bond for the Board President and Superintendent and maintains a \$100,000 public official bond for the Treasurer. Ohio School Plan maintains a \$10,000 employee dishonesty blanket bond for all employees.

Settled claims have not exceeded coverage in any of the past three years. There has been no significant reduction in the coverage from last year.

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 12). The GRP is intended to reduce the School District's premium by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

This insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Note 7 – Pension Plans

School Employees Retirement System of Ohio

Plan Description

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

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2010, 2009, and 2008 were \$383,688, \$383,000, and \$406,000, respectively; 48% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

State Teachers Retirement System of Ohio

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become 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.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2010, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2010, 2009, and 2008 were \$1,749,708, \$1,768,000, and \$1,670,000, respectively; 84% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

Note 8 - Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2010, 2009 and 2008 were \$20,829, \$21,000 and \$20,000, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2010, the health care allocation was .46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$12,607, \$114,000, and \$96,000, respectively; 48% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

State Teachers Retirement System of Ohio

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2010, 2009 and 2008. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2010, 2009, and 2008 were \$124,979, \$126,000, and \$119,000, respectively; 84% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

Note 9 – Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements, Board resolutions and State laws. Eligible classified employees and administrators earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who are not on a twelve-month contract do not earn vacation time.

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 sick days of leave for each year under contract. During regular employment, sick leave may be accumulated, up to a maximum of 250 days for teachers, 310 days for administrators and 260 days for classified. Upon retirement, severance pay is based upon one-fourth of the accrual of sick days up to a maximum of 50 days for teachers, 60 days for administrators and 45 days for classified.

Note 10 – Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due In One Year
Bonds Payable:					
Lease-Purchase Agreement	\$4,719,000	\$0	\$114,000	\$4,605,000	\$120,000
Capital Lease Payable:					
Copier Lease	0	553,500	27,675	525,825	110,700
	<u>\$4,719,000</u>	<u>\$553,500</u>	<u>\$141,675</u>	<u>\$5,130,825</u>	<u>230,700</u>
Compensated Absences	<u>1,019,840</u>	<u>192,446</u>	<u>102,840</u>	<u>1,109,446</u>	<u>228,249</u>
Total Governmental Activities	<u>\$5,738,840</u>	<u>\$745,946</u>	<u>\$244,515</u>	<u>\$6,240,271</u>	<u>\$458,949</u>

In the year ended June 30, 2003, the School District entered into a lease-purchase agreement for the renovation of Shea Stadium and the construction of a new track and synthetic field. In the year ended June 30, 2004, the School District entered into a second similar lease purchase agreement for building renovations. These agreements were recorded in a manner similar to a capital lease payable. During the year ended June 30, 2007, the School District combined both lease-purchase agreements and used unspent proceeds to pay down outstanding balances. The School District is leasing the improvements from Rickenbacker Port Authority. Rickenbacker Port Authority retains title to the projects during the lease term. Rickenbacker Port Authority assigned National City Bank as trustee. The capital assets (building and improvements) acquired under the capital lease totaled \$14,416,306. The lease-purchase agreement matures on December 1, 2032 and pays interest at 5.26% annually.

During 2010 the District has entered into a capital lease for copiers. The lease for the copiers meet the criteria of a capital lease, which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. The capital assets (equipment) acquired under the capital lease for the copiers totaled \$553,500. The copier lease matures in March 2015.

All general obligation debt is supported by the full faith and credit of the School District. Lease-purchase agreement and copier lease payments will be made from the General Fund. Compensated absences will be paid from the fund from which the employees' salaries are paid.

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

The following is a schedule of future minimum lease payments under the lease-purchase and copier lease, together with the net present value of the minimum lease payments as of June 30, 2010:

Fiscal Year Ending June 30	Principal
2011	\$476,586
2012	474,958
2013	475,005
2014	472,728
2015	443,479
2016-2020	1,796,061
2021-2025	1,778,869
2026-2030	1,745,073
2031-2032	698,573
Total Minimum Lease Payments	\$8,361,332
Amount Representing Interest and Additional program cost component	(3,230,507)
Present Value of Minimum Lease Payments	<u>\$5,130,825</u>

Note 11 – Jointly Governed Organizations

The Great Oaks Institute of Technology and Career Development

The Great Oaks Institute of Technology and Career Development (Great Oaks), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the School District. The School District has no ongoing financial interest in or responsibility for Great Oaks. To obtain financial information, write to Great Oaks at 3254 East Kemper Road, Cincinnati, Ohio 45241.

