

NORDONIA HILLS CITY SCHOOL DISTRICT

SUMMIT COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2008

Charles E. Harris & Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Board of Education
Nordonia Hills City School District
9370 Olde Eight Road
Northfield, Ohio 44067

We have reviewed the *Report of Independent Accountants* of the Nordonia Hills City School District, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 5, 2009

This Page is Intentionally Left Blank.

**NORDONIA HILLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
AUDIT REPORT
For the Year Ended June 30, 2008**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1 - 2
Management’s Discussion and Analysis	3 - 11
Statement of Net Assets	12
Statement of Activities	13
Balance Sheet – Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	18
Statement of Fiduciary Net Assets – Agency Fund	19
Notes to the Basic Financial Statements	20 - 46
Schedule of Federal Awards Expenditures	47
Notes to the Schedule of Federal Awards Expenditures	48
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i>	49 – 50
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	51 - 52
Schedule of Findings and Questioned Costs	53 - 54
Status of Prior Year’s Citations and Recommendations	55

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nordonia Hills City School District, Summit County, Ohio, (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Nordonia Hills City School District, Summit County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2009 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nordonias Hills City School District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for the purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information as been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Charles E. Harris & Associates, Inc.

January 13, 2009

Nordonia Hills City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

This discussion and analysis of Nordonia Hills City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- General revenues accounted for \$40,573,307 in revenue or 90.3 percent of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$4,365,806 or 9.7 percent of total revenues of \$44,939,113.
- The School District had \$45,312,477 in expenses related to governmental activities; program revenues offset only \$4,365,806 of these expenses. General revenues were not quite adequate to provide for these programs resulting in a decrease in net assets of \$373,364.
- Total expenses amounted to \$45.3 million, and expenses related to instruction amounted to \$23.5 million or 51.9 percent of this total.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2008?" These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting, takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the School Districts' activities are considered to be all governmental activities:

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 14. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the building improvement capital projects fund.

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

Nordonia Hills City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 and 2007.

		Table 1 Net Assets	
		Governmental Activities	
		<u>2008</u>	<u>2007</u>
Assets			
Current and other assets	\$	50,572,464	\$ 49,264,321
Capital assets, net of depreciation		<u>35,747,052</u>	<u>36,930,056</u>
Total assets		<u>86,319,516</u>	<u>86,194,377</u>
Liabilities			
Current and other liabilities		34,170,390	33,440,960
Long-term liabilities:			
Due within one year		2,106,155	1,964,880
Due in more than one year		<u>35,337,984</u>	<u>35,710,186</u>
Total liabilities		<u>71,614,529</u>	<u>71,116,026</u>
Net Assets			
Invested in capital assets, net of debt		3,754,077	3,120,420
Restricted		4,183,328	4,158,010
Unrestricted		<u>6,767,582</u>	<u>7,799,921</u>
Total net assets	\$	<u>14,704,987</u>	\$ <u>15,078,351</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the School District's assets exceeded liabilities by \$14,704,987.

Capital assets, net of related debt reported on the government-wide statements represent the smallest portion of the School District's net assets, 25.5 percent for fiscal year 2008. Capital assets include land, buildings and improvements, furniture, fixtures and equipment and vehicles, and are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$4,183,328 or 28.4 percent, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$1,139,361 is restricted for debt service payments and \$2,608,996 is restricted for capital projects and a small amount, \$434,971, is restricted for other purposes. The remaining balance of net assets of \$6,767,582 is an unrestricted amount available to meet the government's ongoing obligations to students and staff.

Nordonia Hills City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2 shows a side-by-side comparison of revenues and program expenses and the resulting changes in net assets for fiscal years 2008 and 2007.

Table 2
Change in Net Assets

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Revenues		
Program revenues:		
Charges for services	\$ 2,079,944	\$ 1,749,531
Operating grants, contributions and interest	2,259,604	2,146,191
Capital grants and contributions	26,258	39,274
General revenues:		
Property taxes	28,894,019	30,402,481
Grants and entitlements	10,751,409	9,711,340
Investment earnings	847,659	959,633
Miscellaneous	<u>80,220</u>	<u>39,286</u>
Total revenues	<u>44,939,113</u>	<u>45,047,736</u>
Program Expenses		
Instruction:		
Regular	18,312,804	16,613,376
Special	4,106,631	3,460,207
Vocational	464,745	389,503
Other	633,468	471,689
Support services:		
Pupils	3,663,642	3,291,704
Instructional staff	1,503,938	1,556,012
Board of education	83,051	80,990
Administration	2,655,708	2,453,920
Fiscal	1,048,855	794,472
Business	278,440	264,945
Operation and maintenance of plant	4,810,582	4,844,818
Pupil transportation	2,511,525	2,270,033
Central	159,151	36,347
Operation of non-instructional services:		
Food service operations	1,493,571	1,377,966
Community services	542,086	469,365
Extracurricular activities	1,475,894	1,298,734
Interest and fiscal charges	<u>1,568,386</u>	<u>1,750,304</u>
Total expenses	<u>45,312,477</u>	<u>41,424,385</u>
Increase (decrease) in net assets	<u>\$ (373,364)</u>	<u>\$ 3,623,351</u>

Nordonia Hills City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Governmental Activities

Several revenue sources fund our governmental activities with property taxes and State foundation revenues being the largest contributors. Property tax levies generated over \$28.8 million in 2008. General revenues from grants and entitlements, such as the school foundation program, generated over \$10.7 million. With the combination of taxes and intergovernmental funding 88.2 percent of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

Instruction and interest and fiscal charges comprise 51.9 percent and 3.5 percent, respectively, of governmental program expenses. Interest expense was attributable to additional interest from the debt refunding, outstanding bonds, accretion on capital appreciation bonds and lease payments.

