



**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Niles City School District
Trumbull County
100 West Street
Niles, Ohio 44446

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Niles City School District, Trumbull County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Niles City School District, Trumbull County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended June 30, 2001, the District adopted Governmental Accounting Statement No. 33.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

November 1, 2001

NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<u>ASSETS AND OTHER DEBITS</u>										
ASSETS:										
Equity in pooled cash and cash equivalents	\$96,818	\$558,808	\$22,186	\$8,331,837	\$14,642	\$275,610	\$462,902			\$9,762,803
Equity in pooled cash and cash equivalents - nonexpendable trust fund							14,726			14,726
Receivables (net of allowances of uncollectibles):										
Taxes - current & delinquent	8,335,536	138,819	459,170							8,933,525
Accounts	14,516	46			265					14,827
Accrued interest	60,888									60,888
Due from other funds							324,930			324,930
Due from other governments		279,851			56,964					336,815
Prepayments	14,007									14,007
Interfund loan receivable			293,129							293,129
Materials and supplies inventory	19,946				8,413					28,359
Restricted assets:										
Equity in pooled cash and cash equivalents	431,350									431,350
Property, plant and equipment (net of accumulated depreciation where applicable).					9,896			\$29,525,991		29,535,887
OTHER DEBITS:										
Amount available in debt service fund									\$317,527	317,527
Amount to be provided for retirement of general long-term obligations									6,885,835	6,885,835
Total assets and other debits	<u>\$8,973,061</u>	<u>\$977,524</u>	<u>\$774,485</u>	<u>\$8,331,837</u>	<u>\$90,180</u>	<u>\$275,610</u>	<u>\$802,558</u>	<u>\$29,525,991</u>	<u>\$7,203,362</u>	<u>\$56,954,608</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Types		Fiduciary	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS										
LIABILITIES:										
Accounts payable	\$111,473	\$39,074		\$7,712			\$1,000			\$159,259
Accrued wages and benefits.	1,657,281	167,369			\$58,879					1,883,529
Compensated absences payable	20,556				15,459				\$1,147,045	1,183,060
Pension obligation payable					5,858		304,554		153,447	463,859
Due to other funds.	274,807	25,485			24,638					324,930
Due to other governments.	9,478	1,400			376		385,824			397,078
Interfund loans payable	293,129									293,129
Deferred revenue	8,295,378	254,194	\$456,958		3,594					9,010,124
Due to students							31,025			31,025
Claims payable						\$391,352				391,352
General obligation bonds payable.									5,515,000	5,515,000
General obligation capital appreciation bonds payable									380,499	380,499
Capital leases payable.									7,371	7,371
Total liabilities	10,662,102	487,522	456,958	7,712	108,804	391,352	722,403		7,203,362	20,040,215
EQUITY AND OTHER CREDITS:										
Investment in general fixed assets								\$29,525,991		29,525,991
Contributed capital					4,532					4,532
Retained earnings (accumulated deficit):										
Unreserved.					(23,156)	(115,742)				(138,898)
Fund balances:										
Reserved for encumbrances	184,167	22,493		259,365						466,025
Reserved for materials and supplies inventory	19,946									19,946
Reserved for prepayments	14,007									14,007
Reserved for principal endowment							10,000			10,000
Reserved for debt service			315,315							315,315
Reserved for tax revenue unavailable for appropriation	40,158	669	2,212							43,039
Reserved for capital improvements	79,537									79,537
Reserved for textbooks	351,813									351,813
Unreserved-undesignated (deficit).	(2,378,669)	466,840		8,064,760			70,155			6,223,086
Total equity and other credits	(1,689,041)	490,002	317,527	8,324,125	(18,624)	(115,742)	80,155	29,525,991		36,914,393
Total liabilities, equity and other credits.	\$8,973,061	\$977,524	\$774,485	\$8,331,837	\$90,180	\$275,610	\$802,558	\$29,525,991	\$7,203,362	\$56,954,608

