

Nordonia Hills City School District

**Basic Financial Statements
June 30, 2011**



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Nordonia Hills City School District, Summit County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2010 through June 30, 2011. 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.

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

Dave Yost
Auditor of State

February 7, 2012

Nordonia Hills City School District

For the Year Ended June 30, 2011

<u>Table of Contents</u>	<u>Page</u>
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual – General Fund	17
Statement of Fiduciary Net Assets – Agency Fund	18
Notes to Basic Financial Statements	19

Nordonia Hills City School District

For the Year Ended June 30, 2011

<u>Table of Contents</u>	<u>Page</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	47
Schedule of Expenditures of Federal Awards	49
Notes to the Schedule of Expenditures of Federal Awards	50
Schedule of Findings OMB Circular A-133 Section .505	51
Schedule of Prior Audit Findings OMB Circular A-133 Section .315(b)	54
Independent Accountant's Report on Applying Agreed-Upon Procedures.....	57

Independent Auditor's Report

Board of Education
Nardon Hills City School District
Northfield, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nardon Hills City School District (the "District"), as of and for the year ended June 30, 2011, 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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of District, as of June 30, 2011, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the financial statements, during the year ended June 30, 2011, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Instruments Omnibus*.

Board of Education
Nardon Hills City School District

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Cini & Parichi, Inc.

Cleveland, Ohio
December 22, 2011

Nordonia Hills City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The 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, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- The total net assets increased by \$615,102. The greatest contribution to this increase was a \$1,465,963 increase in property tax revenues and a \$2,249,203 decrease in instruction expenses.
- Expenses totaled \$46,414,153, a 5.6 percent decrease from the prior year. Instructional expenses made up 52.01 percent of this total while support services accounted for 36.83 percent. Other expenses rounded out the remaining 11.16 percent.
- Outstanding general obligation bonded debt and purchase agreements decreased from \$38,215,159 in fiscal year 2010 to \$36,718,018 in fiscal year 2011.
- The School District's capital assets increased by \$680,812 from the prior year. This increase was the result of spending debt proceeds for the construction and renovation of facilities within the School District.

Using this Annual Financial Report

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

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

Nordonia Hills City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2011?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities except fiduciary funds using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those net 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 performance, demographic and socioeconomic factors and the willingness of the community to support the School District.

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

Reporting the School District's Most Significant Funds

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement debt service fund.

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

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

Nordonia Hills City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The School District as a Whole

You may 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 2011 compared to 2010:

Table 1
Net Assets

	Governmental Activities		
	2011	2010	Change
Assets			
Current and Other Assets	\$39,587,566	\$44,320,195	(\$4,732,629)
Capital Assets, Net	40,625,259	39,944,447	680,812
Total Assets	80,212,825	84,264,642	(4,051,817)
Liabilities			
Current and Other Liabilities	29,291,511	32,188,831	(2,897,320)
Long-Term Liabilities:			
Due Within One Year	2,858,219	2,760,484	97,735
Due in More than One Year	37,415,715	39,283,049	(1,867,334)
Total Liabilities	69,565,445	74,232,364	(4,666,919)
Net Assets			
Invested in Capital Assets, Net of Related Debt	8,840,009	5,953,017	2,886,992
Restricted:			
Debt Service	1,349,882	1,311,046	38,836
Capital Projects	1,479,226	2,355,266	(876,040)
Other Purposes	836,109	594,543	241,566
Unrestricted (Deficit)	(1,857,846)	(181,594)	(1,676,252)
Total Net Assets	\$10,647,380	\$10,032,278	\$615,102

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the School District's assets exceeded liabilities by \$10,647,380.

Capital assets, net of related debt reported on the government-wide statements represent 83.03 percent of total net assets for fiscal year 2011. Capital assets include land, construction in progress, 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, \$3,665,217, or 34.42 percent, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$1,349,882 is restricted for debt service payments, \$1,479,226 is restricted for capital projects, and \$836,109 is restricted for other purposes. The remaining deficit balance of net assets of (\$1,857,846) 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, 2011
Unaudited

Table 2 shows the changes in net assets for fiscal years 2011 and 2010.