The board of education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. Combined, these costs totaled \$4,066,054, or 8.9 percent of all governmental expenses.

Costs associated with the operation and maintenance of plant represent those expenses necessary for the care and upkeep of School District's buildings, grounds and equipment. Current year expenses of \$4,810,582 made up 10.6 percent of all governmental expenses.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements for fiscal year 2008.

Nordonia Hills City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 3
Governmental Activities

	<u>Total Cost of Services 2008</u>	<u>Total Cost of Services 2007</u>	<u>Net Cost of Services 2008</u>	<u>Net Cost of Services 2007</u>
Program Expenses				
Instruction:				
Regular	\$ 18,312,804	\$ 16,613,376	\$ (17,824,628)	\$ (16,402,419)
Special	4,106,631	3,460,207	(4,047,548)	(3,343,437)
Vocational	464,745	389,503	(464,745)	(389,503)
Other	633,468	471,689	(596,966)	(229,210)
Support services:				
Pupils	3,663,642	3,291,704	(2,858,339)	(2,704,431)
Instructional staff	1,503,938	1,556,012	(1,330,831)	(1,380,912)
Board of education	83,051	80,990	(83,051)	(80,990)
Administration	2,655,708	2,453,920	(2,641,024)	(2,447,585)
Fiscal	1,048,855	794,472	(1,035,169)	(794,472)
Business	278,440	264,945	(278,440)	(264,945)
Operation and maintenance of plant	4,810,582	4,844,818	(4,744,956)	(4,742,137)
Pupil transportation	2,511,525	2,270,033	(2,485,267)	(2,140,348)
Central	159,151	36,347	(159,151)	(36,347)
Operation of non-instructional services:				
Food service operations	1,493,571	1,377,966	(149,992)	(97,638)
Community services	542,086	469,365	95,993	(4,975)
Extracurricular activities	1,475,894	1,298,734	(774,171)	(679,736)
Interest and fiscal charges	<u>1,568,386</u>	<u>1,750,304</u>	<u>(1,568,386)</u>	<u>(1,750,304)</u>
Total expenses	<u>\$ 45,312,477</u>	<u>\$ 41,424,385</u>	<u>\$ (40,946,671)</u>	<u>\$ (37,489,389)</u>

The School District's Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$44,865,547 and total expenditures were \$44,376,955. The net change in fund balance for the year was most significant in the general fund, with an increase of \$529,218. This increase was due to a significant increase in intergovernmental revenue despite increasing expenditures not specific to any particular program. The building improvement fund reported an increase of \$30,493. Although the net decrease of \$71,119 in the other governmental fund's balance, the School District is in a better financial position to provide educational services. Table 4 shows fiscal year 2008 balances compared to fiscal year 2007.

Nordonia Hills City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2008
 Unaudited

Table 4
 Fund Balances

	Fund Balance <u>June 30, 2008</u>	Fund Balance <u>June 30, 2007</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
General	\$ 10,962,531	\$ 10,433,313	\$ 529,218	5.07%
Building improvement	1,950,045	1,919,552	30,493	1.59%
Other governmental	<u>2,244,690</u>	<u>2,315,809</u>	<u>(71,119)</u>	<u>-3.07%</u>
Total	<u>\$ 15,157,266</u>	<u>\$ 14,668,674</u>	<u>\$ 488,592</u>	<u>3.59%</u>

General Fund Budgeting Highlights

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

During fiscal year 2008, the School District amended its general fund budget and, in total, these amendments were significant and necessary due to changes in management's initial plans in their instructional programs. The final budgets were adjusted to equal the actual amounts prior to the close of the fiscal year. Budget revisions are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue estimate was \$38,241,989, which was higher than the original budget estimate of \$37,712,467. Much of this \$529,522 difference was due to estimates for grant awards, the amounts of which are unknown during the original budgeting process. This estimate must be adjusted during the year as the grant awards are finalized. Also, the original estimate for property taxes, provided by the Summit County Fiscal Officer, contains amounts for Homestead and Rollback. Later in the fiscal year, when this amount is known, it is removed from the tax estimate and included in the estimate for intergovernmental revenue.

The original expenditures estimate of \$37,050,000 was revised during the fiscal year. Actual expenditures and encumbrances, however, were only \$40,109,544, \$3,059,544 or 8.2 percent higher than originally anticipated. In total this would be considered insignificant, with increases and decreases from the original to final budget posted to several line items of the budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$35,747,052 invested in land, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 5 shows fiscal year 2008 balances compared to fiscal year 2007.

Nordonia Hills City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 5
Capital Assets, at Fiscal Year End
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 1,260,328	\$ 1,260,328
Buildings and improvements	32,663,192	33,686,140
Furniture, fixtures and equipment	590,683	682,598
Vehicles	<u>1,232,849</u>	<u>1,300,990</u>
Total capital assets	<u>\$ 35,747,052</u>	<u>\$ 36,930,056</u>

The most notable changes occurred in buildings and improvements. This decrease is the result of accumulated depreciation. See Note 6 to the basic financial statements for detail on the School District's capital assets.

Debt

At June 30, 2008 the School District had \$30,714,950 in bonds outstanding with \$1,720,000 due within one year. This balance reflected a reduction of \$1,655,000 from the previous year's balance of \$32,369,950. The School District refunded a portion of the 2000 School Improvement bonds to take advantage of more favorable interest rates. Table 6 summarizes the debt and capital lease outstanding:

Table 6
Outstanding Debt and Capital Lease, at Fiscal Year End

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
	2000 School improvement bonds	\$ 7,424,963
2006 School refunding bonds	23,289,987	23,519,987
Capital lease	<u>9,915</u>	<u>67,748</u>
Total outstanding	<u>\$ 30,724,865</u>	<u>\$ 32,437,698</u>

During fiscal year 2001, the School District issued \$38,500,000 in bonds, the proceeds of which were used to finance several new construction projects, as well as improvements to existing facilities. Later in 2006, the School District refunded a portion of these bonds with a like amount to realize current and future savings. See Notes 12 and 13 to the basic financial statements for the repayment schedules of the bonded debt and the capital lease.