Hamilton/Clermont Cooperative Association

The Hamilton/Clermont Cooperative Association (HCCA) was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the member schools of the two county consortium supports HCCA based upon per pupil charge dependent upon the software package utilized. HCCA is governed by a board of directors consisting of the superintendents of member school districts. The degree of control exercised by any participating School District is limited to its representation on the Board. To obtain financial information, write to HCCA, at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Note 12 – Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 13 – Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

Litigation

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Note 14 – Required Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on the statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

Norwood City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

The following cash basis information describes the change in the year-end set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2009	(\$2,521,371)	\$0
Current Year Set Aside Requirements	378,941	378,941
Qualified Disbursements	<u>(573,197)</u>	<u>(102,871)</u>
Set Aside Reserve Balance as of June 30, 2010	<u>(\$2,715,627)</u>	<u>\$276,070</u>
Restricted Cash as of June 30, 2010	<u>\$0</u>	<u>\$276,070</u>
Carried Forward to FY2011	<u>(\$2,715,627)</u>	

Since the School District had offsets and qualifying disbursements during the year that reduced the set aside amount for textbooks and instructional materials to below zero, these extra amounts could be used to reduce the set aside requirements of future years but the School District has elected to carry the excess forward. However, the excess qualifying disbursements of the capital improvement set-aside may not be used to reduce the capital improvement set aside requirements of future years.

Note 15 – Deficit Fund Balances

The following governmental funds had deficit fund balances at June 30, 2010:

	<u>Amounts</u>
Other Governmental Funds:	
District Managed Student Activity	\$4,572
High Schools that Work	357
Title VI-B	167,779
Title III	7,461
Title I	75,305
Preschool	11,051
Title VII-A	27,024
Miscellaneous Federal Grants	40,903

These deficit balances were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

REQUIRED SUPPLEMENTARY INFORMATION

Norwood City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$10,661,581	\$10,936,940	\$10,936,974	\$34
Revenue in lieu of taxes	239,510	245,696	245,697	1
Tuition and Fees	140,429	144,056	144,056	0
Investment Earnings	30,008	30,783	30,783	0
Intergovernmental	12,303,134	12,620,890	12,620,929	39
Charges for Services	305,048	312,926	312,927	1
Other Revenues	173,149	177,621	177,622	1
Total Revenues	23,852,859	24,468,912	24,468,988	76
Expenditures:				
Current:				
Instruction:				
Regular	7,460,830	11,443,538	11,443,563	(25)
Special	1,252,829	1,921,609	1,921,613	(4)
Other	474,606	727,958	727,960	(2)
Support Services:				
Pupil	1,027,730	1,576,349	1,576,352	(3)
Instructional Staff	838,665	1,286,357	1,286,360	(3)
General Administration	23,519	36,074	36,074	0
School Administration	1,243,055	1,906,617	1,906,621	(4)
Fiscal	373,669	573,139	573,140	(1)
Operations and Maintenance	1,540,948	2,363,531	2,363,536	(5)
Pupil Transportation	407,523	625,065	625,066	(1)
Central	263,715	404,490	404,491	(1)
Operation of Non-Instructional Services	896,164	1,374,551	1,374,554	(3)
Extracurricular Activities	269,253	412,985	412,986	(1)
Capital Outlay	306,382	469,934	469,935	(1)
Total Expenditures	16,378,888	25,122,197	25,122,251	(54)
Excess of Revenues Over (Under) Expenditures	7,473,971	(653,285)	(653,263)	22
Other Financing Sources (Uses):				
Advances In	23,493	0	24,100	24,100
Advances (Out)	(251,024)	(385,024)	(385,025)	(1)
Transfers In	248,035	254,441	254,442	1
Transfers (Out)	(411,742)	(631,537)	(631,538)	(1)
Total Other Financing Sources (Uses)	(391,238)	(762,120)	(738,021)	24,099
Net Change in Fund Balance	7,082,733	(1,415,405)	(1,391,284)	24,121
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,977,933	2,977,933	2,977,933	0
Fund Balance End of Year	\$10,060,666	\$1,562,528	\$1,586,649	\$24,121

See accompanying notes to the required supplementary information.

Norwood City School District
Notes to the Required Supplementary Information
For The Year Fiscal Ended June 30, 2010

Note 1 - Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. During the course of fiscal 2010, the District amended its budget at several times, however none were significant.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2010.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board during the year. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) 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 as follows:

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 for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

Norwood City School District
Notes to the Required Supplementary Information
For The Year Fiscal Ended June 30, 2010

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>
GAAP Basis	(\$1,231,856)
Revenue Accruals	(89,123)
Expenditure Accruals	1,271,185
Issuance of Debt	(553,500)
Transfers In	254,442
Transfers Out	(254,441)
Advances In	24,100
Advances Out	(385,025)
Encumbrances	(427,066)
Budget Basis	<u><u>(\$1,391,284)</u></u>