Table 2
Change in Net Assets

	Governmental Activities		
	2011	2010	Change
Revenues			
Program Revenues:			
Charges for Services	\$2,146,083	\$2,146,815	(\$732)
Operating Grants, Contributions, and Interest	3,775,690	3,571,865	203,825
Total Program Revenues	<u>5,921,773</u>	<u>5,718,680</u>	<u>203,093</u>
General Revenue:			
Property Taxes	28,811,870	27,345,907	1,465,963
Grants and Entitlements, not Restricted	12,200,323	11,522,079	678,244
Investment Earnings	16,087	140,532	(124,445)
Miscellaneous	79,202	152,490	(73,288)
Total General Revenues	<u>41,107,482</u>	<u>39,161,008</u>	<u>1,946,474</u>
Total Revenues	<u>47,029,255</u>	<u>44,879,688</u>	<u>2,149,567</u>
Program Expenses			
Instruction:			
Regular	18,569,476	19,909,252	(1,339,776)
Special	4,347,481	5,114,678	(767,197)
Vocational	270,211	341,786	(71,575)
Student Intervention Services	955,132	1,025,787	(70,655)
Support Services:			
Pupil	3,968,792	3,999,333	(30,541)
Instructional Staff	1,567,498	1,282,487	285,011
Board of Education	95,436	101,028	(5,592)
Administration	2,654,376	2,844,324	(189,948)
Fiscal	1,140,067	1,150,873	(10,806)
Business	241,543	286,306	(44,763)
Operation and Maintenance of Plant	3,974,307	4,024,975	(50,668)
Pupil Transportation	2,579,917	3,349,773	(769,856)
Central	871,639	217,227	654,412
Operating of Non-Instructional Services	608,161	491,588	116,573
Food Service Operations	1,395,875	1,520,020	(124,145)
Extracurricular Activities	1,227,122	1,578,579	(351,457)
Interest and Fiscal Charges	1,947,120	1,928,133	18,987
Total Program Expenses	<u>46,414,153</u>	<u>49,166,149</u>	<u>(2,751,996)</u>
Increase (Decrease) in Net Assets	615,102	(4,286,461)	4,901,563
Net Assets Beginning of Year	10,032,278	14,318,739	(4,286,461)
Net Assets End of Year	<u>\$10,647,380</u>	<u>\$10,032,278</u>	<u>\$615,102</u>

Nordonia Hills City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
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 2011. General revenues from grants and entitlements, such as the school foundation program, generated over \$12.2 million. With the combination of taxes and intergovernmental funding 87.21 percent of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

Instruction and interest and fiscal charges comprise 52.01 percent and 4.2 percent, respectively, of governmental program expenses. Interest expense was attributable to additional interest from the debt refunding, outstanding bonds and accretion on capital appreciation bonds.

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 \$4,131,422, 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 \$3,974,307 made up 8.56 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 2011.

Table 3
Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Instruction:				
Regular	\$18,569,476	(\$17,564,917)	\$19,909,252	(\$19,480,996)
Special	4,347,481	(4,267,385)	5,114,678	(5,049,957)
Vocational	270,211	(268,236)	341,786	(338,804)
Student Intervention Services	955,132	(947,281)	1,025,787	(901,816)
Support Services:				
Pupil	3,968,792	(2,868,729)	3,999,333	(2,971,532)
Instructional Staff	1,567,498	(916,160)	1,282,487	(1,126,266)
Board of Education	95,436	(94,652)	101,028	(100,062)
Administration	2,654,376	(2,632,662)	2,844,324	(2,817,369)
Fiscal	1,140,067	(1,125,405)	1,150,873	(1,131,652)
Business	241,543	(239,410)	286,306	(283,642)
Operation and Maintenance of Plant	3,974,307	(3,944,518)	4,024,975	(3,989,995)
Pupil Transportation	2,579,917	(2,341,463)	3,349,773	(2,297,037)
Central	871,639	(845,464)	217,227	(212,244)
Operating of Non-Instructional Services	608,161	(26,054)	491,588	77,566
Food Service Operations	1,395,875	(70,370)	1,520,020	(115,312)
Extracurricular Activities	1,227,122	(392,554)	1,578,579	(780,218)
Interest and Fiscal Charges	1,947,120	(1,947,120)	1,928,133	(1,928,133)
Total Expenses	\$46,414,153	(\$40,492,380)	\$49,166,149	(\$43,447,469)

Nordonia Hills City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 62.08 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 26.29 percent of expenses. Investments and other miscellaneous type revenues support 0.2 percent of activity costs. Program revenues only account for 12.76 percent of all governmental expenses.

School District's Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were \$45,933,967 and total expenditures and other financing uses were \$48,793,276, for an overall decrease in fund balance of \$2,859,309. The general fund reported a decrease of \$1,570,460, with revenues and other financing sources of \$37,499,603 and expenditures and other financing uses of \$39,070,063. Even with the decrease in general fund, revenues were approximately \$1.4 million higher, mainly due to property taxes, and expenditures and other financing uses were approximately \$1.3 million lower than the prior fiscal year, which is mainly attributed to lower instruction costs. The bond retirement debt service fund had an increase of \$79,897 with revenues of \$3,435,738 and expenditures of \$3,355,841.

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 2011, the School District amended its general fund budget and, in total, these amendments were insignificant. Budget revisions are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue estimate was \$36,254,718, which was lower than the original budget estimate of \$38,864,969. Much of this \$2,610,251 difference was due to final property tax settlements and fiscal allocation amounts from the State foundation formula. This estimate must be adjusted during the year as the settlements are finalized. Also, the original estimate for property taxes, provided by the Summit County Fiscal Officer, contains amounts for homestead and rollback reimbursements. Later in the fiscal year, when this amount is known, it is removed from the tax estimate and included in the estimate for intergovernmental revenue.

The original expenditures estimate of \$39,917,239 was revised during the fiscal year. Final appropriations were \$39,500,112, which were \$417,127 lower than the original budget. This was largely in part due to the general fund having lower regular instruction costs than originally anticipated.

Nordonia Hills City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2011 values compared to 2010.