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$7,235,179	\$6,982,958	(\$252,221)	\$120,533	\$115,988	(\$4,545)	\$604,313	\$382,760	(\$221,553)				\$7,960,025	\$7,481,706	(\$478,319)
Earnings on investments.....	216,530	216,844	314	7,192	5,846	(1,346)	140,713	89,125	(51,588)				364,435	311,815	(52,620)
Extracurricular.....				199,315	187,153	(12,162)							199,315	187,153	(12,162)
Other local revenues.....	16,557	16,581	24	34,742	34,923	181	9,879	6,257	(3,622)	\$574,043	\$352,340	(\$221,703)	635,221	410,101	(225,120)
Other revenue.....				15,500	13,704	(1,796)							15,500	13,704	(1,796)
Intergovernmental - State.....	10,799,428	10,785,757	(13,671)	923,609	912,759	(10,850)	67,519	42,765	(24,754)	3,710,137	2,127,055	(1,583,082)	15,500,693	13,868,336	(1,632,357)
Intergovernmental - Federal.....				1,105,750	818,643	(287,107)							1,105,750	818,643	(287,107)
Total revenues.....	<u>18,267,694</u>	<u>18,002,140</u>	<u>(265,554)</u>	<u>2,406,641</u>	<u>2,089,016</u>	<u>(317,625)</u>	<u>822,424</u>	<u>520,907</u>	<u>(301,517)</u>	<u>4,284,180</u>	<u>2,479,395</u>	<u>(1,804,785)</u>	<u>25,780,939</u>	<u>23,091,458</u>	<u>(2,689,481)</u>
Expenditures:															
Current:															
Instruction:															
Regular.....	8,874,902	8,874,902	0	550,364	494,239	56,125				177,160	95,125	82,035	9,602,426	9,464,266	138,160
Special.....	1,794,698	1,794,698	0	778,422	621,310	157,112							2,573,120	2,416,008	157,112
Vocational.....	1,123,579	1,123,579	0	28,802	28,802	0							1,152,381	1,152,381	0
Other.....	717,116	717,116	0										717,116	717,116	0
Support services:															
Pupil.....	835,725	835,725	0	66,272	61,416	4,856							901,997	897,141	4,856
Instructional staff.....	402,517	402,517	0	235,455	173,449	62,006				17	0	17	637,989	575,966	62,023
Board of Education.....	19,677	19,677	0							12,029	12,028	1	31,706	31,705	1
Administration.....	1,538,207	1,538,207	0	213,778	144,191	69,587				29	29	0	1,752,014	1,682,427	69,587
Fiscal.....	381,431	381,431	0	27,355	27,355	0	6,548	6,548	0	1,610	1,610	0	416,944	416,944	0
Business.....	190,150	190,150	0	2,918	2,800	118							193,068	192,950	118
Operations and maintenance.....	1,824,127	1,824,127	0	25,936	25,633	303							1,850,063	1,849,760	303
Pupil transportation.....	656,300	656,300	0	1,690	845	845							657,990	657,145	845
Central.....	94,006	94,006	0	10,998	10,998	0				25,500	25,500	0	130,504	130,504	0
Community services.....	85,276	85,276	0	19,708	18,133	1,575							104,984	103,409	1,575
Extracurricular activities.....	321,637	321,637	0	179,877	127,706	52,171							501,514	449,343	52,171
Facilities acquisition and construction.....	156,469	156,469	0							796,100	796,100	0	952,569	952,569	0
Intergovernmental pass through.....				267,754	225,272	42,482							267,754	225,272	42,482
Debt service:															
Principal retirement.....							11,774,000	11,774,000	0				11,774,000	11,774,000	0
Interest and fiscal charges.....							393,638	393,638	0				393,638	393,638	0
Total expenditures.....	<u>19,015,817</u>	<u>19,015,817</u>	<u>0</u>	<u>2,409,329</u>	<u>1,962,149</u>	<u>447,180</u>	<u>12,174,186</u>	<u>12,174,186</u>	<u>0</u>	<u>1,012,445</u>	<u>930,392</u>	<u>82,053</u>	<u>34,611,777</u>	<u>34,082,544</u>	<u>529,233</u>
Excess (deficiency) of revenues over (under) expenditures.....	(748,123)	(1,013,677)	(265,554)	(2,688)	126,867	129,555	(11,351,762)	(11,653,279)	(301,517)	3,271,735	1,549,003	(1,722,732)	(8,830,838)	(10,991,086)	(2,160,248)
Other financing sources (uses):															
Refund of prior year's expenditures.....	154,775	155,000	225	943	814	(129)							155,718	155,814	96
Operating transfers in.....				23,250	18,883	(4,367)				820	4,904	4,084	24,070	23,787	(283)
Operating transfers out.....	(59,586)	(59,586)	0				(4,904)	(4,904)	0				(64,490)	(64,490)	0
Advances in.....	371,547	306,347	(65,200)	0	2,209	2,209							371,547	308,556	(62,991)
Advances out.....				(12,899)	(12,899)	0	(293,129)	(293,129)	0				(306,028)	(306,028)	0
Proceeds from the sale of bonds.....							9,294,588	5,887,000	(3,407,588)				9,294,588	5,887,000	(3,407,588)
Proceeds from the sale of notes.....							9,294,588	5,887,000	(3,407,588)				9,294,588	5,887,000	(3,407,588)
Total other financing sources (uses).....	<u>466,736</u>	<u>401,761</u>	<u>(64,975)</u>	<u>11,294</u>	<u>9,007</u>	<u>(2,287)</u>	<u>18,291,143</u>	<u>11,475,967</u>	<u>(6,815,176)</u>	<u>820</u>	<u>4,904</u>	<u>4,084</u>	<u>18,769,993</u>	<u>11,891,639</u>	<u>(6,878,354)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).	(281,387)	(611,916)	(330,529)	8,606	135,874	127,268	6,939,381	(177,312)	(7,116,693)	3,272,555	1,553,907	(1,718,648)	9,939,155	900,553	(9,038,602)
Fund balances, July 1.....	779,026	779,026	0	352,701	352,701	0	199,498	199,498	0	5,745,819	5,745,819	0	7,077,044	7,077,044	0
Prior year encumbrances appropriated....	108,179	108,179	0	12,967	12,967	0	0	0	0	765,034	765,034	0	886,180	886,180	0
Fund balances, June 30.....	<u>\$605,818</u>	<u>\$275,289</u>	<u>(\$330,529)</u>	<u>\$374,274</u>	<u>\$501,542</u>	<u>\$122,707</u>	<u>\$7,138,879</u>	<u>\$22,186</u>	<u>(\$7,116,693)</u>	<u>\$9,783,408</u>	<u>\$8,064,760</u>	<u>(\$1,718,648)</u>	<u>\$17,902,379</u>	<u>\$8,863,777</u>	<u>(\$9,038,602)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$6,999,222	\$116,234	\$180,110	\$203,527		\$7,499,093
Earnings on investments	277,732	5,846	89,125		\$12	372,715
Extracurricular		187,153				187,153
Other local revenues	878	34,255	6,257	352,340	2,120	395,850
Other revenue		13,704				13,704
Intergovernmental - State	10,781,607	912,759	42,765	2,127,055		13,864,186
Intergovernmental - Federal		975,423				975,423
Total revenues	18,059,439	2,245,374	318,257	2,682,922	2,132	23,308,124
Expenditures:						
Current:						
Instruction:						
Regular	8,596,906	511,549		94,964	1,000	9,204,419
Special	1,800,212	634,470				2,434,682
Vocational	1,123,297	33,855				1,157,152
Other	692,138					692,138
Support services:						
Pupil	789,597	70,362				859,959
Instructional staff	383,853	169,404				553,257
Board of Education	19,374			5,499		24,873
Administration	1,562,140	149,398				1,711,538
Fiscal	418,685	27,355	6,548	1,610		454,198
Business	184,000	2,800				186,800
Operations and maintenance	1,817,506	25,633				1,843,139
Pupil transportation	713,631	845				714,476
Central	91,452	10,998		4,500		106,950
Community services	85,938	13,329				99,267
Extracurricular activities	324,219	118,176				442,395
Facilities acquisition and construction	95,939			427,369		523,308
Intergovernmental pass through		221,799				221,799
Debt service:						
Principal retirement	9,863		5,887,000			5,896,863
Interest and fiscal charges	672		190,111	203,527		394,310
Total expenditures	18,709,422	1,989,973	6,083,659	737,469	1,000	27,521,523
Excess of revenues over (under) expenditures	(649,983)	255,401	(5,765,402)	1,945,453	1,132	(4,213,399)
Other financing sources (uses):						
Operating transfers in		18,883		4,904		23,787
Operating transfers out	(59,586)		(4,904)			(64,490)
Proceeds from the sale of bonds			5,887,000			5,887,000
Proceeds from the sale of notes				5,887,000		5,887,000
Total other financing sources (uses)	(59,586)	18,883	5,882,096	5,891,904		11,733,297
Excess of (deficiency) revenues and other financing sources over (under) expenditures and other financing (uses)	(709,569)	274,284	116,694	7,837,357	1,132	7,519,898
Fund balances (deficit), July 1	(983,453)	215,718	200,833	486,768	64,297	(15,837)
Increase in reserve for inventory	3,981					3,981
Fund balances (deficit), June 30	(\$1,689,041)	\$490,002	\$317,527	\$8,324,125	\$65,429	\$7,508,042