Capital leases are to be repaid from the general fund, and the school improvement bonds are to be repaid from the debt service fund. The School District has budgeted to meet all of the School District's debt requirements.

Current Issues Affecting Financial Condition

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong.

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor 'equitable'. Since 1997, the State has directed its additional financial support toward School Districts with little property tax wealth. In May 2001, the Ohio Supreme Court again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'equitable' nor 'adequate'. The court directed the Governor and the legislature to address the fundamental issue creating the inequities.

Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

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

Nordonia Hills City School District
Statement of Net Assets
June 30, 2008

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 17,512,945
Cash and cash equivalents:	
In segregated accounts	
With fiscal agents	15,975
With escrow agents	7,916
Inventory held for resale	13,526
Materials and supplies inventory	73,908
Receivables:	
Accounts	2,054
Intergovernmental	205,322
Accrued interest	97,079
Taxes	32,353,805
Deferred charges	289,934
Capital assets:	
Land	1,260,328
Depreciable capital assets, net	34,486,724
Total capital assets	<u>35,747,052</u>
Total assets	<u>86,319,516</u>
<u>Liabilities:</u>	
Accounts payable	573,419
Accrued wages	3,104,735
Matured compensated absences payable	26,103
Intergovernmental payable	1,418,878
Accrued interest payable	99,065
Matured bonds payable	15,000
Matured interest payable	975
Deferred revenue	28,932,215
Long-term liabilities:	
Due within one year	2,106,155
Due in more than one year	35,337,984
Total liabilities	<u>71,614,529</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	3,754,077
Restricted for:	
Capital projects	2,608,996
Debt service	1,139,361
Other purposes	434,971
Unrestricted	6,767,582
Total net assets	<u>\$ 14,704,987</u>

See accompanying notes to the basic financial statements.

Nordonia Hills City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenues and Changes in Net Assets
					Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 18,312,804	\$ 334,521	\$ 153,655	\$ -	\$ (17,824,628)
Special	4,106,631	-	59,083	-	(4,047,548)
Vocational	464,745	-	-	-	(464,745)
Other	633,468	-	36,502	-	(596,966)
Support services:					
Pupils	3,663,642	-	805,303	-	(2,858,339)
Instructional staff	1,503,938	-	173,107	-	(1,330,831)
Board of education	83,051	-	-	-	(83,051)
Administration	2,655,708	-	14,684	-	(2,641,024)
Fiscal	1,048,855	-	13,686	-	(1,035,169)
Business	278,440	-	-	-	(278,440)
Operation and maintenance of plant	4,810,582	65,626	-	-	(4,744,956)
Pupil transportation	2,511,525	-	-	26,258	(2,485,267)
Central	159,151	-	-	-	(159,151)
Operation of non-instructional services:					
Food service operations	1,493,571	984,537	359,042	-	(149,992)
Community services	542,086	3,344	634,735	-	95,993
Extracurricular activities	1,475,894	691,916	9,807	-	(774,171)
Interest and fiscal charges	1,568,386	-	-	-	(1,568,386)
Total governmental activities	<u>\$ 45,312,477</u>	<u>\$ 2,079,944</u>	<u>\$ 2,259,604</u>	<u>\$ 26,258</u>	<u>(40,946,671)</u>

General Revenues:

Property taxes levied for:

General purposes	25,720,519
Debt service	2,542,656
Capital outlay	630,844
Grants and entitlements not restricted to specific programs	10,751,409
Investment earnings	847,659
Miscellaneous	80,220

Total general revenues 40,573,307

Change in net assets (373,364)

Net assets beginning of year 15,078,351

Net assets end of year \$ 14,704,987

See accompanying notes to the basic financial statements.

Nordonia Hills City School District
Balance Sheet
Governmental Funds
June 30, 2008

	General	Building Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 12,944,192	\$ 1,925,525	\$ 2,373,278	\$ 17,242,995
Cash and cash equivalents:				
With fiscal agents	-	-	15,975	15,975
With escrow agents	-	7,916	-	7,916
Inventory held for resale	-	-	13,526	13,526
Materials and supplies inventory	67,820	-	6,088	73,908
Receivables:				
Accounts	-	-	2,054	2,054
Intergovernmental	-	-	205,322	205,322
Accrued interest	80,475	16,604	-	97,079
Interfund	234,513	-	-	234,513
Taxes	28,629,822	-	3,723,983	32,353,805
Equity in pooled cash and cash equivalents (restricted)	269,950	-	-	269,950
Total assets	<u>\$ 42,226,772</u>	<u>\$ 1,950,045</u>	<u>\$ 6,340,226</u>	<u>\$ 50,517,043</u>
<u>Liabilities and fund balances:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 359,424	\$ -	\$ 213,995	\$ 573,419
Accrued wages	3,022,214	-	82,521	3,104,735
Matured compensated absences payable	21,640	-	4,463	26,103
Interfund payable	-	-	234,513	234,513
Intergovernmental payable	1,361,160	-	57,718	1,418,878
Matured bonds payable	-	-	15,000	15,000
Matured interest payable	-	-	975	975
Deferred revenue	26,499,803	-	3,486,351	29,986,154
Total liabilities	<u>31,264,241</u>	<u>-</u>	<u>4,095,536</u>	<u>35,359,777</u>
<u>Fund balances:</u>				
Reserved for encumbrances	1,113,230	147,500	413,434	1,674,164
Reserved for budget stabilization	269,950	-	-	269,950
Unreserved,				
Designated for budget stabilization	52,345	-	-	52,345
Undesignated, reported in:				
General fund	9,527,006	-	-	9,527,006
Special revenue funds	-	-	322,472	322,472
Debt service fund	-	-	1,170,799	1,170,799
Capital projects funds	-	1,802,545	337,985	2,140,530
Total fund balances	<u>10,962,531</u>	<u>1,950,045</u>	<u>2,244,690</u>	<u>15,157,266</u>
Total liabilities and fund balances	<u>\$ 42,226,772</u>	<u>\$ 1,950,045</u>	<u>\$ 6,340,226</u>	<u>\$ 50,517,043</u>

See accompanying notes to the basic financial statements.