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

	Governmental Activities		
	2011	2010	Change
Land	\$1,427,727	\$1,427,727	\$0
Construction in Progress	0	6,292,171	(6,292,171)
Buildings and Improvements	37,841,049	30,602,291	7,238,758
Furniture and Equipment	593,308	661,352	(68,044)
Vehicles	763,175	960,906	(197,731)
Totals	\$40,625,259	\$39,944,447	\$680,812

All capital assets, except land and construction in progress, are reported net of depreciation. The largest additions to capital assets during the fiscal year occurred with the completion of the construction and renovation of buildings. For more information on capital assets refer to Note 10 of the basic financial statements.

Debt

Table 5 below summarizes the School District's outstanding debt for fiscal years 2011 and 2010.

Table 5
 Outstanding Debt at Year End

	Governmental Activities		
	2011	2010	Change
General Obligation Bonds:			
2000 School Improvement Bonds	\$5,902,466	\$7,115,158	(\$1,212,692)
2006 School Refunding Bonds	25,019,307	25,068,203	(48,896)
2009 Athletic Facilities Bonds	5,752,748	5,944,804	(192,056)
Other Obligation:			
Purchase Agreement	43,497	86,994	(43,497)
Totals	\$36,718,018	\$38,215,159	(\$1,497,141)

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. During fiscal year 2009, the School District issued \$5,999,998 in bonds, the proceeds of which were used to finance the construction of a new athletic facility. See Note 14 to the basic financial statements for the repayment schedules of the bonded debt and the purchase agreement.

Nordonia Hills City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Current Issues Affecting Financial Condition

The Board of Education and administration closely monitor the revenues and expenditures in tandem with the financial forecast. The financial future of the School District faces many challenges. These challenges stem from local and State issues. At the local level, taxpayers must approve additional levies to pay for unfunded mandates, as well as continue the programs they have come to expect as normal operations. The State and local economies are stressed after experiencing a profound recession. Recovery is anticipated to be slow and drawn out. The State of Ohio has its own budgetary problems and has slashed State subsidies.

Beginning in fiscal year 2010, the State General Assembly adopted a new funding method called the Ohio Evidence-Based Model (OEBM). This funding method was used for fiscal year 2011 as well, but is not being continued in fiscal year 2012. The Ohio Evidence-Based Model was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount is the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount). Nordonia Hills City School District's property wealth worked counter to this State aid formula, and in fact, created a greater burden at the local level.

Beginning in fiscal year 2012, the administration of Governor John Kasich has proposed a move away from the Ohio Evidence Based Model to a new funding method, as stated above. However, since a new funding mechanism is not formulated as of yet, the administration has decided to fund school districts in fiscal year 2012 based on a transitional approach until a new formula is devised. This transitional approach is referred to as the Bridge formula. The Bridge formula divides the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding is then multiplied by the fiscal year 2012 ADM. The adequacy amount is offset by the school district share of the adequacy amount (the charge off amount), which is equal to 21 mills of property taxes for fiscal year 2012.

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. Voters rejected property levies in November, 2010, May, 2011, and August, 2011. Another operating levy, for 6 mills, was put on the November 8, 2011 ballot, which was passed. Board members and administration have made many cuts in employment, raised fees, reduced programs, and begun the outsourcing of transportation.

Contacting the School District's Financial Management

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

Nordonia Hills City School District

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,132,942
Accounts Receivable	23,280
Intergovernmental Receivable	956,340
Inventory Held for Resale	15,188
Materials and Supplies Inventory	115,020
Property Taxes Receivable	29,013,783
Deferred Charges	331,013
Nondepreciable Capital Assets	1,427,727
Depreciable Capital Assets, Net	<u>39,197,532</u>
<i>Total Assets</i>	<u>80,212,825</u>
Liabilities	
Accounts Payable	1,005,947
Contracts Payable	88,354
Accrued Wages and Benefits	3,344,694
Intergovernmental Payable	1,210,118
Deferred Revenue	23,467,455
Accrued Interest Payable	174,943
Long-Term Liabilities:	
Due Within One Year	2,858,219
Due In More Than One Year	<u>37,415,715</u>
<i>Total Liabilities</i>	<u>69,565,445</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	8,840,009
Restricted for:	
Debt Service	1,349,882
Capital Projects	1,479,226
Other Purposes	836,109
Unrestricted (Deficit)	<u>(1,857,846)</u>
<i>Total Net Assets</i>	<u><u>\$10,647,380</u></u>

See accompanying notes to the basic financial statements

Nordonia Hills City School District

Statement of Activities

For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$18,569,476	\$154,798	\$849,761	(\$17,564,917)
Special	4,347,481	31,899	48,197	(4,267,385)
Vocational	270,211	1,975	0	(268,236)
Student Intervention Services	955,132	7,851	0	(947,281)
Support Services:				
Pupils	3,968,792	24,301	1,075,762	(2,868,729)
Instructional Staff	1,567,498	7,463	643,875	(916,160)
Board of Education	95,436	784	0	(94,652)
Administration	2,654,376	21,547	167	(2,632,662)
Fiscal	1,140,067	12,628	2,034	(1,125,405)
Business	241,543	2,133	0	(239,410)
Operation and Maintenance of Plant	3,974,307	29,789	0	(3,944,518)
Pupil Transportation	2,579,917	17,743	220,711	(2,341,463)
Central	871,639	6,983	19,192	(845,464)
Operation of Non-Instructional Services	608,161	0	582,107	(26,054)
Food Service Operations	1,395,875	991,621	333,884	(70,370)
Extracurricular Activities	1,227,122	834,568	0	(392,554)
Interest and Fiscal Charges	1,947,120	0	0	(1,947,120)
<i>Totals</i>	<u>\$46,414,153</u>	<u>\$2,146,083</u>	<u>\$3,775,690</u>	<u>(40,492,380)</u>