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS (ACCUMULATED DEFICIT) / FUND BALANCE
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating revenues:				
Tuition and fees	\$53,028			\$53,028
Sales/charges for services	400,887	\$392,068		792,955
Interest earnings			\$803	803
Other	27			27
Total operating revenues	453,942	392,068	803	846,813
Operating expenses:				
Personal services.	544,412			544,412
Contract services.	4,317			4,317
Materials and supplies	374,229			374,229
Other operating expenses	874			874
Depreciation	2,194			2,194
Claims expense		508,195		
Total operating expenses.	926,026	508,195		926,026
Operating income (loss).	(472,084)	(116,127)	803	(587,408)
Nonoperating revenues:				
Operating grants	386,613			386,613
Federal commodities	54,519			54,519
Interest revenue.		385		385
Other nonoperating revenues			1,645	1,645
Total nonoperating revenues	441,132	385	1,645	443,162
Net income (loss) before operating transfers.	(30,952)	(115,742)	2,448	(144,246)
Operating transfers in	40,703			40,703
Net income (loss)	9,751	(115,742)	2,448	(103,543)
Retained earnings (accumulated deficit) / fund balance at July 1	(32,907)		12,278	(20,629)
Retained earnings (accumulated deficit) / fund balance at June 30.	(23,156)	(115,742)	14,726	(124,172)
Contributed capital at June 30	4,532			4,532
Total fund equity at June 30	(\$18,624)	(\$115,742)	\$14,726	(\$119,640)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Cash flows from operating activities:				
Cash received from tuition and fees	\$53,908			\$53,908
Cash received from sales/service charges	400,887	\$392,068		792,955
Cash received from other operations	31			31
Cash payments for personal services	(547,048)			(547,048)
Cash payments for contract services	(4,317)			(4,317)
Cash payments for materials and supplies	(316,984)			(316,984)
Cash payments for claims expenses.		(116,843)		(116,843)
Cash payments for other expenses	(874)		(\$500)	(1,374)
Net cash provided by (used in) operating activities	(414,397)	275,225	(500)	(139,672)
Cash flows from noncapital financing activities:				
Cash received from operating grants	385,770			385,770
Cash used in repayment of interfund loans.	(2,528)			(2,528)
Cash received from operating transfers in	40,703			40,703
Cash received in other noncapital activities			1,645	1,645
Net cash provided by noncapital financing activities.	423,945		1,645	425,590
Cash flows from investing activities:				
Interest received		385	803	1,188
Net cash provided by investing activities.		385	803	1,188
Net increase in cash and cash equivalents	9,548	275,610	1,948	287,106
Cash and cash equivalents at beginning of year.	5,094	0	12,778	17,872
Cash and cash equivalents at end of year	<u>\$14,642</u>	<u>\$275,610</u>	<u>\$14,726</u>	<u>\$304,978</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	(\$472,084)	(\$116,127)	\$803	(\$587,408)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation.	2,194			2,194
Federal donated commodities	54,519			54,519
Interest reported as operating income			(803)	(803)
Changes in assets and liabilities:				
Decrease in materials and supplies inventory	13,729			13,729
Decrease in accounts receivable	884			884
Decrease in accounts payable			(500)	(500)
Decrease in accrued wages and benefits.	(3,365)			(3,365)
Increase in compensated absences payable	333			333
Decrease in pension obligation payable	(1,863)			(1,863)
Increase in due to other funds	2,307			2,307
Decrease in due to other governments	(48)			(48)
Increase in claims payable.		391,352		391,352
Decrease in deferred revenue	(11,003)			(11,003)
Net cash provided by (used in) operating activities	<u>(414,397)</u>	<u>\$275,225</u>	<u>(500)</u>	<u>(139,672)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Niles City School District (the "District") operates under a locally-elected five-member Board and provides education services as mandated by State and/or federal agencies. The Board controls the District's 9 instructional/support facilities staffed by 127 non-certificated and 220 certified full-time teaching personnel who provide services to students and other community members.

