



Dave Yost • Auditor of State



**NORDONIA HILLS CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Nordonia Hills City School District  
Summit County  
9370 Olde Eight Road  
Northfield, Ohio 44067

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nordonia Hills City School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### **Opinion**

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 Nordonia Hills City School District, Summit County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### *Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling statements and schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 13, 2013

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**Nordonia Hills City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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The discussion and analysis of Nordonia Hills City School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2013 are as follows:

- The total net position increased by \$1,988,081. The greatest contribution to this increase was a \$1,040,992 increase in program revenues and a \$763,586 decrease in support service expenses.
- Expenses totaled \$44,510,006, a 2.83 percent increase from the prior fiscal year. Instructional expenses made up 53.70 percent of this total while support services accounted for 33.69 percent. Other expenses rounded out the remaining 12.61 percent.
- The School District's capital assets decreased by \$1,337,030 from the prior year. This decrease was the result of depreciation outpacing current year additions.
- Outstanding general obligation bonded debt decreased from \$35,146,548 in fiscal year 2012 to \$33,559,133 in fiscal year 2013.

### **Using this Annual Financial Report**

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

The *Statement of Net Position* and the *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Nordonia Hills City School District, the general fund and the bond retirement fund are by far the most significant funds.

### **Reporting the School District as a Whole**

#### *Statement of Net Position and the Statement of Activities*

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2013?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources except fiduciary funds using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Nordonia Hills City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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These two statements report the School District's net position and changes in that net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and the willingness of the community to support the School District.

In the Statement of Net Position and the Statement of Activities, the School District's activities are all reported as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service operations and extracurricular activities.

**Reporting the School District's Most Significant Funds**

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement debt service fund.

***Governmental Funds*** Most of the School District's activities are reported as governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps 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 Position 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 benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

**Nordonia Hills City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

**The School District as a Whole**

You may recall that the *Statement of Net Position* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal years 2013 compared to fiscal year 2012:

Table 1  
Net Position

	Governmental Activities		
	2013	2012	Change
<b>Assets</b>			
Current and Other Assets	\$47,816,105	\$43,838,755	\$3,977,350
Capital Assets, Net	37,932,782	39,269,812	(1,337,030)
<b>Total Assets</b>	<b>85,748,887</b>	<b>83,108,567</b>	<b>2,640,320</b>
<b>Liabilities</b>			
Current and Other Liabilities	3,298,345	3,243,627	54,718
Long-Term Liabilities:			
Due Within One Year	2,802,545	2,845,323	(42,778)
Due in More than One Year	33,364,710	35,520,942	(2,156,232)
<b>Total Liabilities</b>	<b>39,465,600</b>	<b>41,609,892</b>	<b>(2,144,292)</b>
<b>Deferred Inflows of Resources</b>	<b>30,786,745</b>	<b>27,990,214</b>	<b>2,796,531</b>
<b>Net Position</b>			
Net Investment in Capital Assets	8,509,093	8,850,162	(341,069)
Restricted:			
Debt Service	1,328,964	1,369,449	(40,485)
Capital Projects	692,565	1,233,186	(540,621)
Other Purposes	379,531	526,632	(147,101)
Unrestricted (Deficit)	4,586,389	1,529,032	3,057,357
<b>Total Net Position</b>	<b>\$15,496,542</b>	<b>\$13,508,461</b>	<b>\$1,988,081</b>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the School District's assets exceeded liabilities and deferred inflows of resources by \$15,496,542.

Net Investment in Capital Assets reported on the government-wide statements represents 54.91 percent of total net position for fiscal year 2013. Capital assets include land, buildings and improvements, furniture and equipment, and vehicles, and are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$2,401,060, or 15.49 percent, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net position, \$1,328,964 is restricted for debt service payments, \$692,565 is restricted for capital projects, and \$379,531 is restricted for other purposes. The remaining balance of net position of \$4,586,389, or 29.6 percent, is an unrestricted amount available to meet the government's ongoing obligations to students and staff.

**Nordonia Hills City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

Table 2 shows the changes in net position for fiscal years 2013 and 2012.

Table 2  
Change in Net Position

	Governmental Activities		
	2013	2012	Change
Revenues			
Program Revenues:			
Charges for Services	\$2,928,659	\$2,466,984	\$461,675
Operating Grants and Contributions	2,728,430	2,149,113	579,317
Total Program Revenues	<u>5,657,089</u>	<u>4,616,097</u>	<u>1,040,992</u>
General Revenue:			
Property Taxes	29,240,058	29,913,186	(673,128)
Payments in Lieu of Taxes	225,094	200,514	24,580
Grants and Entitlements, not Restricted	11,278,886	11,269,425	9,461
Investment Earnings	13,741	11,240	2,501
Gain on Sale of Capital Assets	5,295	0	5,295
Miscellaneous	77,924	137,165	(59,241)
Total General Revenues	<u>40,840,998</u>	<u>41,531,530</u>	<u>(690,532)</u>
Total Revenues	<u>46,498,087</u>	<u>46,147,627</u>	<u>350,460</u>
Program Expenses			
Instruction:			
Regular	18,249,173	17,230,661	(1,018,512)
Special	5,390,882	4,092,913	(1,297,969)
Vocational	127,008	105,638	(21,370)
Adult/Continuing	0	17,990	17,990
Student Intervention Services	133,867	941,216	807,349
Support Services:			
Pupils	2,836,378	3,679,370	842,992
Instructional Staff	693,943	868,221	174,278
Board of Education	16,058	101,811	85,753
Administration	2,581,795	2,659,546	77,751
Fiscal	1,482,023	1,182,471	(299,552)
Business	289,958	259,360	(30,598)
Operation and Maintenance of Plant	3,725,872	3,747,786	21,914
Pupil Transportation	2,370,306	2,355,359	(14,947)
Central	1,001,531	907,526	(94,005)
Operating of Non-Instructional Services	724,346	592,258	(132,088)
Food Service Operations	1,239,531	1,276,824	37,293
Extracurricular Activities	1,740,542	1,468,048	(272,494)
Interest and Fiscal Charges	1,906,793	1,799,548	(107,245)
Total Program Expenses	<u>44,510,006</u>	<u>43,286,546</u>	<u>(1,223,460)</u>
Increase in Net Position	1,988,081	2,861,081	(873,000)
Net Position Beginning of Year	<u>13,508,461</u>	<u>10,647,380</u>	<u>2,861,081</u>
Net Position End of Year	<u>\$15,496,542</u>	<u>\$13,508,461</u>	<u>\$1,988,081</u>

**Nordonia Hills City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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***Governmental Activities***

Several revenue sources fund our governmental activities with property taxes and State foundation revenues being the largest contributors. Property tax levies generated over \$29.2 million in 2013. General revenues from grants and entitlements, such as the school foundation program, generated over \$11.2 million. With the combination of taxes and intergovernmental funding making up 87.14 percent of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

Instruction and interest and fiscal charges comprise 53.70 percent and 4.28 percent, respectively, of governmental program expenses. There were large increases in regular and special instruction due to large accrual adjustments in the prior year relating to accrued wages. In addition to this, special instruction expenses also increased due to higher fringe benefit and purchased service costs in fiscal year 2013. These increases were partially offset by the reduction in student intervention services due to significant decreases in purchased services. Interest expense stayed in line with the prior year as there were no new debt issuances during fiscal year 2013.