General Revenues

Property Taxes Levied for:

General Purposes	25,143,381
Debt Service	3,058,893
Capital Projects	609,596

Grants and Entitlements not Restricted
to Specific Programs

Investment Earnings	16,087
Miscellaneous	79,202

Total General Revenues 41,107,482

Change in Net Assets 615,102

Net Assets Beginning of Year 10,032,278

Net Assets End of Year \$10,647,380

See accompanying notes to the basic financial statements

Nordonia Hills City School District

Balance Sheet

Governmental Funds

June 30, 2011

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,141,666	\$1,154,067	\$2,522,242	\$8,817,975
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	314,967	0	0	314,967
Property Taxes Receivable	25,598,871	3,081,728	333,184	29,013,783
Accounts Receivable	20,182	0	3,098	23,280
Intergovernmental Receivable	2,786	0	953,554	956,340
Interfund Receivable	952,790	0	0	952,790
Inventory Held for Resale	0	0	15,188	15,188
Materials and Supplies Inventory	109,783	0	5,237	115,020
<i>Total Assets</i>	<u>\$32,141,045</u>	<u>\$4,235,795</u>	<u>\$3,832,503</u>	<u>\$40,209,343</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$817,048	\$0	\$188,899	\$1,005,947
Contracts Payable	0	0	88,354	88,354
Accrued Wages and Benefits	3,242,927	0	101,767	3,344,694
Intergovernmental Payable	1,001,360	0	208,758	1,210,118
Interfund Payable	0	0	952,790	952,790
Deferred Revenue	22,235,298	2,658,544	1,205,939	26,099,781
<i>Total Liabilities</i>	<u>27,296,633</u>	<u>2,658,544</u>	<u>2,746,507</u>	<u>32,701,684</u>
Fund Balances				
Nonspendable	154,800	0	5,237	160,037
Restricted	0	1,577,251	1,812,148	3,389,399
Assigned	1,379,104	0	0	1,379,104
Unassigned (Deficit)	3,310,508	0	(731,389)	2,579,119
<i>Total Fund Balances</i>	<u>4,844,412</u>	<u>1,577,251</u>	<u>1,085,996</u>	<u>7,507,659</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$32,141,045</u>	<u>\$4,235,795</u>	<u>\$3,832,503</u>	<u>\$40,209,343</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, 2011*

Total Governmental Fund Balances	\$7,507,659
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*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.	40,625,259
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Delinquent Property Taxes	\$1,678,772
Intergovernmental	953,554
Total	2,632,326

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(174,943)
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Bond issuance costs reported as an expenditure in the funds are allocated as an expense over the life of the debt on a full accrual basis.	331,013
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Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(36,674,521)
Purchase Agreement	(43,497)
Compensated Absences	(2,681,622)
Early Retirement Incentives	(874,294)
Total	(40,273,934)

<i>Net Assets of Governmental Activities</i>	<u><u>\$10,647,380</u></u>
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See accompanying notes to the basic financial statements

Nordonia Hills City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$24,990,066	\$3,039,909	\$605,428	\$28,635,403
Intergovernmental	11,651,408	395,829	2,957,054	15,004,291
Interest	15,790	0	297	16,087
Tuition and Fees	304,951	0	10,918	315,869
Charges for Services	135	0	991,621	991,756
Extracurricular Activities	378,259	0	356,245	734,504
Contributions and Donations	3,295	0	29,076	32,371
Rentals	100,064	0	3,890	103,954
Miscellaneous	55,635	0	23,567	79,202
<i>Total Revenues</i>	<u>37,499,603</u>	<u>3,435,738</u>	<u>4,978,096</u>	<u>45,913,437</u>
Expenditures				
Current:				
Instruction:				
Regular	17,697,905	0	566,564	18,264,469
Special	4,345,719	0	0	4,345,719
Vocational	250,052	0	0	250,052
Student Intervention Services	955,132	0	0	955,132
Support Services:				
Pupils	3,010,609	0	990,519	4,001,128
Instructional Staff	943,738	0	605,696	1,549,434
Board of Education	95,436	0	0	95,436
Administration	2,649,155	0	105	2,649,260
Fiscal	1,028,856	46,895	73,729	1,149,480
Business	263,821	0	21,337	285,158
Operation and Maintenance of Plant	3,652,873	0	0	3,652,873
Pupil Transportation	2,172,823	0	218,717	2,391,540
Central	849,495	0	22,144	871,639
Operation of Non-Instructional Services	1,059	0	602,755	603,814
Food Service Operations	0	0	1,336,248	1,336,248
Extracurricular Activities	1,089,363	0	356,980	1,446,343
Capital Outlay	0	0	1,572,578	1,572,578
Debt Service:				
Principal Retirement	43,497	2,095,000	0	2,138,497
Interest and Fiscal Charges	0	1,213,946	0	1,213,946
<i>Total Expenditures</i>	<u>39,049,533</u>	<u>3,355,841</u>	<u>6,367,372</u>	<u>48,772,746</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,549,930)</u>	<u>79,897</u>	<u>(1,389,276)</u>	<u>(2,859,309)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	20,530	20,530
Transfers Out	(20,530)	0	0	(20,530)
<i>Total Other Financing Sources (Uses)</i>	<u>(20,530)</u>	<u>0</u>	<u>20,530</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(1,570,460)</u>	<u>79,897</u>	<u>(1,368,746)</u>	<u>(2,859,309)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>6,414,872</u>	<u>1,497,354</u>	<u>2,454,742</u>	<u>10,366,968</u>
<i>Fund Balances End of Year</i>	<u>\$4,844,412</u>	<u>\$1,577,251</u>	<u>\$1,085,996</u>	<u>\$7,507,659</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, 2011*