The District is located in Niles, Ohio, Trumbull County, and includes an area extending eight square miles around the City. The District is the 163rd largest among the 682 public and community school districts in the State of Ohio in terms of enrollment. The enrollment for the District during fiscal year 2001 was 2,954.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units that should be blended or discretely presented in the financial statements of the District. The following organizations are described due to its relationship with the District.

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Management Information Network (NEOMIN)

NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and a treasurer from each county who must be employed by a participating school district, the fiscal agent or NEOMIN. The Niles City School District was not represented on the Governing Board during fiscal year 2001. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

North East Ohio Instructional Media Center (NEOIMC)

NEOIMC is a jointly governed organization among 45 school districts. The organization was formed for the purpose of providing quality films and/or other media to support the curricula of the District. Each member pays a monthly premium based on use of the media materials. NEOIMC is governed by an advisory committee made up of a member from a parochial school, a JVS, one county superintendent from each participating county, one city superintendent, and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. Financial information can be obtained by contacting the treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

North East Ohio Special Education Regional Resource Center (NEO/SERRC)

NEO/SERRC is a special education service center which selects its own board, adopts its own budget and receives direct federal and state grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. NEO/SERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. Information can be obtained by contacting the treasurer at the Mahoning County Educational Service Center, 2801 Market Street, Youngstown, Ohio 44507.

Region 12 Professional Development Center (Center)

The Center is a jointly governed organization among the school districts located in Trumbull, Mahoning and Columbiana counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improving instructional programs.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Center is governed by a governing board made up of nineteen representatives of the participating school districts, the business community, and Youngstown State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

RELATED ORGANIZATION

McKinley Memorial Library (Library)

The Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Niles City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the McKinley Memorial Library, Linda McGinnis, Clerk/Treasurer, at 40 North Main Street, Niles, Ohio 44446.

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan)

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Plan was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Trumbull County Insurance Consortium (Consortium)

The District participates in the Consortium. The Consortium is a shared risk pool comprised of sixteen Trumbull County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

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

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by proprietary funds).

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

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

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an expendable trust fund, a nonexpendable trust fund and an agency fund. The expendable trust fund is accounted for in the same manner as governmental funds. The nonexpendable trust fund is accounted for in the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

ACCOUNT GROUPS

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

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

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

C. Measurement Focus/Basis of Accounting

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

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2001, and which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The proprietary funds and the nonexpendable trust fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as deferred commodities revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

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

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Estimated Resources

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

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation total at any level of control. Any revision that alters the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. Note 17 provides a reconciliation of the budgetary and GAAP basis of accounting. The District had no encumbrances outstanding for the enterprise funds at fiscal year-end.

Lapsing of Appropriations

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During the fiscal year, the District's investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), certificates of deposit and a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as certificates of deposit and repurchase agreements are reported at cost.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2001 amounted to \$277,732, which includes \$166,190 assigned from other District funds.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental fund types which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Fixed Assets and Depreciation

1. *General Fixed Assets Account Group*

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

2. *Proprietary Funds*

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and equipment	5-20

H. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for proprietary fund operations are recognized as non-operating when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Entitlements

General Fund

State Foundation Program
School Bus Purchase Program
State Property Tax Relief

Special Revenue Funds

Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

Title VI-B
Auxiliary Services
Title I
Title VI
Educational Management Information System
SchoolNet Professional Development
Ohio Reads
Eisenhower
Drug Free Schools
B.A.S.E. Program
Title VI-R
Summer Intervention
Goals 2001

Capital Projects Funds

SchoolNet
Classroom Facilities

Reimbursable Grants

General Fund

Driver Education Reimbursement

Special Revenue Funds

Ohio Wellness Block Grant

Enterprise Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Grants and entitlements amounted to approximately 46% of the District's operating revenue during the 2001 fiscal year.

I. Compensated Absences

The liability for compensated absences is based on the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability if the employees' right to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the "vesting method". The liability is based on the sick leave accumulated at June 30, by those employees who are eligible to receive termination benefits and by those employees who are expected to become eligible in the future. The District records a liability for accumulated unused sick leave for classified employees, certified employees and administrators after fifteen years of service.