NORWOOD CITY SCHOOL DISTRICT

Single Audit Report

June 30, 2010

NORWOOD CITY SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Nutrition Cluster:				
School Breakfast Program	3L70	10.553	\$194,706	\$194,706
National School Lunch Program	3L60	10.555	523,206	523,206
Summer Food Service Program for Children	3L60	10.559	49,678	49,678
Total Nutrition Cluster			<u>767,590</u>	<u>767,590</u>
Direct Award				
Conservation Reserve Program	N/A	10.069	<u>0</u>	<u>346</u>
Total U.S. Department of Agriculture			<u>767,590</u>	<u>767,936</u>
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education-Grants to States	3M20	84.027	569,131	473,401
Special Education-Grants to States - ARRA	3DJ0	84.391	266,538	317,514
Special Education-Preschool Grants	3C50	84.173	1,250	12,501
Total Special Education Cluster			<u>836,919</u>	<u>803,416</u>
Title I Cluster:				
Title I Grants to Local Educational Agencies	3M00	84.010	794,262	908,788
Title I Grants to Local Educational Agencies - ARRA	3DK0	84.389	215,560	166,310
Total Title I Cluster			<u>1,009,822</u>	<u>1,075,098</u>
Safe and Drug Free Schools and Communities	3D10	84.186	12,423	11,199
Twenty First Century Community Learning Center	3Y20	84.287	369,268	461,140
State Grants for Innovative Programs	3M10	84.298	561	300
Education Technology State Grants	3S20	84.318	3,001	889
Improving Teacher Quality	3Y60	84.367	162,681	186,862
State Fiscal Stabilization Fund (SFSF) Ed St Grant - ARRA	GRF	84.394	504,486	504,486
Passed Through Great Oaks Institute of Technology and Career Development				
Career & Technical Education Basic Grants to States	N/A	84.048	7,588	6,031
Passed Through Hamilton County Educational Service Center				
English Language Acquisition Grants	3Y70	84.365	<u>2,523</u>	<u>943</u>
Total Department of Education			<u>2,909,272</u>	<u>3,050,364</u>

NORWOOD CITY SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES

Passed Through Ohio Health & Human Services Dept				
Medical Assistance Program	N/A	93.778	<u>121,465</u>	<u>121,465</u>
Total Department of Health & Human Services			<u>121,465</u>	<u>121,465</u>
Total Federal Assistance			<u>\$3,798,327</u>	<u>\$3,939,765</u>

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

**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**

To the Board of Education
Norwood City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Norwood City School District (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 3, 2010. 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2010-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

We noted certain matters that we reported to management of the District in a separate letter dated December 3, 2010.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 3, 2010

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

To the Board of Education
Norwood City School District

Compliance

We have audited the compliance of the Norwood City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control* over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2010, and have issued our report thereon date December 3, 2010, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 3, 2010

**NORWOOD CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

Section I – Summary of Auditor’s Results

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified	
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	Yes	
(d)(1)(ii)	<i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i>	No	
(d)(1)(iii)	<i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i>	No	
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No	
(d)(1)(iv)	<i>Were there any other significant control deficiencies reported for major federal programs?</i>	No	
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified	
(d)(1)(vi)	<i>Are there any reportable findings under Section .510?</i>	No	
(d)(1)(vii)	<i>Major Programs (list):</i>	Special Education Cluster	
		Grants to State	CFDA # 84.027
		Preschool Grants	CFDA # 84.173
		Grants to State - ARRA	CFDA # 84.391
		Title I Cluster	
		Title I	CFDA # 84.010
		Title I - AARA	CFDA # 84.389
		State Fiscal Stabilization Fund	
		(SFSF) Ed St Grant - ARRA	CFDA # 84.394
		Twenty-First Century Community	
		Learning Centers	CFDA# 84.287
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others	
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No	

Section II – Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

2010-001 – Material Weakness Related to the Financial Statements:

During the course of our audit we identified an unauthorized employee who had access to financial information on the Districts computer consortium A-site. The District should implement application and monitoring controls over financial reporting to ensure only authorized employees have access to financial information stored on the Districts computer consortium A-site.

Management Response and Corrective Action Plan:

The District has put in a work order with their computer consortium to correct this, however it never got done. The District will correct this problem to ensure only authorized employees have access to financial information.

Section III – Federal Award Findings and Questioned Costs

None

**NORWOOD CITY SCHOOL DISTRICT
JUNE 30, 2010**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
*OMB CIRCULAR A-133***

2009-001 – Material Weakness Related to the Financial Statements

Status: Not corrected, see Finding 2010-001.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Education
Norwood City School District

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Norwood City School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on February 15, 2007 (updated in 2010).
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 3, 2010



Dave Yost • Auditor of State

NORWOOD CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 10, 2011**