Net Change in Fund Balances - Total Governmental Funds (\$2,859,309)

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

Governmental funds report capital outlays as expenditures.

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

Capital Outlay	\$1,968,293	
Current Year Depreciation	(1,287,481)	
Total		680,812

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

Delinquent Property Taxes	176,467	
Intergovernmental	939,351	
Total		1,115,818

Repayment of bond and purchase agreement principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 2,138,497

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

Accrued Interest	(70,014)	
Annual Accretion	(740,812)	
Amortization of Bond Premium	99,456	
Amortization of Bond Issuance Costs	(21,804)	
Total		(733,174)

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

Compensated Absences	31,466	
Early Retirement Incentive	240,992	
Total		272,458

Change in Net Assets of Governmental Activities \$615,102

See accompanying notes to the basic financial statements

Nordonia Hills City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$25,731,851	\$24,003,647	\$24,003,647	\$0
Intergovernmental	12,440,163	11,604,656	11,648,622	43,966
Interest	16,549	15,438	15,438	0
Tuition and Fees	326,715	304,772	304,772	0
Extracurricular Activities	196,896	183,672	183,672	0
Rentals	103,190	96,260	96,260	0
Miscellaneous	49,605	46,273	46,273	0
<i>Total Revenues</i>	<u>38,864,969</u>	<u>36,254,718</u>	<u>36,298,684</u>	<u>43,966</u>
Expenditures				
Current:				
Instruction:				
Regular	16,907,519	16,652,660	17,698,187	(1,045,527)
Special	5,068,352	4,995,101	4,995,101	0
Vocational	255,619	255,382	255,382	0
Student Intervention Services	1,094,379	1,094,379	1,094,379	0
Support Services:				
Pupils	3,058,782	3,057,982	3,057,982	0
Instructional Staff	982,717	979,003	979,002	1
Board of Education	95,496	95,496	95,496	0
Administration	2,800,807	2,796,305	2,796,305	0
Fiscal	1,055,438	1,040,973	1,040,973	0
Business	299,695	281,641	281,641	0
Operation and Maintenance of Plant	3,988,347	3,985,396	3,985,395	1
Pupil Transportation	2,428,347	2,385,212	2,385,212	0
Central	899,211	898,052	898,052	0
Extracurricular Activities	939,033	939,033	939,033	0
Debt Service:				
Principal Retirement	43,497	43,497	43,497	0
<i>Total Expenditures</i>	<u>39,917,239</u>	<u>39,500,112</u>	<u>40,545,637</u>	<u>(1,045,525)</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,052,270)</u>	<u>(3,245,394)</u>	<u>(4,246,953)</u>	<u>(1,001,559)</u>
Other Financing Sources (Uses)				
Advances In	384,825	384,825	384,825	0
Advances Out	(952,790)	(952,790)	(952,790)	0
Transfers Out	(20,530)	(20,530)	(20,530)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(588,495)</u>	<u>(588,495)</u>	<u>(588,495)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,640,765)	(3,833,889)	(4,835,448)	(1,001,559)
<i>Fund Balance Beginning of Year</i>	7,378,269	7,378,269	7,378,269	0
Prior Year Encumbrances Appropriated	1,308,979	1,308,979	1,308,979	0
<i>Fund Balance End of Year</i>	<u>\$7,046,483</u>	<u>\$4,853,359</u>	<u>\$3,851,800</u>	<u>(\$1,001,559)</u>

See accompanying notes to the basic financial statements

Nordonia Hills City School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2011

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$93,647</u></u>
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Liabilities

Due to Students	<u><u>\$93,647</u></u>
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See accompanying notes to the basic financial statements

Nordonia Hills City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1 – Description of the School District and Reporting Entity

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 223 non-certificated employees and 260 certificated teaching and support personnel, plus 17 administrators that provide services to 4,379 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

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

Note 2 – Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

Nordonia Hills City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Basis of Presentation

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

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

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

Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

Nordonia Hills City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Bond Retirement Fund The bond retirement fund is used to account for and report the accumulation of property tax revenues restricted for the payment of general obligation bonds and purchase agreements issued for high school and elementary school additions and the construction of a new school buildings.

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

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

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

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

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

Nordonia Hills City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Cash and Cash Equivalents

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

During fiscal year 2011, investments were limited to federal home loan bank notes. The notes are reported at fair values based on current share price.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during the fiscal year 2011 amounted to \$15,790, which included \$6,306 assigned from other School District funds.