Nordonia Hills City School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2008

Total governmental fund balances		\$ 15,157,266
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		35,747,052
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 1,028,181	
Intergovernmental	<u>25,758</u>	
		1,053,939
Deferred charges are included in governmental activities in the statement of net assets.		289,934
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(99,065)
Long-term liabilities, including general obligation bonds, compensated absences and capital leases payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (4,655,000)	
Refunding general obligation bonds	(23,533,044)	
Capital appreciation bonds including accreted interest	(4,749,929)	
Refunding capital appreciation bonds including accreted interest	(1,744,232)	
Compensated absences	(1,987,019)	
Early retirement incentives	(765,000)	
Capital leases	<u>(9,915)</u>	
Total		<u>(37,444,139)</u>
Net assets of governmental activities		<u>\$ 14,704,987</u>

See accompanying notes to the basic financial statements.

Nordonia Hills City School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Building Improvement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property taxes	\$ 25,651,182	\$ -	\$ 3,155,549	\$ 28,806,731
Intergovernmental	10,370,240	-	2,613,815	12,984,055
Interest	816,666	30,993	6,461	854,120
Tuition and fees	319,117	-	15,403	334,520
Extracurricular activities	238,204	-	457,055	695,259
Gifts and donations	-	-	12,221	12,221
Customer services	-	-	984,537	984,537
Rent	65,626	-	-	65,626
Miscellaneous	78,180	-	16,138	94,318
Total revenues	<u>37,539,215</u>	<u>30,993</u>	<u>7,261,179</u>	<u>44,831,387</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	16,904,193	-	207,476	17,111,669
Special	3,878,156	-	52,603	3,930,759
Vocational	369,725	-	-	369,725
Other	600,969	-	32,499	633,468
Support services:				
Pupils	2,759,916	-	736,338	3,496,254
Instructional staff	1,208,180	-	169,735	1,377,915
Board of education	83,051	-	-	83,051
Administration	2,556,365	-	15,416	2,571,781
Fiscal	995,886	-	52,908	1,048,794
Business	277,024	-	-	277,024
Operation and maintenance of plant	3,751,478	500	681,118	4,433,096
Pupil transportation	2,318,740	-	-	2,318,740
Central	159,151	-	-	159,151
Operation of non-instructional services:				
Food service operations	-	-	1,433,392	1,433,392
Community services	-	-	536,249	536,249
Extracurricular activities	916,002	-	491,981	1,407,983
Capital outlay	137,157	-	76,161	213,318
Debt service:				
Principal retirement	57,833	-	1,655,000	1,712,833
Interest and fiscal charges	2,011	-	1,225,582	1,227,593
Total expenditures	<u>36,975,837</u>	<u>500</u>	<u>7,366,458</u>	<u>44,342,795</u>
Excess of revenues over (under) expenditures	<u>563,378</u>	<u>30,493</u>	<u>(105,279)</u>	<u>488,592</u>
<u>Other financing sources (uses):</u>				
Transfers in	-	-	34,160	34,160
Transfers out	(34,160)	-	-	(34,160)
Total other financing sources (uses)	<u>(34,160)</u>	<u>-</u>	<u>34,160</u>	<u>-</u>
Net change in fund balances	529,218	30,493	(71,119)	488,592
Fund balances at beginning of year	10,433,313	1,919,552	2,315,809	14,668,674
Fund balances at end of year	<u>\$ 10,962,531</u>	<u>\$ 1,950,045</u>	<u>\$ 2,244,690</u>	<u>\$ 15,157,266</u>

See accompanying notes to the basic financial statements.

Nordonia Hills City School District
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$	488,592
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital asset additions	\$	213,318
Depreciation expense		<u>(1,396,322)</u>
Excess of capital outlay over depreciation expense		(1,183,004)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:		
Property taxes	\$	87,291
Intergovernmental		<u>20,435</u>
Net change in deferred revenues during the year		107,726
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		1,655,000
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		57,833
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in compensated absences	\$	(393,718)
Increase in early retirement incentive		(765,000)
Decrease in accrued interest		<u>6,134</u>
Total additional expenditures		(1,152,584)
The amortization of issuance costs, bond premium and accretion is reflected as an expense in the statement of activities.		
Issuance cost	\$	(23,739)
Premium		127,567
Bond accretion		<u>(450,755)</u>
Total additional expenses		<u>(346,927)</u>
Change in net assets of governmental activities	<u>\$</u>	<u>(373,364)</u>

See accompanying notes to the basic financial statements.