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

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as liabilities in the general long-term obligation account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available resources. Capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

K. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, tax advance unavailable for appropriation, materials and supplies inventory, prepayments, principal endowment, capital improvements, textbooks, and debt service. Although the nonexpendable trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of principal endowment. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for property tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute.

L. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as “interfund loans receivable or payable”. The District had short-term interfund loans receivable and payable at June 30, 2001.
4. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable and payable at June 30, 2001.

An analysis of interfund transactions is presented in Note 5.

M. Contributed Capital

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

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a textbook and capital improvements reserve. These reserves are required by State statute. See Note 19 for detail of statutory reserves.

O. Parochial Schools

Within the District boundaries, our Lady of Mount Carmel and St. Stephens are operated through the Youngstown Catholic Diocese. Current state legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial school. The fiduciary responsibility of the District for these monies is reflected in a special revenue fund for financial reporting purposes.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Estimates

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

Q. Memorandum Only - Total Columns

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", was implemented during fiscal 2001. This statement pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances/Retained Earnings

Fund balance/retained earnings at June 30, 2001 included the following individual fund deficits:

	<u>Deficit Balance</u>
General Fund	\$1,689,041
<u>Special Revenue Fund</u>	
Disadvantaged Pupil Impact Aid	54,218
<u>Enterprise Fund</u>	
Food Service	26,373
<u>Internal Service Fund</u>	
Self Insurance	115,742

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balances in the general fund and the Disadvantaged Pupil Impact Aid special revenue fund are caused by the application of GAAP, namely in the reporting of a liability for accrued wages, benefits, and pension obligations attributable to the fiscal year. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

The deficit retained earnings in the Food Service enterprise fund is caused by the application of GAAP namely in the reporting of a liability for accrued wages, benefits, and pension obligations attributable to the fiscal year. This deficit retained earnings will be eliminated by user charges and other subsidies not recognized and recorded at June 30.

The deficit retained earnings in the Self Insurance internal service fund is caused by the application of GAAP namely in the reporting of a liability for claims attributable to the fiscal year. This deficit retained earnings will be eliminated by user charges not recognized and recorded at June 30.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories:

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies 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 accounts, including passbook accounts.

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

Interim monies may be invested or deposited in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the District's deposits, including non-negotiable certificates of deposit, was \$2,306,242 and the bank balance, including non-negotiable certificates of deposit, was \$2,305,627. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$2,105,627 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments: Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreement	<u>\$275,611</u>	\$ 275,611	\$ 275,611
Total	<u>\$275,611</u>		
Investment in STAR Ohio		<u>7,627,026</u>	<u>7,627,026</u>
Total investments		<u>\$7,902,637</u>	<u>\$7,902,637</u>

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents on the combined balance sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$10,208,879	\$ ---
Investments of the Cash Management pool:		
Repurchase agreement	(275,611)	275,611
Investment in STAR Ohio	<u>(7,627,026)</u>	<u>7,627,026</u>
GASB Statement No. 3	<u>\$ 2,306,242</u>	<u>\$7,902,637</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2001, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ ---	\$293,129
<u>Debt Service Fund</u> Bond Retirement	<u>293,129</u>	<u>---</u>
Total	<u>\$293,129</u>	<u>\$293,129</u>

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. The following is a summarized breakdown of the District's operating transfers during fiscal year 2001:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$59,586	\$ - - -
<u>Special Revenue Funds</u>		
Drug Free Schools	- - -	6,351
Miscellaneous Federal Grants	- - -	12,532
<u>Debt Service Fund</u>		
Bond Retirement	4,904	- - -
<u>Capital Projects Fund</u>		
Permanent Improvement	- - -	4,904
<u>Enterprise Fund</u>		
Food Service	<u>- - -</u>	<u>40,703</u>
Total	<u>\$64,490</u>	<u>\$64,490</u>

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

C. The following is a summarized breakdown of amounts “due to” and “due from” other funds for pension obligations and worker’s compensation payments:

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General Fund	\$274,807	\$ ---
<u>Special Revenue Funds</u>		
Auxiliary Services	2,910	---
Disadvantaged Pupil Impact Aid	9,524	---
Title VI-B	3,564	---
Title I	7,709	---
Drug Free Schools	32	---
Miscellaneous Federal Grants	1,742	---
District Managed Student Activities	4	---
<u>Enterprise Fund</u>		
Food Service	24,638	---
<u>Agency Fund</u>		
District Agency	---	<u>324,930</u>
Totals	<u>\$324,930</u>	<u>\$324,930</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed at 50% of market and railroads which are assessed at 29%.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2000 taxes were collected was \$259,043,327. Agricultural/Residential and public utility/minerals real estate represented 60.96% or \$157,905,050 of this total, Commercial & Industrial real estate represented 17.42% or \$45,133,740 of this total, public utility tangible represented 10.34% or \$26,794,580 of this total and general tangible property represented 11.28% or \$29,209,957 of this total. The voted general tax rate at the fiscal year ended June 30, 2001 was \$47.5 per \$1,000.00 of assessed valuation for operations and \$1.65 per \$1,000.00 of assessed valuation for debt service.

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.