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

Nordonia Hills City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Inventory

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

Capital Assets

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

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

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

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

Interfund Balances

On 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.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

Nordonia Hills City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Nordonia Hills City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

Net 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 borrowing 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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net assets for the School District are for debt service, capital projects, and other purposes that support the School District's programs.

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

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in the general fund include the amounts required for budget stabilization. See Note 20 for additional information regarding set-asides.

Estimates

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

Internal Activity

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

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

Nordonia Hills City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District's Treasurer. The amounts reported in the budgetary statement as the original and final budgeted amounts reflect the amounts in the amended certificate in effect when the original and final appropriations were passed. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue reflects actual revenue for the fiscal year.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for the funds that covered the entire fiscal year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed during the year, including all supplemental appropriations. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year plus encumbrances outstanding at fiscal year end in the majority of categories.

Bond Issuance Costs

Bond issuance costs for underwriting fees and bond issuance for the 2006 refunding bonds and the 2009 athletic facilities bonds are being amortized using the straight-line method over the life of the obligations in the School District's governmental activities. The straight-line method of amortization is not materially different from the effective-interest method.

As permitted by State statute, the School District paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

Bond Premium

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

Nordonia Hills City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 3 – Changes in Accounting Principles and Restatement of Fund Balance

Changes in Accounting Principles

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and Statement No. 59, “Financial Instruments Omnibus”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of the School District’s financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments and external investment pools. The implementation of this statement did not result in any change in the School District’s financial statements.

Restatement of Prior Year’s Fund Balance

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2010	\$6,278,509	\$1,497,354	\$2,591,105	\$10,366,968
Change in Fund Structure	136,363	0	(136,363)	0
Adjusted Fund Balance at June 30, 2010	\$6,414,872	\$1,497,354	\$2,454,742	\$10,366,968

Note 4 – Fund Balances

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

Nordonia Hills City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Fund Balances	General	Bond Retirement	Other Governmental	Total
<u>Nonspendable:</u>				
Unclaimed Monies	\$45,017	\$0	\$0	\$45,017
Inventory	109,783	0	5,237	115,020
<i>Total Nonspendable</i>	<u>154,800</u>	<u>0</u>	<u>5,237</u>	<u>160,037</u>
<u>Restricted for:</u>				
Debt Service	0	1,577,251	0	1,577,251
Capital Projects	0	0	1,440,486	1,440,486
Other Purposes	0	0	371,662	371,662
<i>Total Restricted</i>	<u>0</u>	<u>1,577,251</u>	<u>1,812,148</u>	<u>3,389,399</u>
<u>Assigned to:</u>				
Support Services	153,470	0	0	153,470
Other Purposes	1,225,634	0	0	1,225,634
<i>Total Assigned</i>	<u>1,379,104</u>	<u>0</u>	<u>0</u>	<u>1,379,104</u>
Unassigned (Deficit)	<u>3,310,508</u>	<u>0</u>	<u>(731,389)</u>	<u>2,579,119</u>
Total Fund Balances	<u><u>\$4,844,412</u></u>	<u><u>\$1,577,251</u></u>	<u><u>\$1,085,996</u></u>	<u><u>\$7,507,659</u></u>

Note 5 – Legal Compliance and Accountability

Legal Compliance

Contrary to Section 5705.41(B), Ohio Revised Code, the following funds had expenditures plus encumbrances in excess of final appropriations:

Fund	Final Appropriations	Expenditures Plus Encumbrances	Excess
<i>Major Fund:</i>			
General	\$39,500,112	\$40,545,637	(\$1,045,525)
<i>Special Revenue Funds:</i>			
Lunchroom	1,229,249	1,391,781	(162,532)
Other Grants	19,173	20,267	(1,094)
High School Bookstore	7,657	8,626	(969)
Auxiliary Services	574,947	631,231	(56,284)
Miscellaneous State Grants	156,244	217,367	(61,123)
Race To The Top	1,093	8,493	(7,400)
Title VI-B	980,325	1,610,420	(630,095)
Technology Title II-D Grant	271	281	(10)
Limited English Proficiency	24,340	28,431	(4,091)
Drug Free Schools	4,063	7,337	(3,274)
Preschool Grant	33,240	71,470	(38,230)
Reducing Class Size	59,015	78,240	(19,225)

Although these budgetary violations were not corrected by fiscal year end, management has indicated that appropriations will be closely monitored in order to avoid any future violations.

Nordonia Hills City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Accountability

The following funds had deficit fund balances at June 30, 2011:

Fund	Amount
<i>Special Revenue Funds:</i>	
Lunchroom	(\$236,645)
Management Information Systems	(400)
Miscellaneous State Grants	(128,216)
Title VI-B	(293,852)
Technology II-D Grant	(39)
Title I	(383)
Drug Free Schools	(4,397)
Reducing Class Size	(62,220)

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

Note 6 – Budgetary Basis of Accounting

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

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

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

Nordonia Hills City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

Net Change in Fund Balance	
GAAP Basis	(\$1,570,460)
Net Adjustment for Revenue Accruals	(1,398,014)
Advances In	384,825
Beginning Unrecorded Cash	2,704
Ending Unrecorded Cash	(5,385)
Net Adjustment for Expenditure Accruals	149,331
Excess of Revenues and Other Financing Sources and Over (Under) Expenditures and Other Financing Uses:	
Public School Support	21
Advances Out	(952,790)
Adjustment for Encumbrances	<u>(1,445,680)</u>
Budget Basis	<u><u>(\$4,835,448)</u></u>

Note 7 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Nordonia Hills City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$3,979,538 of the School District's bank balance of \$5,802,945 was uninsured and uncollateralized. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements for the deposit of money had been followed; noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2011, the School District had investments in Federal Home Loan Bank Notes with a fair value of \$3,460,000. These notes will mature in less than a year.