Nordonia Hills City School District
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Taxes	\$ 26,591,282	\$ 26,314,342	\$ 26,363,552	\$ 49,210
Intergovernmental	9,455,419	10,180,470	10,370,240	189,770
Interest	761,967	801,058	802,174	1,116
Tuition and fees	126,952	194,402	320,182	125,780
Rent	57,393	55,728	65,626	9,898
Extracurricular activities	220,653	219,882	237,882	18,000
Miscellaneous	98,801	76,107	80,673	4,566
Total revenues	<u>37,312,467</u>	<u>37,841,989</u>	<u>38,240,329</u>	<u>398,340</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	16,695,742	17,113,932	16,959,574	154,358
Special	4,190,070	4,392,833	4,353,212	39,621
Vocational	293,110	374,105	370,731	3,374
Other	710,574	769,396	762,456	6,940
Support services:				
Pupils	2,636,129	2,716,133	2,691,635	24,498
Instructional staff	1,186,547	1,253,010	1,241,709	11,301
Board of education	79,555	83,268	82,517	751
Administration	2,475,888	2,683,355	2,659,153	24,202
Fiscal	998,754	1,006,796	997,715	9,081
Business	225,500	285,349	282,775	2,574
Operation and maintenance of plant	3,985,512	4,093,667	4,056,744	36,923
Pupil transportation	1,988,666	2,489,183	2,466,732	22,451
Central	195,799	214,359	212,426	1,933
Extracurricular activities	888,154	934,614	926,184	8,430
Total expenditures	<u>36,550,000</u>	<u>38,410,000</u>	<u>38,063,563</u>	<u>346,437</u>
Excess of revenues over (under) expenditures	<u>762,467</u>	<u>(568,011)</u>	<u>176,766</u>	<u>744,777</u>
<u>Other financing sources (uses):</u>				
Refund of prior year receipts	(94,203)	(94,203)	(94,203)	-
Advances in	400,000	400,000	2,033,755	1,633,755
Advances out	(371,637)	(371,637)	(1,917,618)	(1,545,981)
Transfers out	(34,160)	(34,160)	(34,160)	-
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(12,226)</u>	<u>87,774</u>
Net change in fund balance	662,467	(668,011)	164,540	832,551
Fund balance at beginning of year	10,365,825	10,365,825	10,365,825	-
Prior year encumbrances appropriated	1,159,428	1,159,428	1,159,428	-
Fund balance at end of year	<u>\$ 12,187,720</u>	<u>\$ 10,857,242</u>	<u>\$ 11,689,793</u>	<u>\$ 832,551</u>

See accompanying notes to the basic financial statements.

Nordonia Hills City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 126,762
Receivables:	
Accounts	240
Total assets	<u>\$ 127,002</u>
<u>Liabilities:</u>	
Accounts payable	\$ 2,464
Due to students	124,538
Total liabilities	<u>\$ 127,002</u>

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the School District

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

The School District operates under a locally-elected five-member Board form of government. Each member is elected to a four-year term. The School District provides educational services as mandated by State and/or Federal agencies. The Board controls the School District's six instructional/support facilities staffed by 229 non-certificated employees and 305 certificated teaching and support personnel, including 17 administrators that provide services to 4,020 students and other community members.

Reporting Entity

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

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

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

The School District is associated with two jointly governed organizations and one shared risk pool. These organizations include the Cuyahoga Valley Career Center, the Northeast Ohio Network for Educational Technology (NEONET), and the Health Benefits Program of the Stark County Schools Council of Governments. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Notes 14 and 15 to the basic financial statements.

Notes to the Basic Financial Statements

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

A. Basis of Presentation - Fund Accounting

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Fund Types

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

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

Building Improvement Fund: The building improvement capital projects fund is used to account for the receipts and expenditures related to all special bond funds of the School District. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

Fiduciary Fund Types

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

**C. Measurement Focus
and Basis of
Accounting**

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

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

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

Revenue - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

**D. Budgets and
Budgetary
Accounting**

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

The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2008. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are normally carried forward to the succeeding fiscal year and are not reappropriated. Although, during this fiscal year the carry over appropriations were reappropriated as part of the final appropriation measure.

E. Cash and Investments To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents". During the fiscal year, investments were limited to overnight repurchase agreements, certificates of deposit, Federal Home Loan Mortgage Association and Federal Home Loan Bank securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and certificates of deposit, are reported at cost. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds and the food service special revenue fund; required by a grant agreement; or when approved by the Board of Education to be recorded in another fund.

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. In addition, the School District has set up retainage accounts for various construction contracts. The balance in these accounts is presented as "cash and cash equivalents with escrow agents" and represents deposits.

For presentation on the basic financial statements, investments of the cash management pool and investments with a maturity of three months or less, at the time they are purchased by the School District, are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

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

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

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

H. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in the general fund include the amounts required to be reserved for budget stabilization. See Note 17 for additional information regarding statutory reserves.

I. Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	20 - 40 years
Furniture, fixtures and equipment	5 - 20 years
Vehicles	6 - 10 years

J. Compensated Absences

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

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

Notes to the Basic Financial Statements

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

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes primarily include amounts generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for operating or capital costs for any new and innovative programs designed to enhance or promote education with the School District.

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

L. Interfund Transactions

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

M. Estimates

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

N. Fund Balance Reserves

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance

	General <u>Fund</u>
GAAP basis	\$ 529,218
Revenue accruals	2,734,869
Expenditure accruals	(1,602,162)
Encumbrances (budget basis) outstanding at year end	<u>(1,497,385)</u>
Budget basis	<u><u>\$ 164,540</u></u>

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

Notes to the Basic Financial Statements

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

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

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

Protection of the School 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.