The board of education, administration, fiscal, and business classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. Combined, these costs totaled \$4,369,834, or 9.82 percent of all governmental expenses.

Costs associated with the operation and maintenance of plant represent those expenses necessary for the care and upkeep of School District's buildings, grounds and equipment. Current year expenses of \$3,725,872 made up 8.37 percent of all governmental expenses.

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 for fiscal year 2013.

**Nordonia Hills City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

Table 3  
 Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
<b>Instruction:</b>				
Regular	\$18,249,173	(\$17,200,736)	\$17,230,661	(\$16,779,727)
Special	5,390,882	(5,269,542)	4,092,913	(4,027,527)
Vocational	127,008	(124,735)	105,638	(104,318)
Adult/Continuing	0	0	17,990	(17,990)
Student Intervention Services	133,867	(130,732)	941,216	(924,804)
<b>Support Services:</b>				
Pupils	2,836,378	(2,021,349)	3,679,370	(2,753,441)
Instructional Staff	693,943	(607,685)	868,221	(763,070)
Board of Education	16,058	(15,682)	101,811	(100,036)
Administration	2,581,795	(2,520,221)	2,659,546	(2,613,541)
Fiscal	1,482,023	(1,448,255)	1,182,471	(1,161,759)
Business	289,958	(283,243)	259,360	(254,895)
Operation and Maintenance of Plant	3,725,872	(3,647,420)	3,747,786	(3,689,304)
Pupil Transportation	2,370,306	(2,288,427)	2,355,359	(2,303,550)
Central	1,001,531	(860,674)	907,526	(846,906)
Operating of Non-Instructional Services	724,346	(53,109)	592,258	(1,449)
Food Service Operations	1,239,531	71,741	1,276,824	96,848
Extracurricular Activities	1,740,542	(546,055)	1,468,048	(625,432)
Interest and Fiscal Charges	1,906,793	(1,906,793)	1,799,548	(1,799,548)
<b>Total Expenses</b>	<b>\$44,510,006</b>	<b>(\$38,852,917)</b>	<b>\$43,286,546</b>	<b>(\$38,670,449)</b>

As one can see, the reliance upon local tax revenues and payments in lieu of taxes for governmental activities is crucial. Approximately 65.69 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 25.34 percent of expenses. Payments in lieu of taxes, investments, gain on sale of capital assets, and other miscellaneous type revenues support 0.72 percent of activity costs. Program revenues only account for 12.71 percent of all governmental expenses.

**School District's Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were \$46,491,019 and total expenditures and other financing uses were \$45,238,955, for an overall increase in fund balance of \$1,252,064. The general fund reported an increase of \$1,835,082, with revenues and other financing sources of \$39,224,307 and expenditures and other financing uses of \$37,389,225. Revenues were approximately \$0.4 million higher than the prior fiscal year, mainly due to increases in intergovernmental, tuition and fees, and extracurricular activities revenues. Expenditures were approximately \$1.3 million higher than the prior fiscal year, which is mainly attributed to higher instruction costs. The bond retirement debt service fund had a decrease of \$213,357, with revenues of \$3,211,368 and expenditures of \$3,424,725.

**Nordonia Hills City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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**General Fund Budgeting Highlights**

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

During fiscal year 2013, the School District amended its general fund budget and, in total, these amendments were insignificant. Budget revisions are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue estimate was \$41,310,850, which was higher than the original budget estimate of \$40,330,565. Much of this \$980,285 difference was due to final property tax settlements and fiscal allocation amounts from the State foundation formula. This estimate must be adjusted during the year as the settlements are finalized. Also, the original estimate for property taxes, provided by the Summit County Fiscal Officer, contains amounts for homestead and rollback reimbursements. Later in the fiscal year, when this amount is known, it is removed from the tax estimate and included in the estimate for intergovernmental revenue.

The original expenditures estimate of \$39,997,041 was revised during the fiscal year. Final appropriations were \$38,047,813, which were \$1,949,228 lower than the original budget. This was largely in part due to the general fund having lower regular and special instruction costs than originally anticipated.

**Capital Assets and Debt Administration**

*Capital Assets*

Table 4 shows fiscal year 2013 values compared to 2012.

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

	Governmental Activities		
	2013	2012	Change
Land	\$1,427,727	\$1,427,727	\$0
Buildings and Improvements	35,497,353	36,669,201	(1,171,848)
Furniture and Equipment	570,379	579,968	(9,589)
Vehicles	437,323	592,916	(155,593)
Totals	\$37,932,782	\$39,269,812	(\$1,337,030)

All capital assets, except land, are reported net of depreciation. The only additions to capital assets during the fiscal year were to furniture and equipment; however, depreciation overall exceeded additions, particularly in building and improvements, causing the decrease in capital assets from the prior fiscal year. For more information on capital assets refer to Note 9 of the basic financial statements.

**Nordonia Hills City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

*Debt*

Table 5 below summarizes the School District's outstanding debt for fiscal years 2013 and 2012.

Table 5  
 Outstanding Debt at Year End

	Governmental Activities		
	2013	2012	Change
<b><i>General Obligation Bonds:</i></b>			
2001 School Improvement Bonds	\$3,164,570	\$4,583,062	(\$1,418,492)
2006 School Refunding Bonds	25,013,916	24,999,489	14,427
2009 Athletic Facilities Bonds	5,380,647	5,563,997	(183,350)
Totals	\$33,559,133	\$35,146,548	(\$1,587,415)

During fiscal year 2001, the School District issued \$38,499,963 in bonds, the proceeds of which were used to finance several new construction projects, as well as improvements to existing facilities. Later in 2006, the School District refunded a portion of these bonds with a like amount to realize current and future savings. During fiscal year 2009, the School District issued \$5,999,998 in bonds, the proceeds of which were used to finance the construction of a new athletic facility. See Note 13 to the basic financial statements for the repayment schedules of the bonded debt.