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

Nordonia Hills City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

Note 8 – Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

The School District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Nordonia Hills City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Accrued property taxes receivable includes real property and public utility property taxes, which are measurable as of June 30, 2011, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$3,363,573 in the general fund, \$423,184 in the bond retirement debt service fund, and \$80,799 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2010, was \$2,377,154 in the general fund, \$296,664 in the bond retirement debt service fund, and \$57,611 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$987,935,900	97.59%	\$988,808,970	97.66%
Public Utility Personal Property	24,378,615	2.41	23,706,990	2.34
	<u>\$1,012,314,515</u>	<u>100.00%</u>	<u>\$1,012,515,960</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$64.09		\$64.09

Note 9 – Receivables

Receivables at June 30, 2011, consisted of taxes, accounts (tuition and excess costs), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Title VI-B Grant	\$538,948
Title I Grants	180,039
Miscellaneous State Grants	129,174
Reducing Class Size Grant	66,798
Preschool Grant	33,263
Drug Free Schools Grant	4,411
Other	2,786
Technology Title II-D Grant	921
Total	<u>\$956,340</u>

Nordonia Hills City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,427,727	\$0	\$0	\$1,427,727
Construction in Progress	6,292,171	1,616,059	(7,908,230)	0
<i>Total Capital Assets, not being depreciated</i>	<u>7,719,898</u>	<u>1,616,059</u>	<u>(7,908,230)</u>	<u>1,427,727</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	47,157,133	8,205,470	0	55,362,603
Furniture and Equipment	1,750,703	54,994	(33,873)	1,771,824
Vehicles	3,182,820	0	(49,375)	3,133,445
<i>Total Capital Assets, being depreciated</i>	<u>52,090,656</u>	<u>8,260,464</u>	<u>(83,248)</u>	<u>60,267,872</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(16,554,842)	(966,712)	0	(17,521,554)
Furniture and Equipment	(1,089,351)	(123,038)	33,873	(1,178,516)
Vehicles	(2,221,914)	(197,731)	49,375	(2,370,270)
Total Accumulated Depreciation	<u>(19,866,107)</u>	<u>(1,287,481) *</u>	<u>83,248</u>	<u>(21,070,340)</u>
Total Capital Assets, being depreciated, net	<u>32,224,549</u>	<u>6,972,983</u>	<u>0</u>	<u>39,197,532</u>
Governmental Activities Capital Assets, Net	<u>\$39,944,447</u>	<u>\$8,589,042</u>	<u>(\$7,908,230)</u>	<u>\$40,625,259</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$442,575
Special	33,486
Vocational	29,947
Support Services:	
Pupils	16,319
Instructional Staff	51,519
Administration	25,066
Fiscal	3,052
Business	2,419
Operation and Maintenance of Plant	351,696
Pupil Transportation	194,245
Operation of Non-Instructional Services	4,347
Food Service Operations	54,860
Extracurricular Activities	77,950
Total Depreciation Expense	<u>\$1,287,481</u>

Nordonia Hills City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 11 – Defined Benefit Pension Plans

School Employee Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$657,171, \$749,657, and \$642,855, respectively. For fiscal year 2011, 35.22 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

State Teachers Retirement System

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

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

Nordonia Hills City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$2,146,476 and \$38,320 for the fiscal year ended June 30, 2011, \$2,248,179 and \$43,080 for the fiscal year ended June 30, 2010, and \$2,289,109 and \$48,432 for the fiscal year ended June 30, 2009. For fiscal year 2011, 89.28 percent has been contributed for the DB plan and 89.28 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2011 were \$58,741 made by the School District and \$41,958 made by the plan members. In addition, member contributions of \$27,371 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

Note 12 – Postemployment Benefits

School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 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 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$129,160.

Nordonia Hills City School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

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, 2011, 2010, and 2009 were \$208,733, \$159,616, and \$390,452, respectively. For fiscal year 2011, 35.22 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$42,290, \$44,581, and \$53,041, respectively. For fiscal year 2011, 35.22 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$168,061, \$176,251, and \$179,811, respectively. For fiscal year 2011, 89.28 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Note 13 – Other Employee Benefits

Compensated Absences

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

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

Nordonia Hills City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Early Notification of Retirement Incentive

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

Health Insurance Benefits

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

Life Insurance Benefits

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

Note 14 – Long-Term Obligations

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

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
<i>General Obligation Bonds:</i>			
School Improvement - 2000	3.7 - 10.50%	\$38,499,963	December 1, 2014
Refunding - 2006	4.05	23,959,987	December 1, 2025
Athletic Facilities - 2009	3 - 5	5,999,998	December 1, 2030
<i>Other Obligation:</i>			
Purchase Agreement	4.2	217,485	December 1, 2012