The Trumbull County Treasurer collects property taxes on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of \$43,039 was available to the District as an advance and is recorded as revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental receivables have been recorded as “due from other governments” on the combined balance sheet. 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. A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$8,335,536
Accounts	14,516
Accrued interest	60,888
 <u>Special Revenue Funds</u>	
Taxes - current and delinquent	138,819
Due from other governments	279,851
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	459,170
 <u>Enterprise Funds</u>	
Accounts	265
Due from other governments	56,964

NOTE 8 - FIXED ASSETS

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

	<u>Balance</u>		<u>Increase</u>		<u>Decrease</u>		<u>Balance</u>
	<u>July 1, 2000</u>					<u>June 30, 2001</u>	
Land and improvements	\$ 206,155	\$ ---		\$ ---		\$ 206,155	
Buildings and improvements	25,535,551	---		---		25,535,551	
Furniture, fixtures and equipment	3,141,107	135,802		(13,951)		3,262,958	
Vehicles	521,327	---		---		521,327	
 Total	 \$29,404,140	 \$135,802		 \$(13,951)		 \$29,525,991	

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 8 - FIXED ASSETS - (Continued)

A summary of the proprietary fixed assets at June 30, 2001 follows:

Furniture and equipment	\$ 329,955
Less: accumulated depreciation	<u>(320,059)</u>
Net fixed assets	<u>\$ 9,896</u>

NOTE 9 - CAPITAL LEASES

In prior years, the District has entered into capitalized leases for equipment and furniture and fixtures. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined general purpose financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment has been capitalized in the general fixed assets account group in the amount of \$37,383. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 totaled \$9,863 in the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2002	\$6,257
2003	<u>1,580</u>
Total	7,837
Less: amount representing interest	<u>(466)</u>
Present value of minimum lease payments	<u>\$7,371</u>

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 10 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending on length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers 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 a maximum of 380 days for certified personnel. Upon retirement, payment is made for 25% of the unused accumulated sick leave days, not to exceed fifty days. Sick leave may be accumulated up to a maximum of 350 days for classified personnel. Upon retirement, payment is made for 30% of the unused accumulated sick leave days, not to exceed fifty days.

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the current fiscal year, the District issued general obligation bonds to provide funds for the construction of a new middle school building (hereinafter called "Construction Project"). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 1.4 mill bonded debt tax levy for the building construction.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2001, the total estimated cost of the Construction Project is \$14,017,429, of which OSFC will pay \$8,130,429.

In conjunction with the 1.4 mills which support the bond issue, the District also passed in fiscal 2001 a .5 mill levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the capital projects funds.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

This issue is comprised of both current interest bonds, par value \$5,515,000 and capital appreciation bonds, par value \$870,000. The interest rates on the current interest bonds range from 3.25% to 5.10%. The capital appreciation bonds mature on December 1, 2011 (4.80%), December 1, 2012 (approximate yield to maturity of 4.90%), and December 1, 2013 (5.00%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the general long-term obligations account group at June 30, 2001 was \$371,997. A total of \$8,502 in accreted interest on the capital appreciation bonds has been included in the general long-term obligations account group at June 30, 2001. The current interest bonds maturing on or after December 1, 2010 are subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2010 through November 30, 2011	101.0% of par
December 1, 2011 through November 30, 2012	100.5% of par
December 1, 2012 and thereafter	100% of par

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2022.

- B.** The following is a summary of the future debt service requirements to maturity for the general obligation bonds:

<u>Fiscal Year Ending</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 135,000	\$ 252,083	\$ 387,083	\$ ---	\$ ---	\$ ---
2003	150,000	247,339	397,339	---	---	---
2004	165,000	241,903	406,903	---	---	---
2005	175,000	235,865	410,865	---	---	---
2006	190,000	229,201	419,201	---	---	---
2007 - 2011	1,165,000	1,020,083	2,185,083	---	---	---
2012 - 2016	630,000	595,255	1,225,255	870,000	268,395	1,138,395
2017 - 2021	2,015,000	497,150	2,512,150	---	---	---
2022 - 2023	<u>890,000</u>	<u>43,095</u>	<u>933,095</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total	<u>\$5,515,000</u>	<u>\$3,361,974</u>	<u>\$8,876,974</u>	<u>\$870,000</u>	<u>\$268,395</u>	<u>\$1,138,395</u>

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

C. On January 16, 2001, the District issued a \$5,887,000 bond anticipation note to repay a previously issued bond anticipation note (See Note 12). This note bears an annual interest rate of 4.81% and matures on June 16, 2001. The bond anticipation note was retired using proceeds from the District's \$5,887,000 general obligation bond issue described in Note 11.A. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to Be Refinanced," the bond anticipation note is considered long-term obligation since it has been replaced with long-term bonds before the end of fiscal year. A summary of bond anticipation note transactions for the year ended June 30, 2001 follows:

	<u>Principal Outstanding July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2001</u>
<u>Capital Projects Funds</u>				
Bond Anticipation				
Notes - 4.81%	\$ <u>0</u>	\$ <u>5,887,000</u>	\$ <u>5,887,000</u>	\$ <u>0</u>

D. During the year ended June 30, 2001, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences are presented net of actual increases and decreases because of the practicality of determining these values. Compensated absences and pension obligations will be paid from the fund in which the employee was paid.