**Current Issues Affecting Financial Condition**

The Board of Education and administration closely monitor the revenues and expenditures in tandem with the five-year financial forecast. The School District, like many other districts across Ohio, is financially challenged and subject to the State's biennial budget process. At the local level, taxpayers must approve additional levies to pay for unfunded mandates, as well as continue the programs they have come to expect as normal operations. The State and local economies are stressed after experiencing a profound economic downturn. Recovery is anticipated to be slow.

In response to the community, the School District placed a 3-mill operating levy on the ballot on November 6, 2012. This levy, had it passed, would have reinstated bussing for all students living beyond one mile, added two foreign language teachers at the middle school, and added four teachers to alleviate the high class sizes at the middle school. This administration remains vigilant in monitoring the finances and prudently plans to provide the resources to meet the students' needs over the next several years.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Karen Obratil, Treasurer, at Nordonia Hills City School District, 9370 Olde Eight Road, Northfield, Ohio 44067.

# **Basic Financial Statements**

**Nordonia Hills City School District**

*Statement of Net Position*

*June 30, 2013*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$13,667,786
Accounts Receivable	9,154
Intergovernmental Receivable	264,624
Inventory Held for Resale	14,377
Materials and Supplies Inventory	35,021
Property Taxes Receivable	33,599,147
Payments in Lieu of Taxes Receivable	225,996
Nondepreciable Capital Assets	1,427,727
Depreciable Capital Assets, Net	<u>36,505,055</u>
<i>Total Assets</i>	<u>85,748,887</u>
<b>Liabilities</b>	
Accounts Payable	91,808
Accrued Wages and Benefits	2,367,198
Intergovernmental Payable	821,540
Accrued Interest Payable	17,799
Long-Term Liabilities:	
Due Within One Year	2,802,545
Due In More Than One Year	<u>33,364,710</u>
<i>Total Liabilities</i>	<u>39,465,600</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	30,560,749
Payments in Lieu of Taxes	<u>225,996</u>
<i>Total Deferred Inflows of Resources</i>	<u>30,786,745</u>
<b>Net Position</b>	
Net Investment in Capital Assets	8,509,093
Restricted for:	
Debt Service	1,328,964
Capital Projects	692,565
Other Purposes	379,531
Unrestricted	<u>4,586,389</u>
<i>Total Net Position</i>	<u><u>\$15,496,542</u></u>

See accompanying notes to the basic financial statements

**Nordonia Hills City School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2013*

	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
<b>Governmental Activities</b>				<b>Governmental Activities</b>
Instruction:				
Regular	\$18,249,173	\$420,685	\$627,752	(\$17,200,736)
Special	5,390,882	117,356	3,984	(5,269,542)
Vocational	127,008	2,273	0	(124,735)
Student Intervention Services	133,867	3,135	0	(130,732)
Support Services:				
Pupils	2,836,378	47,347	767,682	(2,021,349)
Instructional Staff	693,943	13,211	73,047	(607,685)
Board of Education	16,058	376	0	(15,682)
Administration	2,581,795	59,400	2,174	(2,520,221)
Fiscal	1,482,023	32,659	1,109	(1,448,255)
Business	289,958	6,715	0	(283,243)
Operation and Maintenance of Plant	3,725,872	78,452	0	(3,647,420)
Pupil Transportation	2,370,306	51,324	30,555	(2,288,427)
Central	1,001,531	18,264	122,593	(860,674)
Operation of Non-Instructional Services	724,346	7	671,230	(53,109)
Food Service Operations	1,239,531	882,968	428,304	71,741
Extracurricular Activities	1,740,542	1,194,487	0	(546,055)
Interest and Fiscal Charges	1,906,793	0	0	(1,906,793)
<b>Totals</b>	<b>\$44,510,006</b>	<b>\$2,928,659</b>	<b>\$2,728,430</b>	<b>(38,852,917)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	26,454,225
Debt Service	2,785,818
Capital Projects	15
Payments in Lieu of Taxes	225,094
Grants and Entitlements not Restricted to Specific Programs	11,278,886
Investment Earnings	13,741
Gain on Sale of Capital Assets	5,295
Miscellaneous	77,924

*Total General Revenues* 40,840,998

Change in Net Position 1,988,081

*Net Position Beginning of Year* 13,508,461

*Net Position End of Year* \$15,496,542

See accompanying notes to the basic financial statements

**Nordonia Hills City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2013*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$11,322,851	\$1,256,417	\$1,073,220	\$13,652,488
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	15,298	0	0	15,298
Property Taxes Receivable	30,445,743	3,153,404	0	33,599,147
Payments in Lieu of Taxes Receivable	225,996	0	0	225,996
Accounts Receivable	8,688	0	466	9,154
Intergovernmental Receivable	103,432	0	161,192	264,624
Inventory Held for Resale	0	0	14,377	14,377
Materials and Supplies Inventory	29,328	0	5,693	35,021
<i>Total Assets</i>	<u>\$42,151,336</u>	<u>\$4,409,821</u>	<u>\$1,254,948</u>	<u>\$47,816,105</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$68,198	\$0	\$23,610	\$91,808
Accrued Wages and Benefits	2,266,080	0	101,118	2,367,198
Intergovernmental Payable	798,612	0	22,928	821,540
<i>Total Liabilities</i>	<u>3,132,890</u>	<u>0</u>	<u>147,656</u>	<u>3,280,546</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	27,667,162	2,893,587	0	30,560,749
Payments in Lieu of Taxes	225,996	0	0	225,996
Unavailable Revenue	1,702,698	146,974	38,741	1,888,413
<i>Total Deferred Inflows of Resources</i>	<u>29,595,856</u>	<u>3,040,561</u>	<u>38,741</u>	<u>32,675,158</u>
<b>Fund Balances</b>				
Nonspendable	44,626	0	5,693	50,319
Restricted	0	1,369,260	1,064,769	2,434,029
Committed	63,370	0	0	63,370
Assigned	371,891	0	0	371,891
Unassigned (Deficit)	8,942,703	0	(1,911)	8,940,792
<i>Total Fund Balances</i>	<u>9,422,590</u>	<u>1,369,260</u>	<u>1,068,551</u>	<u>11,860,401</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$42,151,336</u>	<u>\$4,409,821</u>	<u>\$1,254,948</u>	<u>\$47,816,105</u>