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

Deposits

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

As of June 30, the carrying amount of the School District's deposits was \$14,289,551. The School District's bank balance of \$14,395,927 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department and not in the School District's name	\$ 13,993,112
--	---------------

Notes to the Basic Financial Statements

Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Repurchase agreements FNMA	\$ 1,440,000	Daily	AAA ⁽¹⁾
Federal Home Loan Bank	225,135	07/09/08	AAA ⁽²⁾
Federal Home Loan Bank	226,192	11/17/08	AAA ⁽²⁾
Federal Home Loan Bank	299,910	02/06/09	AAA ⁽²⁾
Federal Home Loan Bank	213,990	04/01/09	AAA ⁽²⁾
Federal Home Loan Bank	100,030	06/03/09	AAA ⁽²⁾
Federal Home Loan Bank	210,000	06/18/09	AAA ⁽²⁾
Federal Home Loan Bank	<u>100,030</u>	03/03/10	AAA ⁽²⁾
	<u>1,375,287</u>		
Federal Home Loan Mortgage Association Discount Note	199,588	06/23/09	AAA ⁽²⁾
Federal Home Loan Mortgage Association	<u>359,172</u>	06/23/09	AAA ⁽²⁾
	<u>\$ 3,374,047</u>		

⁽¹⁾ Underlying securities rating by Moody

⁽²⁾ Moody's Investor Service rating

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$816,666, which includes \$105,271 assigned from other School District funds.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's \$1,440,000 investment in repurchase agreements is to be secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the School District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The investments in Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA) and Federal Home Loan Bank (FHLB) are held by the counterparty's trust department or agent and not in the School District's name. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

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

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

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 5 percent of the School District's investments are in FNMA, FHLB and FHLMA. These investments are 42.7%, 40.8% and 16.5%, respectively, of the School District total investments. The School District's policy places no limit on the amount that may be invested in any one issuer.

NOTE 4 - PROPERTY TAX

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

Notes to the Basic Financial Statements

Public utility property taxes are assessed on tangible personal property at 88% of true value (with certain exceptions) and on real property at 35% of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. In prior years, tangible personal property was assessed at 25% of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5%. This was reduced to 6.25% for 2008 and will be zero for 2009.

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

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of year end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at year-end is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at year-end in the general fund, bond retirement fund, and permanent improvements fund was \$2,130,019, \$209,609, and \$53,781, respectively. These advances are recognized as revenue on the fund financial statements.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on the modified accrual basis the revenue has been deferred.

A new tax levy was passed during the current fiscal year. The assessed values upon which the current fiscal year taxes were collected are:

Nordonia Hills City School District

<u>Property Category</u>	<u>2007 Assessed Value</u>	<u>2006 Assessed Value</u>
<u>Real Property</u>		
Residential/agricultural	\$ 792,278,770	\$ 772,754,530
Commercial/Industrial/Mineral	165,736,280	162,190,680
Public utilities	914,180	695,610
<u>Tangible Personal Property</u>		
General	18,779,300	33,581,502
Public utilities	22,416,470	26,265,850
Total	<u>\$ 1,000,125,000</u>	<u>\$ 995,488,172</u>

NOTE 5 - RECEIVABLES

Receivables at year-end consisted of taxes, accounts (tuition and excess costs), intergovernmental grants and entitlements, interfund, and accrued interest. 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 principal items of intergovernmental receivables follows:

<u>Governmental activities</u>	<u>Amount</u>
Title VI-B	\$ 93,066
Title I	62,812
Title V	4,921
IDEA preschool handicap	100
Reducing class size	44,051
Miscellaneous federal grants	372
Total intergovernmental receivable	<u>\$ 205,322</u>

Notes to the Basic Financial Statements

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

Governmental Activities	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 1,260,328	\$ -	\$ -	\$ 1,260,328
Capital assets, being depreciated:				
Buildings and improvements	47,355,008	-	-	47,355,008
Furniture, fixtures and equipment	1,919,755	76,161	(12,075)	1,983,841
Vehicles	<u>3,100,742</u>	<u>137,157</u>	<u>(50,696)</u>	<u>3,187,203</u>
Total capital assets, being depreciated	<u>52,375,505</u>	<u>213,318</u>	<u>(62,771)</u>	<u>52,526,052</u>
Less: Accumulated depreciation:				
Buildings and improvements	(13,668,868)	(1,022,948)	-	(14,691,816)
Furniture, fixtures and equipment	(1,237,157)	(168,076)	12,075	(1,393,158)
Vehicles	<u>(1,799,752)</u>	<u>(205,298)</u>	<u>50,696</u>	<u>(1,954,354)</u>
Total accumulated depreciation	<u>(16,705,777)</u>	<u>(1,396,322)</u>	<u>62,771</u>	<u>(18,039,328)</u>
Total capital assets being depreciated, net	<u>35,669,728</u>	<u>(1,183,004)</u>	<u>-</u>	<u>34,486,724</u>
Governmental activities capital assets, net	<u>\$ 36,930,056</u>	<u>\$ (1,183,004)</u>	<u>\$ -</u>	<u>\$ 35,747,052</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 471,591
Special	41,682
Vocational	31,418
Support services:	
Pupils	21,258
Instructional staff	70,803
Administration	70,646
Fiscal	1,241
Business	348
Operation and maintenance of plant	373,754
Pupil transportation	185,466
Operation of non-instructional services:	
Food service operations	57,186
Community services	5,837
Extracurricular activities	<u>65,092</u>
Total depreciation expense	<u>\$ 1,396,322</u>

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2008 consisted of the following:

Due to general fund from:	
Nonmajor governmental funds	\$ 234,513

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2008, all interfund loans outstanding are anticipated to be repaid in fiscal year 2009.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfers to nonmajor governmental funds from:	
General fund	\$ 34,160

NOTE 8- RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year.

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

In addition, the School District contracted with insurance companies for property, employee bonding, general and educational liability insurance during fiscal year 2008.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

**A. School Employees
Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$612,804, \$647,171 and \$595,062 respectively; 50 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers
Retirement System**

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$2,291,685, \$2,167,412, and \$2,075,491 respectively; 83.0 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$37,682 made by the School District and \$58,407 made by the plan members.