	<u>Balance July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2001</u>
Current interest general obligation bonds	\$ 0	\$ 5,515,000	\$ ---	\$5,515,000
Capital appreciation general obligation bonds	0	380,499	---	380,499
Bond anticipation note payable	0	5,887,000	(5,887,000)	0
Capital lease obligation	17,234	---	(9,863)	7,371
Compensated absences	1,037,167	109,878	---	1,147,045
Pension obligation payable	<u>129,252</u>	<u>153,447</u>	<u>(129,252)</u>	<u>153,447</u>
Total	<u>\$1,183,653</u>	<u>\$12,045,824</u>	<u>\$(6,026,115)</u>	<u>\$7,203,362</u>

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$17,735,927 and an unvoted debt margin of \$259,043.

NOTE 12 -BOND ANTICIPATION NOTE

On May 11, 2000, the District issued a \$5,877,000 bond anticipation note to finance the construction of a new middle school. This note was retired from proceeds of another bond anticipation note issued January 16, 2001 (See Note 11.B). This bond anticipation note was considered a fund liability and not a general long-term obligation in accordance with FASB Statement No. 6 since financing on a long-term basis was not consummated by the date of issuance of the fiscal year 2000 GPFS. A summary of the bond anticipation note transactions for the year ended June 30, 2001 follows:

	<u>Principal Outstanding July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal Outstanding June 30, 2001</u>
<u>Capital Projects Funds</u>				
Bond Anticipation Note - 5.08%	<u>\$5,877,000</u>	<u>\$ - - -</u>	<u>\$(5,877,000)</u>	<u>\$ 0</u>

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the District contracted with Gibson-Degood Insurance Company for property insurance and Nationwide Insurance for inland marine, fleet, and liability coverage. Coverages provided by the insurance companies are as follows:

Building and Contents - replacement (\$1,000 deductible)	\$44,141,939
Crime Insurance:	
Outside Premises	25,000
Inside Premises	25,000
Automobile Liability (\$150 deductible)	2,000,000
Uninsured Motorists (no deductible)	2,000,000
General Liability:	
Per occurrence	1,000,000
Total per year (aggregate)	3,000,000

Settled claims have not exceeded commercial coverage in any of the past three years. There was not a significant reduction in coverage from the prior year.

B. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 13 - RISK MANAGEMENT - (Continued)

C. Employee Medical Benefits

For the period July 1, 2000 through April 30, 2001 the District contracted with the Trumbull County Schools Employee Insurance Benefits Consortium to provide employee medical/surgical benefits. The Trumbull County Schools Employee Insurance Benefits Consortium is a shared risk pool comprised of sixteen Trumbull County school districts. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which all claims payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. For the period July 1, 2000 through December 31, 2000, the District paid medical/surgical premiums of \$571.90 for family coverage and \$219.69 for single coverage per employee per month for the traditional plan and \$665.95 for family coverage and \$292.64 for single coverage per employee per month for the HMO plan. For the period January 1, 2001 through April 30, 2001, the District paid medical/surgical premiums of \$699.37 for family coverage and \$327.79 for single coverage per employee per month for the traditional plan and \$702.58 for family coverage and \$308.74 for single coverage per employee per month for the HMO plan. For the period January 1, 2001 through April 30, 2001, the premium for prescription drug insurance was included in the medical/surgical premium.

Dental, prescription drug and vision insurance were also provided through the Trumbull County Schools Insurance Benefits Consortium. For the period July 1, 2000 through December 31, 2000, premiums for dental coverage were \$43.31 for both family and single coverage per month for both the traditional and HMO plans. Monthly premiums for prescription drug insurance are \$91.00 for both family and single coverage for the traditional plan and it is included in the medical/surgical premium for the HMO plan. Monthly premiums for vision insurance are \$7.71 for family and \$2.80 for single coverage for both the traditional and HMO plans. The plan utilizes a \$5.00 prescription deductible. For the period January 1, 2001 through April 30, 2001, the premiums for dental and vision insurance were the same as for the period July 1, 2000 through December 31, 2000. The premium for prescription drugs was added to the medical/surgical premium as stated above.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 13 - RISK MANAGEMENT - (Continued)

Effective May 1, 2001, the District became self-insured for employee medical, dental, prescription drug and vision benefits. Medical, dental, prescription drug and vision insurance is offered to employees through a self-insurance internal service fund. The District pays the following premiums into the fund for coverage:

<u>Traditional</u>	<u>Family</u>	<u>Single</u>
Medical/prescription drugs	\$699.37	\$327.79
Vision	7.71	2.80
Dental	43.31	43.31
<u>HMO</u>		
Medical/prescription drugs	702.58	308.74
Vision	7.71	2.80
Dental	43.31	43.31

The claims liability of \$391,352 reported in the internal service fund at June 30, 2001, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Claims activity for the current fiscal year is as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims</u>	<u>Payments</u>	<u>Ending Balance</u>
2001	\$ <u>0</u>	<u>\$508,215</u>	<u>\$(116,863)</u>	<u>\$391,352</u>

D. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 13 - RISK MANAGEMENT - (Continued)

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

NOTE 14 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and before and after school education. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Before and After School</u>	<u>Total</u>
Operating revenue	\$400,887	\$20,568	\$32,487	\$453,942
Operating expenses				
before depreciation	886,434	18,881	18,517	923,832
Depreciation	2,135	59	---	2,194
Operating income (loss)	(487,682)	1,687	13,911	(472,084)
Operating grants	386,613	---	---	386,613
Net income (loss)	(5,847)	1,687	13,911	9,751
Federal donated commodities	54,519	---	---	54,519
Operating transfers in	40,703	---	---	40,703
Net working capital	(20,458)	7,340	57	(13,061)
Total assets	74,921	7,340	7,919	90,180
Total liabilities	101,294	---	7,510	108,804
Total equity	(26,373)	7,340	409	(18,624)

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$342,395, \$328,208, and \$294,122, respectively; 40.65% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$203,196, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 15 -DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,307,811, \$1,269,555, and \$1,257,073, respectively; 83.12% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$220,730, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, five of the board of education members have elected social security. The board's liability is 6.2% of wages paid.