See accompanying notes to the basic financial statements

**Nordonia Hills City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 For the Fiscal Year Ended June 30, 2013*

<b>Total Governmental Fund Balances</b>	\$11,860,401
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	37,932,782
Other long-term assets are not available to pay for current period expenditures and therefore are unavailable revenues in the funds:	
Delinquent Property Taxes	1,849,672
Intergovernmental	<u>38,741</u>
Total	1,888,413
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(17,799)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(33,559,133)
Compensated Absences	(2,263,842)
Early Retirement Incentives	<u>(344,280)</u>
Total	<u>(36,167,255)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$15,496,542</u></u>

See accompanying notes to the basic financial statements

**Nordonia Hills City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2013*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$26,395,070	\$2,783,251	\$15	\$29,178,336
Payments in Lieu of Taxes	225,094	0	0	225,094
Intergovernmental	10,850,769	428,117	2,750,731	14,029,617
Interest	13,596	0	205	13,801
Tuition and Fees	837,497	0	22,385	859,882
Charges for Services	23,888	0	882,968	906,856
Extracurricular Activities	741,500	0	359,159	1,100,659
Contributions and Donations	0	0	16,451	16,451
Rentals	54,239	0	7,023	61,262
Miscellaneous	76,517	0	1,407	77,924
<i>Total Revenues</i>	<u>39,218,170</u>	<u>3,211,368</u>	<u>4,040,344</u>	<u>46,469,882</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	17,052,104	0	586,709	17,638,813
Special	5,355,641	0	3,517	5,359,158
Vocational	109,137	0	0	109,137
Student Intervention Services	133,867	0	0	133,867
Support Services:				
Pupils	2,145,017	0	772,614	2,917,631
Instructional Staff	586,327	0	78,799	665,126
Board of Education	16,058	0	0	16,058
Administration	2,605,283	0	1,919	2,607,202
Fiscal	1,420,936	79,390	1,210	1,501,536
Business	277,533	0	0	277,533
Operation and Maintenance of Plant	3,385,584	0	0	3,385,584
Pupil Transportation	2,196,424	0	26,974	2,223,398
Central	779,750	0	140,447	920,197
Operation of Non-Instructional Services	296	0	719,703	719,999
Food Service Operations	0	0	1,190,548	1,190,548
Extracurricular Activities	1,310,268	0	354,581	1,664,849
Capital Outlay	0	0	547,984	547,984
Debt Service:				
Principal Retirement	0	1,215,683	0	1,215,683
Interest and Fiscal Charges	0	1,145,335	0	1,145,335
Capital Appreciation Bonds Interest	0	984,317	0	984,317
<i>Total Expenditures</i>	<u>37,374,225</u>	<u>3,424,725</u>	<u>4,425,005</u>	<u>45,223,955</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,843,945</u>	<u>(213,357)</u>	<u>(384,661)</u>	<u>1,245,927</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	6,137	0	0	6,137
Transfers In	0	0	15,000	15,000
Transfers Out	(15,000)	0	0	(15,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(8,863)</u>	<u>0</u>	<u>15,000</u>	<u>6,137</u>
<i>Net Change in Fund Balances</i>	1,835,082	(213,357)	(369,661)	1,252,064
<i>Fund Balances Beginning of Year</i>	<u>7,587,508</u>	<u>1,582,617</u>	<u>1,438,212</u>	<u>10,608,337</u>
<i>Fund Balances End of Year</i>	<u>\$9,422,590</u>	<u>\$1,369,260</u>	<u>\$1,068,551</u>	<u>\$11,860,401</u>

See accompanying notes to the basic financial statements

**Nordonia Hills City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2013*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$1,252,064
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*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	125,615
Current Year Depreciation	<u>(1,461,803)</u>

Total	(1,336,188)
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Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

(842)

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

Delinquent Property Taxes	61,722
Intergovernmental	<u>(38,812)</u>

Total	22,910
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

2,200,000

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.

Accrued Interest	(148,873)
Annual Accretion	(712,041)
Amortization of Bond Premium	<u>99,456</u>

Total	(761,458)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated Absences	346,588
Early Retirement Incentive	<u>265,007</u>

Total	<u>611,595</u>
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<i>Change in Net Position of Governmental Activities</i>	<u><u>\$1,988,081</u></u>
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See accompanying notes to the basic financial statements

**Nordonia Hills City School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$28,268,726	\$28,955,833	\$28,955,833	\$0
Payments in Lieu of Taxes	219,753	225,094	225,094	0
Intergovernmental	10,492,308	10,747,337	10,747,337	0
Interest	12,266	12,564	13,596	1,032
Tuition and Fees	861,899	882,849	837,932	(44,917)
Charges for Services	0	23,888	23,888	0
Extracurricular Activities	315,549	299,331	299,099	(232)
Rentals	67,444	69,083	69,119	36
Miscellaneous	92,620	94,871	94,678	(193)
<i>Total Revenues</i>	40,330,565	41,310,850	41,266,576	(44,274)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	17,938,290	17,064,080	16,974,078	90,002
Special	6,024,895	5,731,276	5,716,419	14,857
Vocational	113,522	107,990	107,928	62
Student Intervention Services	197,166	187,557	184,193	3,364
Support Services:				
Pupils	2,302,610	2,190,394	2,141,607	48,787
Instructional Staff	695,170	661,291	598,368	62,923
Board of Education	21,222	20,188	14,726	5,462
Administration	2,806,823	2,670,034	2,585,541	84,493
Fiscal	1,577,483	1,450,285	1,425,687	24,598
Business	319,978	304,384	278,232	26,152
Operation and Maintenance of Plant	3,812,946	3,627,125	3,543,596	83,529
Pupil Transportation	2,419,886	2,301,955	2,281,792	20,163
Central	854,310	862,996	824,007	38,989
Operation of Non-Instructional Services	955	908	908	0
Extracurricular Activities	911,785	867,350	855,461	11,889
<i>Total Expenditures</i>	39,997,041	38,047,813	37,532,543	515,270
<i>Excess of Revenues Over Expenditures</i>	333,524	3,263,037	3,734,033	470,996
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	5,991	6,137	6,137	0
Advances In	57,990	59,400	59,400	0
Transfers Out	(15,768)	(15,000)	(15,000)	0
<i>Total Other Financing Sources (Uses)</i>	48,213	50,537	50,537	0
<i>Net Change in Fund Balance</i>	381,737	3,313,574	3,784,570	470,996
<i>Fund Balance Beginning of Year</i>	5,183,515	5,183,515	5,183,515	0
Prior Year Encumbrances Appropriated	1,562,809	1,562,809	1,562,809	0
<i>Fund Balance End of Year</i>	\$7,128,061	\$10,059,898	\$10,530,894	\$470,996

See accompanying notes to the basic financial statements

**Nordonia Hills City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2013*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$142,334</u>
<b>Liabilities</b>	
Due to Students	<u>\$142,334</u>

See accompanying notes to the basic financial statements

**Nordonia Hills City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Note 1 – Description of the School District and Reporting Entity**

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

The School District operates under a locally-elected five-member Board form of government. Each member is elected to a four-year term. The School District provides educational services as mandated by State and/or Federal agencies. The Board controls the School District's six instructional/support facilities staffed by 163 non-certificated employees and 234 certificated teaching and support personnel, plus 15 administrators that provide services to 3,815 students and other community members.