NOTE 10 - POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$52,210.

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$370,766, \$245,455, and \$233,024 respectively; 45.0 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$44,154, \$39,994, and \$37,121 respectively; 50 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$176,283, \$166,724, and \$159,653 respectively; 83.0 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators, who are not on a 12 month contract, do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of annual work days per contract plus 90. Upon retirement, payment is made for one-third of the total sick leave accumulation, up to a maximum of 141 days.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through a major life insurance company in the amount of \$30,000 for all noncertified employees and \$35,000 for certified employees, and to the nearest \$1,000 based on each administrator's salary not to exceed \$50,000.

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

Notes to the Basic Financial Statements

NOTE 12 - BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

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

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due within</u> <u>one year</u>
<u>Governmental activities</u>					
<u>Bonds</u>					
School improvement bonds, maturing December 1, 2014:					
Serial and term bonds	\$ 6,080,000	\$ -	\$ (1,425,000)	\$ 4,655,000	\$ 1,480,000
Capital appreciation bonds	2,769,963	-	-	2,769,963	-
Accretion on bonds	1,648,164	331,802	-	1,979,966	-
	<u>10,498,127</u>	<u>331,802</u>	<u>(1,425,000)</u>	<u>9,404,929</u>	<u>1,480,000</u>
2006 refunding bonds, maturing December 1, 2025:					
Serial and term bonds	22,205,000	-	(230,000)	21,975,000	240,000
Premium	1,685,611	-	(127,567)	1,558,044	-
Capital appreciation bonds	1,314,987	-	-	1,314,987	-
Accretion on bonds	310,292	118,953	-	429,245	-
	<u>25,515,890</u>	<u>118,953</u>	<u>(357,567)</u>	<u>25,277,276</u>	<u>240,000</u>
<u>Other Obligations</u>					
Compensated absences	1,593,301	677,263	(283,545)	1,987,019	261,490
Early retirement incentives	-	765,000	-	765,000	114,750
Capital leases payable	67,748	-	(57,833)	9,915	9,915
Total other liabilities	<u>1,661,049</u>	<u>1,442,263</u>	<u>(341,378)</u>	<u>2,761,934</u>	<u>386,155</u>
Governmental activities long-term liabilities	<u>\$ 37,675,066</u>	<u>\$ 1,893,018</u>	<u>\$ (2,123,945)</u>	<u>\$ 37,444,139</u>	<u>\$ 2,106,155</u>

Compensated absences will be paid from the fund from which the employee is paid, usually the general fund and capital lease obligations will be paid from the general fund.

On December 6, 2000, the School District issued \$38,499,963 in bonded debt to finance several construction and improvement projects. The bonds consisted of serial, term and capital appreciation bonds of \$11,770,000, \$23,960,000 and \$2,769,963 respectively. The final amount, after accretion of interest, of the capital appreciation bonds will be \$6,800,000. The principal payments began in fiscal year 2003.

Nordonia Hills City School District

On February 22, 2006, the School District issued \$23,959,987 in general obligation bonds which include serial and capital appreciation bonds with interest rates varying between 3.5-4.5% for the serial bonds and 12.81% (3.08-4.5% yield) for the capital appreciation bonds. The final amount of the 2005 capital appreciation bonds will be \$ 4,030,037. The bond proceeds consisted of bond principal and \$1,945,455 of premium. The net proceeds of \$26 million (after payment of underwriting fees, insurance, and other issuance costs) was deposited in an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of School Improvement Bonds refunded. As a result, the bonds are considered to be defeased and the liability is not reported by the School District. As of June 30, 2008 \$23,960,000 of the old bonds remain outstanding until 2010 when they come due. The difference between the reacquisition price and the net carrying amount of the old debt was not significant. The premium on the new debt was significant and is amortized over the life of the new bonds using the bonds outstanding method of amortization.

The School District advance refunded the School Improvement Bonds to reduce their total debt service payments over the next 20 years by \$1,759,870 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,198,771.

Principal and interest requirements to retire the school improvement bonds outstanding at June 30, 2008 are as follows:

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,720,000	\$ 1,150,173
2010	1,795,000	1,070,850
2011	1,880,000	987,081
2012	1,034,420	1,869,636
2013	990,683	1,913,248
2014-2018	4,599,847	9,917,778
2019-2023	11,315,000	2,977,988
2024-2025	<u>7,380,000</u>	<u>477,450</u>
Total	<u>\$ 30,714,950</u>	<u>\$ 20,364,204</u>

NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital assets acquired by lease have been capitalized as equipment in the amount of \$354,606 equal to the present value of the future minimum lease payments on the government-wide financial statements. Principal payments in the current fiscal year totaled \$57,833.

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

Fiscal <u>Year</u>	Lease <u>Payments</u>
2009	\$ 9,974
Total minimum lease payments	9,974
Less: amount representing interest	<u>(59)</u>
Total	<u>\$ 9,915</u>

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

The Northeast Ohio Network for Educational Technology (NEONET) is the computer service organization or Information Technology Center (ITC) used by the School District. NEONET is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating districts governs NEONET. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. Payments to NEONET are made from the general fund. During fiscal year 2008, the School District contributed \$56,428 to NEONET. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center, who serves as the fiscal agent, at 420 Washington Ave., Suite 200, Cuyahoga Falls, Ohio 44221.

Nordonia Hills City School District

The Cuyahoga Valley Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Board of Education is comprised of representatives from the board of each participating school district. The Board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. Nordonia Hills City School District students may attend the career center. Each school district's control is limited to its representation on the Board. During fiscal year 2008, no monies were paid by Nordonia Hills City School District to the Cuyahoga Valley Career Center.

The School District does not retain an ongoing financial interest or an ongoing financial responsibility in either of these organizations.