NOTE 16 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$420,368 during fiscal 2001.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 (the latest information available), net health care costs paid by STRS were \$283.137 million and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 9.8% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of \$252.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$282,486 during the 2001 fiscal year.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance is done on a GAAP basis, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis); and
- (d) Intrafund transfers have been presented as other financing sources (uses) on a budget basis. Intrafund transfers have been eliminated for GAAP basis reporting purposes.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

	Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses			
	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(611,916)	\$135,874	\$ (177,312)	\$1,553,907
Net adjustment for revenue accruals	57,299	156,358	(202,650)	203,527
Net adjustment for expenditure accruals	53,516	(85,090)	6,090,527	(74,154)
Net adjustment for other financing sources (uses)	(461,347)	9,876	(5,593,871)	5,887,000
Encumbrances (budget basis)	<u>252,879</u>	<u>57,266</u>	<u>---</u>	<u>267,077</u>
GAAP basis	<u>\$(709,569)</u>	<u>\$274,284</u>	<u>\$ 116,694</u>	<u>\$7,837,357</u>

NOTE 18 - CONTINGENCIES

A. Grants

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

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 18 - CONTINGENCIES - (Continued)

B. Litigation

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

C. State School Funding Decision

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of October 11, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 19 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2000	\$ 185,756	\$ 112,058	\$ 352,454
Current year set-aside requirement	398,494	398,494	---
Elimination of budget stabilization reserve	---	---	(352,454)
Current year offsets	---	(115,988)	---
Qualifying disbursements	<u>(232,437)</u>	<u>(315,027)</u>	<u>---</u>
 Total	 <u>\$ 351,813</u>	 <u>\$ 79,537</u>	 <u>\$ 0</u>
 Cash balance carried forward to FY 2002	 <u>\$ 351,813</u>	 <u>\$ 79,537</u>	 <u>\$ 0</u>

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. Monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund balance in the general fund. The District is still required by state law to maintain the textbook reserve and the capital improvements reserve.

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for textbooks	\$351,813
Amount restricted for capital acquisition	<u>79,537</u>
 Total restricted assets	 <u>\$431,350</u>

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NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$55,156		\$55,156
National School Breakfast Program		10.553	\$69,152		\$69,152	
National School Lunch Program		10.555	289,428		289,428	
Special Milk Program		10.556	3,531		3,531	
Total U.S. Department of Agriculture - Nutrition Cluster			362,111	55,156	362,111	55,156
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)	6B-SF-00 6B-SF-01	84.027	78,894 150,863		78,894 140,537	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-99 C1-S1-00 C1-S1-01	84.010	86,913 298,900		86,758 86,913 280,741	
Innovative Educational Program Strategies	C2-S1-01 Carryover 00 Carryover 99	84.298	3,581 14,862		5,790 10,287 1,287	
Drug-Free Schools Grant	DR-S1-01 DR-S1-00	84.186	17,877 5,741		22,659 10,087	
Goals 2000 - Systemic Improvement	G2-S2-01 G2-S2-00	84.276	18,000 27,000		6,748	
Title II - Eisenhower	MS-S1-01 MS-S1-00 MS-S1-99	84.281	12,664 10,077		4,675 10,683 3,626	
Class Size Reduction - TitleVI-R	CR-S1-01 CR-S1-00	84.340	51,727 31,711		64,259 33,702	
Dependent Care Plan	DC-S1-00	93.673			570	
Total Department of Education			808,810		848,216	
Totals			\$1,170,921	\$55,156	\$1,210,327	\$55,156

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

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

FISCAL YEAR ENDED JUNE 30, 2001

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

Niles City School District
Trumbull County
100 West Street
Niles, Ohio 44446

To the Board of Education:

We have audited the financial statements of the Niles City School District, Trumbull County, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 1, 2001 which disclosed a change in accounting principle. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated November 1, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 1, 2001.

Niles City School District
Trumbull County
Report of Independent Accountants on Compliance and on
Internal Control Required by Government Auditing Standards
Page 2

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

Jim Petro
Auditor of State

November 1, 2001



STATE OF OHIO
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JIM PETRO, AUDITOR OF STATE

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

Niles City School District
Trumbull County
100 West Street
Niles, Ohio 44446

To the Board of Education:

Compliance

We have audited the compliance of the Niles City School District, Trumbull County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal program are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

November 1, 2001

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster CFDA# 10.550, 10.553, 10.555, 10.556
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2001

SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
2000-11178-001	Ohio Rev. Code Section 5705.39, appropriations exceeded estimated revenue	Yes	Corrected



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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NILES CITY SCHOOL DISTRICT

TRUMBULL 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
DECEMBER 18, 2001**