*Reporting Entity*

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Nordonia Hills City School District, this includes the agencies and departments that provide the following services: general operations, food service, preschool, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance 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 and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District does not have any component units.

The School District is associated with three jointly governed organizations and one shared risk pool. These organizations include the Northeast Ohio Network for Educational Technology, the Ohio Schools Council, the Cuyahoga Valley Career Center, and the Health Benefits Program of the Stark County Schools Council of Governments. Information regarding these organizations is presented in Notes 16 and 17 to the basic financial statements.

**Note 2 – Summary of Significant Accounting Policies**

The financial statements of 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 entity for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

**Nordonia Hills City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net position 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. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues 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 activity is self-financing or draws from the general revenues of the School District.

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

***Fund Accounting***

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories: governmental and fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

***General Fund*** The general fund is the general operating fund of the School District and is used to account for and report all financial resources except those required to be accounted for and reported 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.

## Nordonia Hills City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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***Bond Retirement Fund*** The bond retirement fund is used to account for and report the accumulation of property tax revenues restricted for the payment of general obligation bonds issued for school building and athletic facility improvements.

The other governmental funds of the School District account for grants and other resources whose uses are restricted, committed, or assigned to a particular purpose.

***Fiduciary Funds Types*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only fiduciary fund is an agency fund. The agency fund accounts for student activities managed by the student body.

### ***Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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

### ***Basis of Accounting***

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

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

**Nordonia Hills City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). 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 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, payments in lieu of taxes, and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as inventory held for resale.

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

**Nordonia Hills City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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***Cash and Cash Equivalents***

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the basic financial statements.

During fiscal year 2013, investments were limited to federal home loan bank notes. The notes are reported at fair values based on current share price.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during the fiscal year 2013 amounted to \$13,596, which included \$2,265 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are reported as cash equivalents.

***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

***Capital Assets***

All capital assets of the School District are classified as general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by back trending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of seven thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 - 40 Years
Furniture and Equipment	5 - 20 Years
Vehicles	6 - 10 Years

**Nordonia Hills City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. 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 termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

***Accrued Liabilities and Long-Term Obligations***

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

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

## **Nordonia Hills City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**Assigned** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. The amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order, provided such amounts have been lawfully appropriated.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

### ***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for student activities and miscellaneous State and Federal grant programs.

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

### ***Restricted Assets***

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or the laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the general fund include the amounts for unclaimed monies.

### ***Estimates***

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

### ***Internal Activity***

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

**Nordonia Hills City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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Exchanges transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation 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 appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District's Treasurer. The amounts reported in the budgetary statement as the original and final budgeted amounts reflect the amounts in the amended certificate in effect when the original and final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for the funds that covered the entire fiscal year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed during the year, including all supplemental appropriations.

***Bond Premium***

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are receipted in the year the bonds are issued.

**Note 3 – Change in Accounting Principle**

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 65, "Items Previously Reported as Assets and Liabilities" and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62."

**Nordonia Hills City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units presentation and certain disclosure requirements. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

#### **Note 4 – Accountability**

At June 30, 2013, the School District had deficit fund balances in the title VI-B and reducing class size funds in the amounts of \$1,294 and \$617, respectively.

The special revenue funds' deficits resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in the funds and provides transfers when cash is required, not when accruals occur.

#### **Note 5 – Budgetary Basis of Accounting**

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

**Nordonia Hills City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed, or assigned fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Unrecorded cash, which consists of outside athletic bank accounts, is not reported by the School District on the operating statements (budget), but is reported on the GAAP basis operating statements.
6. Budgetary revenues and expenditures of the public school support fund are reclassified to the general fund for GAAP reporting.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$1,835,082
Net Adjustment for Revenue Accruals	1,596,617
Advances In	59,400
Beginning Unrecorded Cash	5,489
Ending Unrecorded Cash	(3,023)
Net Adjustment for Expenditure Accruals	933,301
Perspective Difference:	
Public School Support	(10,081)
Adjustment for Encumbrances	<u>(632,215)</u>
Budget Basis	<u><u>\$3,784,570</u></u>

**Note 6 – Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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.

## Nordonia Hills City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

### **Deposits**

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$2,098,214 of the School District's bank balance of \$2,348,214 was uninsured and uncollateralized. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements for the deposit of money had been followed; noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Nordonia Hills City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

As of June 30, 2013, the School District had investments in Federal Home Loan Bank Notes with a fair value of \$11,715,000. These notes will mature in less than a year.

**Interest Rate Risk** The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District and that investment must be purchased with the expectation that it will be held to maturity.

**Credit Risk** The Federal Home Loan Bank Notes carry a credit rating of AAAM by Standard and Poor's. The School District has no investment policy that addresses credit risk.

**Concentration of Credit Risk** This type of risk is defined by the Governmental Accounting Standards Board as having investments of five percent or more in the securities of a single issuer. The School District's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations. The School District's percentage allocation of credit risk is 100 percent from the Federal Home Loan Bank Notes.

**Note 7 – Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in calendar year 2013 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**Nordonia Hills City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

The School District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes, which are measurable as of June 30, 2013, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2013, was \$1,075,883 in the general fund and \$112,843 in the bond retirement debt service fund. The amount available as an advance at June 30, 2012, was \$3,636,645 in the general fund and \$403,036 in the bond retirement debt service fund. The difference was in the timing and collection by the County Fiscal Officer.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$905,993,590	97.38%	\$903,998,090	97.16%
Public Utility Personal Property	24,400,460	2.62	26,459,950	2.84
	<u>\$930,394,050</u>	<u>100.00%</u>	<u>\$930,458,040</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$69.10		\$68.99	

Effective March 2013, the Summit County Fiscal Officer applied an increase in property tax values for the School District; therefore, the School District's millage rates were decreased in order to generate the approved bond levy dollar amount.