NOTE 15 - SHARED RISK POOL

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

NOTE 16 - CONTINGENCIES

A. Grants

The School District has received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements. Expenditures are subject to audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the School District's management believes that such disallowances, if any, will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

The School District is not party to any legal proceedings.

Notes to the Basic Financial Statements

NOTE 17 - STATUTORY RESERVES

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

Although no longer required by State statute, a budget stabilization reserve may still be set aside at the discretion of the School District. The budget stabilization reserve consists of the amounts received from the Bureau of Worker's Compensation (BWC) in the form of refunds. The amount received from the BWC amounted to \$269,950, and is shown as a reservation of fund balance in the basic financial statements.

During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Improvement Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Designated Amounts</u>	<u>Total</u>
Set-aside cash balance as of June 30, 2007	\$ (1,011,574)	\$ -	\$ 269,950	\$ 52,345	\$ (689,279)
Current year set-aside requirements	610,805	610,805	-	-	1,221,610
Current year offset	-	(645,984)	-	-	(645,984)
Qualifying disbursements	<u>(772,033)</u>	<u>(675,040)</u>	<u>-</u>	<u>-</u>	<u>(1,447,073)</u>
Total	<u>\$ (1,172,802)</u>	<u>\$ (710,219)</u>	<u>\$ 269,950</u>	<u>\$ 52,345</u>	<u>\$ (1,560,726)</u>
Set-aside balance carried forward to future years	<u>\$ (1,172,802)</u>		<u>\$ 269,950</u>	<u>\$ 52,345</u>	
Restricted cash balance			<u>\$ 269,950</u>		

NOTE 18 - ACCOUNTABILITY

As of June 30, 2008, one special revenue fund had a deficit fund balance. This deficit was caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following fund had a deficit balance as follows:

<u>Fund</u>	<u>Amount</u>
Food service	\$ 135,587

NOTE 19 – NEW ACCOUNTING AND REPORTING STANDARDS

In September 2006, the GASB issued Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues. The School District has considered the implications of this statement and has determined that it has no impact on the financial statements or note disclosures for the current period

In May 2007, the GASB issued Statement No. 50, Pension Disclosures. The School District has determined that the adoption of this statement did not have an impact on the School District's financial statements; however, note disclosures related to pension benefits have been modified.

NORDONIA HILLS CITY SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2008

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Expenditures
<u>U.S. Department of Agriculture</u>				
Passed through the Ohio Department of Education				
Nutrition Cluster:				
National School Breakfast Program	05PU-07	10.553	\$ 29,478	\$ 29,478
National School Lunch Program	LLLP-07	10.555	258,345	258,345
Total Nutrition Cluster			287,823	287,823
Food Distribution	N/A	10.550	37,880	37,880
Total U.S. Department of Agriculture			325,703	325,703
<u>U.S. Department of Education</u>				
Pass through Ohio Department of Education				
Special Education Cluster:				
Pre-School	PGS1-2008	84.173	26,229	26,329
Title VI-B-IDEA-B - Autism Grant	6BSA-07	84.027	500	-
Title VI-B-IDEA-B	6BSF-07	84.027	268,406	23,885
Title VI-B-IDEA-B	6BSF-08	84.027	858,117	908,693
Total Special Education Cluster			1,153,252	958,907
Title I - Disadvantaged Children	C1S1-07	84.010	137,681	116,017
Title I - Disadvantaged Children	C1S1-08	84.010	18,691	27,111
Total Title I			156,372	143,128
Title II - Limited English Proficiency	4E1996	84.365	17,716	17,716
Total Title II			17,716	17,716
Title II-D - Educational Technology	TJS1-07	84.318	-	358
Title II-D - Educational Technology	TJS1-08	84.318	2,385	856
Total Title II-D			2,385	1,214
Title V - Innovative Education Programs	C2S1-07	84.298	-	981
Title V - Innovative Education Programs	C2S1-08	84.298	5,464	5,464
Total Title V			5,464	6,445
Title II-A - Improving Teacher Quality	9207	84.367	4,643	9,764
Title II-A - Improving Teacher Quality	9208	84.367	22,345	66,397
Total Improving Teacher Quality			26,988	76,161
Safe and Drug Free Program	DRS1-07	84.186	8,132	8,132
Total Safe and Drug Free Program			8,132	8,132
Total U.S. Department of Education			1,370,309	1,211,703
Total Federal Expenditures			\$ 1,696,012	\$ 1,537,406

See accompanying Notes to the Schedule of Federal Awards Expenditures

NORDONIA HILLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2008

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain expenditures are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2008, the District had commodities in inventory recorded in the Food Service Fund.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nordonia Hills School District, Summit County, Ohio (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's financial statements and have issued our report thereon dated January 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management in a separate letter dated January 13, 2009.

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

Charles E. Harris and Associates, Inc.

January 13, 2009

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Nordonia Hills City School District, Summit County (District), with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination 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 programs for the year ended June 30, 2008.

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, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

This report intended for the information and use of management, the audit committee, 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.

Charles E. Harris & Associates, Inc.

January 13, 2009

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**NORDONIA HILLS CITY SCHOOL DISTRICT
SUMMIT COUNTY
June 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other significant deficiencies reported at the financial financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs</i>	No
(d)(1)(iv)	<i>Were there any other significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Nutrition Cluster: School Breakfast Program CFDA 10.553 School Lunch Program CFDA 10.555 Title I CFDA 84.010
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)
OMB CIRCULAR A-133 SECTION .505

NORDONIA HILLS CITY SCHOOL DISTRICT
SUMMIT COUNTY
June 30, 2008

**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.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the period ending June 30, 2007, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

NORDONIA HILLS CITY SCHOOL DISTRICT
SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 17, 2009