**Nordonia Hills City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2013

**Note 8 – Receivables**

Receivables at June 30, 2013, consisted of taxes, payments in lieu of taxes, accounts (tuition and excess costs), and intergovernmental disbursements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Title I Grant	\$161,192
Workers' Compensation Reimbursement	99,033
Other	4,399
Total	\$264,624

**Note 9 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,427,727	\$0	\$0	\$1,427,727
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	55,362,603	0	0	55,362,603
Furniture and Equipment	1,802,372	125,615	(84,749)	1,843,238
Vehicles	3,133,445	0	(183,578)	2,949,867
<i>Total Capital Assets, being depreciated</i>	60,298,420	125,615	(268,327)	60,155,708
Less Accumulated Depreciation:				
Buildings and Improvements	(18,693,402)	(1,171,848)	0	(19,865,250)
Furniture and Equipment	(1,222,404)	(134,362)	83,907	(1,272,859)
Vehicles	(2,540,529)	(155,593)	183,578	(2,512,544)
Total Accumulated Depreciation	(22,456,335)	(1,461,803) *	267,485	(23,650,653)
Total Capital Assets, being depreciated, net	37,842,085	(1,336,188)	(842)	36,505,055
Governmental Activities Capital Assets, Net	\$39,269,812	(\$1,336,188)	(\$842)	\$37,932,782

**Nordonia Hills City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$686,610
Special	32,039
Vocational	29,947
Support Services:	
Pupils	18,366
Instructional Staff	50,196
Administration	24,316
Fiscal	3,052
Business	3,265
Operation and Maintenance of Plant	351,361
Pupil Transportation	152,106
Central	7,095
Operation of Non-Instructional Services	4,347
Food Service Operations	49,901
Extracurricular Activities	49,202
Total Depreciation Expense	<u>\$1,461,803</u>

**Note 10 – Defined Benefit Pension Plans**

***School Employee Retirement System***

Plan Description – The School District participates in the School Employees Retirement System (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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining 0.9 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$594,492, \$561,336, and \$657,171, respectively. The full amount has been contributed for fiscal years 2013, 2012, and 2011.

**Nordonia Hills City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***State Teachers Retirement System***

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 provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$2,211,294 and \$36,380 for the fiscal year ended June 30, 2013, \$2,237,670 and \$41,458 for the fiscal year ended June 30, 2012, and \$2,146,476 and \$38,320 for the fiscal year ended June 30, 2011. For fiscal year 2013, 85.52 percent has been contributed for the DB plan and 85.52 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were \$54,454 made by the School District and \$38,896 made by the plan members. In addition, member contributions of \$25,986 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

**Nordonia Hills City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Note 11 – Postemployment Benefits**

***School Employee Retirement System***

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$94,059.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$101,320, \$114,269, and \$208,733, respectively. The full amount has been contributed for fiscal years 2013, 2012, and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$33,582, \$33,150 and \$42,290, respectively. The full amount has been contributed for fiscal years 2013, 2012, and 2011.

***State Teachers Retirement System***

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Nordonia Hills City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$160,325, \$167,112, and \$168,061, respectively. For fiscal year 2013, 85.52 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

## **Note 12 – Other Employee Benefits**

### ***Compensated Absences***

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per fiscal 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 12 month contract, do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of annual work days per contract plus 90 days. Upon retirement, payment is made for one-third of the total sick leave accumulation, up to a maximum, as specified by each negotiated agreement.

### ***Early Notification of Retirement Incentive***

Any eligible employee, who gave notice of retirement no later than February 1 of 2008, 2009, and 2010, received an incentive in addition to their regular severance payment. The incentive is paid over five years. The Board does not limit the number of employees participating in the plan in any one year. Seventeen employees in fiscal year 2008, eleven in fiscal year 2009, and three in fiscal year 2010, took advantage of the early retirement incentive offered by the School District. The expenditures are reflected in the funds from which the employee's salary and severance are paid.

### ***Health Insurance Benefits***

The School District provides employee medical/surgical benefits through Stark County Schools Council of Government's shared risk pool. Rates are set through an annual calculation process. The School District pays a monthly contribution to a common fund from which claim payments are made for all participating school districts. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Dental and vision insurance are also provided by the School District to all employees through the Stark County Schools Council of Governments. Upon termination, all School District claims would be paid without regard to the School District's account balance.

**Nordonia Hills City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2013

***Life Insurance Benefits***

The School District provides life insurance and accidental death and dismemberment insurance to most employees through a major life insurance company in the amount of \$30,000 for all noncertified employees, \$35,000 for certified employees, and double the annual salary rounded to the nearest thousand for administrators including the superintendent.

**Note 13 – Long-Term Obligations**

The original issue date, interest rate, original issue amount and date of maturity of each of the School District’s long-term obligations is as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
<i>General Obligation Bonds:</i>			
School Improvement - 2001	3.7 - 10.50%	\$38,499,963	December 1, 2014
Refunding - 2006	4.05	23,959,987	December 1, 2025
Athletic Facilities - 2009	3 - 5	5,999,998	December 1, 2030

The changes in the School District’s long-term obligations during the year consist of the following:

	<u>Principal Outstanding 6/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/13</u>	<u>Amount Due in One Year</u>
<i>General Obligation Bonds:</i>					
2001 School Improvement Bonds					
Capital Appreciation Bonds	\$2,000,543	\$0	(\$715,683)	\$1,284,860	\$665,686
Accretion on Capital Appreciation Bonds	2,582,519	281,508	(984,317)	1,879,710	1,034,314
2006 Refunding Bonds					
Serial Bonds	20,970,000	0	(275,000)	20,695,000	0
Premium	1,163,331	0	(89,487)	1,073,844	0
Capital Appreciation Bonds	1,314,987	0	0	1,314,987	108,537
Accretion on Capital Appreciation Bonds	1,551,171	378,914	0	1,930,085	176,463
2009 Athletic Facilities Bonds					
Serial Bonds	5,180,000	0	(225,000)	4,955,000	230,000
Premium	179,440	0	(9,969)	169,471	0
Capital Appreciation Bonds	99,998	0	0	99,998	0
Accretion on Capital Appreciation Bonds	104,559	51,619	0	156,178	0
<i>Total General Obligation Bonds</i>	<u>35,146,548</u>	<u>712,041</u>	<u>(2,299,456)</u>	<u>33,559,133</u>	<u>2,215,000</u>
<i>Other Long-term Obligations:</i>					
Compensated Absences	2,610,430	33,728	(380,316)	2,263,842	360,788
Early Retirement Incentives	609,287	0	(265,007)	344,280	226,757
<i>Total Other Long-term Obligations</i>	<u>3,219,717</u>	<u>33,728</u>	<u>(645,323)</u>	<u>2,608,122</u>	<u>587,545</u>
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$38,366,265</u>	<u>\$745,769</u>	<u>(\$2,944,779)</u>	<u>\$36,167,255</u>	<u>\$2,802,545</u>

**Nordonia Hills City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

All general obligation bonds will be paid from property taxes. The compensated absences and early retirement incentives liabilities will be paid from the general fund and the lunchroom special revenue fund.

On December 6, 2000, the School District issued \$38,499,963 in bonded debt to finance several construction and improvement projects. The bonds consisted of serial, term and capital appreciation bonds of \$11,770,000, \$23,960,000 and \$2,769,963, respectively. In 2006, a portion of the serial bonds and the term bonds were retired through an advance refunding. The final amount, after accretion of interest, of the capital appreciation bonds will be \$6,800,000. The principal payments began in fiscal year 2003. The maturity amount of outstanding capital appreciation bonds at June 30, 2013 is \$1,284,860. The accretion recorded for fiscal year 2013 was \$281,508, for a total outstanding bond liability of \$3,164,570 at June 30, 2013.

On February 22, 2006, the School District issued \$23,959,987 in general obligation bonds which include serial and capital appreciation bonds. The final amount of the 2005 capital appreciation bonds, after the accretion of interest, will be \$8,235,099. The bond proceeds consisted of bond principal and \$1,945,455 of premium. The capital appreciation bonds were originally sold at a premium of \$1,431,792, which is being accreted annually until the point of maturity of the capital appreciation bonds. The maturity amount of outstanding capital appreciation bonds at June 30, 2013, is \$1,314,987. The accretion recorded for fiscal year 2013 was \$378,914, for a total outstanding bond liability of \$3,245,072 at June 30, 2013.

On March 26, 2009, the School District issued \$5,999,998 in bonded debt to finance an athletic facility. The bonds consisted of serial and capital appreciation bonds of \$5,900,000 and \$99,998, respectively. The final amount, after the accretion of interest, of the capital appreciation bonds will be \$898,108. The capital appreciation bonds were originally sold at a premium of \$209,347, which is being accreted annually until the point of maturity of the capital appreciation bonds. The maturity amount of outstanding capital appreciation bonds at June 30, 2013 is \$99,998. The accretion recorded for 2013 was \$51,619, for a total outstanding bond liability of \$256,176 at June 30, 2013.

The School District's overall debt margin was \$56,665,849 with an unvoted debt margin of \$929,405 at June 30, 2013. Principal and interest requirements to retire general obligation bonds and capital appreciation bonds outstanding at June 30, 2013, are as follows:

	General Obligation Bonds					
	Serial		Capital Appreciation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$230,000	\$1,137,366	\$774,223	\$1,210,777	\$1,004,223	\$2,348,143
2015	235,000	1,130,466	715,037	1,269,963	950,037	2,400,429
2016	0	923,775	645,324	1,788,730	645,324	2,712,505
2017	0	923,775	565,261	1,868,793	565,261	2,792,568
2018	2,245,000	1,122,828	0	0	2,245,000	1,122,828
2019-2023	12,680,000	4,080,703	0	0	12,680,000	4,080,703
2024-2028	9,055,000	1,178,489	0	0	9,055,000	1,178,489
2029-2031	1,205,000	121,480	0	0	1,205,000	121,480
<b>Total</b>	<b>\$25,650,000</b>	<b>\$10,618,882</b>	<b>\$2,699,845</b>	<b>\$6,138,263</b>	<b>\$28,349,845</b>	<b>\$16,757,145</b>

**Nordonia Hills City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Note 14 – Interfund Transfers**

A transfer of \$15,000 from the general fund to the district managed activities fund was made to support the operations of that fund.

**Note 15 – Contingencies**

*Grants*

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

*Litigation*

No litigation is pending at this time for the Nordonia Hills City School District.

**Note 16 – Jointly Governed Organizations**

*Northeast Ohio Network for Educational Technology*

The Northeast Ohio Network for Educational Technology (NEONet) is the Information Technology Center (ITC) used by the School District. NEONet is organized as a council of governments providing data management and computer services to school districts in Cuyahoga, Lake, Medina, Portage, and Summit counties. NEONet employs its own fiscal officer. The purpose of the council is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the council are required to pay fees, charges, and assessments as charged. The Assembly is made up of Superintendents from all of the participating districts and governs NEONet. NEONet's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. The Assembly elects a Board of Directors consisting of nine members and is the managerial body of the council and meets at least five times a year. Payments to NEONet are made from the general fund. During fiscal year 2013, the School District contributed \$165,514 to NEONet. Financial information can be obtained by contacting the NEONet Fiscal Officer at 700 Graham Road, Cuyahoga Falls, Ohio 44221.

*Ohio Schools Council*

The Ohio Schools Council (Council) is a jointly governed organization among 161 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Council's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making

## **Nordonia Hills City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2013, the School District paid \$2,175 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director at the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in an electricity purchase program. This program allows the School District to purchase electricity with other schools as a group from First Energy Solutions. Kilowatt-hours of electric energy metered by the Electric Utility for Nordonia is billed to the School District based on a pricing schedule determined by the Ohio Schools Council, the Ohio School Board Association, the Ohio Association of School Business Officials and the Buckeye Association of School Administrators (collectively called the “P4S” or “Power4Schools”).

### ***Cuyahoga Valley Career Center***

The Cuyahoga Valley Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Board of Education is comprised of representatives from the board of each participating school district. The Board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. Nordonia Hills City School District students may attend the career center. Each school district’s control is limited to its representation on the Board. During fiscal year 2013, no amount was paid by Nordonia Hills City School District to the Cuyahoga Valley Career Center.

### **Note 17 – Shared Risk Pool**

The School District is a member of the Health Benefits Program of the Stark County Schools Council of Governments (COG). The COG is governed by a regional council known as the Stark County School Council comprised of superintendent representatives of member districts. The purpose of the COG is to promote cooperative employees and eligible dependents of participating members. The Board of Directors of the COG oversees and manages the operations of the health benefits program.

### **Note 18 – Risk Management**

#### ***Workers’ Compensation***

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

#### ***Property and Liability***

The School District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2013, the School District contracted with Ohio School Plan for various types of insurance as follows:

**Nordonia Hills City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

Type of Coverage	Coverage Amount
Property	\$123,845,365
Flood and Earthquake	1,000,000
Crime	220,000
General Liability	5,000,000
Employee Benefits Liability	5,000,000
Employer's Liability	5,000,000
School Leaders Professional Liability	5,000,000
Sexual Misconduct and Molestation	5,000,000
Law Enforcement	5,000,000
Violent Event Response	1,000,000
Automobile	5,000,000
Boiler and Machinery	100,000,000

Settled claims have not exceeded this commercial coverage in any of the last three years and there have been no significant reductions in insurance coverage from last year.

**Note 19 – Set-Asides**

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

The following cash basis information describes the change in the fiscal year end set-aside amount for capital acquisitions. Disclosure of this information is required by State statute.

	Capital Improvement
Set-aside Balances as of June 30, 2012	\$0
Current Year Set-aside Requirement	653,992
Qualifying Disbursements	(885,065)
Totals	(\$231,073)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2013	\$0

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

**Nordonia Hills City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

**Note 20 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<u>Nonspendable:</u>				
Unclaimed Monies	\$15,298	\$0	\$0	\$15,298
Inventory	29,328	0	5,693	35,021
<i>Total Nonspendable</i>	44,626	0	5,693	50,319
<u>Restricted for:</u>				
Debt Service	0	1,369,260	0	1,369,260
Capital Projects	0	0	692,565	692,565
Food Service	0	0	31,414	31,414
Student Activities	0	0	203,425	203,425
State Grants	0	0	10,782	10,782
Federal Grants	0	0	81,732	81,732
Other Purposes	0	0	44,851	44,851
<i>Total Restricted</i>	0	1,369,260	1,064,769	2,434,029
<u>Committed to:</u>				
Education Services	39,392	0	0	39,392
Transportation	23,978	0	0	23,978
<i>Total Committed</i>	63,370	0	0	63,370
<u>Assigned to:</u>				
Support Services	171,617	0	0	171,617
Purchases on Order	200,274	0	0	200,274
<i>Total Assigned</i>	371,891	0	0	371,891
Unassigned (Deficit)	8,942,703	0	(1,911)	8,940,792
<b>Total Fund Balances</b>	<b>\$9,422,590</b>	<b>\$1,369,260</b>	<b>\$1,068,551</b>	<b>\$11,860,401</b>

**Note 21 – Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year or soon thereafter were as follows:

General	\$632,215
Other Governmental Funds	449,755
<b>Total</b>	<b>\$1,081,970</b>

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**NORDONIA HILLS CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR YEAR ENDED JUNE 30, 2013**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i>	Pass-through Grant Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
Program Title						
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
National School Breakfast Program	050047-3L70-2013	10.553	\$ 37,467	\$ -	\$ 37,467	\$ -
National School Lunch Program	050047-3L60-2013	10.555	384,109	53,665	384,109	53,665
Total			<u>421,576</u>	<u>53,665</u>	<u>421,576</u>	<u>53,665</u>
<b>Total U.S. Department of Agriculture</b>			<u>421,576</u>	<u>53,665</u>	<u>421,576</u>	<u>53,665</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Title I, Part A Cluster:						
Title I Grants to Local Education Agencies	050047-3M00-2012	84.010	30,382	-	43,088	-
Title I Grants to Local Education Agencies	050047-3M00-2013	84.010	432,843	-	432,843	-
Total Title I, Part A Cluster			<u>463,225</u>	<u>-</u>	<u>475,931</u>	<u>-</u>
Special Education Cluster:						
Special Education Grants to States	050047-3M20-2012	84.027	26,290	-	52,684	-
Special Education Grants to States	050047-3M20-2013	84.027	824,845	-	823,249	-
Total Special Education Cluster			<u>851,135</u>	<u>-</u>	<u>875,933</u>	<u>-</u>
Improving Teacher Quality State Grants, Title II-A						
Improving Teacher Quality State Grants, Title II-A	050047-3Y60-2012	84.367	-	-	8,817	-
Improving Teacher Quality State Grants, Title II-A	050047-3Y60-2013	84.367	113,975	-	113,975	-
Total Improving Teacher Quality State Grants, Title II-A			<u>113,975</u>	<u>-</u>	<u>122,792</u>	<u>-</u>
ARRA - Race to the Top Fund						
ARRA - Race to the Top Fund	050047-3FD0-2011	84.395A	93,092	-	91,482	-
ARRA - Race to the Top Fund	050047-3FD0-2012	84.395A	1,400	-	1,400	-
ARRA - Race to the Top Fund	050047-3FD0-2013	84.395A	1,200	-	1,200	-
Total ARRA - Race to the Tip Fund			<u>95,692</u>	<u>-</u>	<u>94,082</u>	<u>-</u>
Education Jobs Fund	050047-3ET0-2011	84.410	-	-	41	-
Title IV-A Drug Free Schools Grant	050047-3D10-2013	84.186	50,000	-	50,000	-
<i>Total U.S. Department of Education</i>			<u>1,574,027</u>	<u>-</u>	<u>1,618,779</u>	<u>-</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,995,603</u>	<u>\$ 53,665</u>	<u>\$ 2,040,355</u>	<u>\$ 53,665</u>

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

**NORDONIA HILLS CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Nordonia Hills City School District's (the District) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require districts to obligate certain federal awards by June 30. However, with ODE's consent, districts can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2013 to 2014 programs:

<b>CFDA Number</b>	<b>Program Title</b>	<b>Grant Year</b>	<b>Transfer Out</b>	<b>Transfer In</b>
84.010	Title I Grants to Local Education Agencies	2013	\$38,739	
84.010	Title I Grants to Local Education Agencies	2014		\$38,739



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Nordonia Hills City School District  
Summit County  
9370 Olde Eight Road  
Northfield, Ohio 44067

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nordonia Hills City School District, Summit County, Ohio (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2013, wherein we noted the District adopted the provisions of Governmental Accounting Standards No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and No. 65, "Items Previously Reported as Assets and Liabilities".

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 13, 2013



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Nordonia Hills City School District  
Summit County  
9370 Olde 8 Road  
Northfield, Ohio 44067

To the Board of Education:

### ***Report on Compliance for Major Federal Program***

We have audited the Nordonia Hills City School District's, Summit County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Nordonia Hills City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 13, 2013

**NORDONIA HILLS CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster CFDA #84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

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

None

**NORDONIA HILLS CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-1	Financial Reporting	Yes	Corrected
2012-2	Payroll	Yes	Corrected
2012-3	Budgetary Control-ORC Section 5705.39	Yes	Corrected
2012-4	Budgetary Control-Ohio Revised Code Section 5705.41(B)	Yes	Corrected



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## Independent Accountants' Report on Applying Agreed-Upon Procedure

Nordonia Hills City School District  
Summit County  
9370 Olde Eight Road  
Northfield, Ohio 44067

To the Board of Education:

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

1. We noted the Board amended its anti-harassment policy at its meeting on May 21, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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.

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

**Dave Yost**  
Auditor of State

December 13, 2013

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# Dave Yost • Auditor of State

**NORDONIA HILLS CITY SCHOOL DISTRICT**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 30, 2014**