Nordonia Hills City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

	Principal Outstanding 6/30/10	Additions	Reductions	Principal Outstanding 6/30/11	Amount Due in One Year
General Obligation Bonds:					
2000 School Improvement Bonds					
Serial Bonds	\$1,625,000	\$0	(\$1,625,000)	\$0	\$0
Capital Appreciation Bonds	2,769,963	0	0	2,769,963	769,420
Accretion on Capital Appreciation Bonds	2,720,195	412,308	0	3,132,503	930,580
2006 Refunding Bonds					
Serial Bonds	21,490,000	0	(255,000)	21,235,000	265,000
Premium	1,342,305	0	(89,487)	1,252,818	0
Capital Appreciation Bonds	1,314,987	0	0	1,314,987	0
Accretion on Capital Appreciation Bonds	920,911	295,591	0	1,216,502	0
2009 Athletic Facilities Bonds					
Serial Bonds	5,615,000	0	(215,000)	5,400,000	220,000
Premium	199,378	0	(9,969)	189,409	0
Capital Appreciation Bonds	99,998	0	0	99,998	0
Accretion on Capital Appreciation Bonds	30,428	32,913	0	63,341	0
Total General Obligation Bonds	38,128,165	740,812	(2,194,456)	36,674,521	2,185,000
Other Long-term Obligations:					
Purchase Agreement	86,994	0	(43,497)	43,497	43,497
Compensated Absences	2,713,088	349,529	(380,995)	2,681,622	364,715
Early Retirement Incentives	1,115,286	0	(240,992)	874,294	265,007
Total Other Long-term Obligations	3,915,368	349,529	(665,484)	3,599,413	673,219
Total Governmental Activities					
Long-Term Liabilities	\$42,043,533	\$1,090,341	(\$2,859,940)	\$40,273,934	\$2,858,219

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

On December 6, 2000, the School District issued \$38,499,963 in bonded debt to finance several construction and improvement projects. The bonds consisted of serial, term and capital appreciation bonds of \$11,770,000, \$23,960,000 and \$2,769,963, respectively. In 2006, a portion of the serial bonds and the term bonds were retired through an advance refunding. The final amount, after accretion of interest, of the capital appreciation bonds will be \$6,800,000. The principal payments began in fiscal year 2003. The maturity amount of outstanding capital appreciation bonds at June 30, 2011, is \$2,769,963. The accretion recorded for 2011 was \$412,308, for a total outstanding bond liability of \$5,902,466 at June 30, 2011.

On February 22, 2006, the School District issued \$23,959,987 in general obligation bonds which include serial and capital appreciation bonds. The final amount of the 2005 capital appreciation bonds, after the accretion of interest, will be \$8,235,099. The bond proceeds consisted of bond principal and \$1,945,455 of premium. The capital appreciation bonds were originally sold at a premium of \$1,431,792, which is being accreted annually until the point of maturity of the capital appreciation bonds. The maturity amount of outstanding capital appreciation bonds at June 30, 2011 is \$1,314,987. The accretion recorded for 2011 was \$295,591, for a total outstanding bond liability of \$2,531,489 at June 30, 2011.

Nordonia Hills City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

On March 26, 2009, the School District issued \$5,999,998 in bonded debt to finance an athletic facility. The bonds consisted of serial and capital appreciation bonds of \$5,900,000 and \$99,998, respectively. The final amount, after the accretion of interest, of the capital appreciation bonds will be \$898,108. The capital appreciation bonds were originally sold at a premium of \$209,347, which is being accreted annually until the point of maturity of the capital appreciation bonds. The maturity amount of outstanding capital appreciation bonds at June 30, 2011 is \$99,998. The accretion recorded for 2011 was \$32,913, for a total outstanding bond liability of \$163,339 at June 30, 2011.

During fiscal year 2009, the School District entered into a purchase agreement with Northeast Ohio Network for Educational Technology (NEONET) for the purchase of computer equipment and installation services. The principal payments began in fiscal year 2009. The payments are \$43,497 each year and end in fiscal year 2012.

The School District's overall debt margin was \$58,729,237 with an unvoted debt margin of \$1,012,516 at June 30, 2011. Principal and interest requirements to retire general obligation bonds and capital appreciation bonds outstanding at June 30, 2011, are as follows:

	General Obligation Bonds					
	Serial		Capital Appreciation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$485,000	\$1,168,741	\$769,420	\$930,580	\$1,254,420	\$2,099,321
2013	500,000	1,153,304	715,683	984,317	1,215,683	2,137,621
2014	230,000	213,591	774,222	2,134,552	1,004,222	2,348,143
2015	235,000	206,691	715,037	2,193,738	950,037	2,400,429
2016	0	0	645,324	2,712,505	645,324	2,712,505
2017-2021	9,520,000	3,904,147	565,262	2,792,567	10,085,262	6,696,714
2022-2026	13,745,000	2,308,139	0	0	13,745,000	2,308,139
2027-2031	1,920,000	291,215	0	0	1,920,000	291,215
Total	\$26,635,000	\$9,245,828	\$4,184,948	\$11,748,259	\$30,819,948	\$20,994,087

Note 15 – Risk Management

Workers' Compensation

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

Property and Liability

The School District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2011, the School District contracted with Indiana Insurance Company for various types of insurance as follows:

Nordonia Hills City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Type of Coverage	Coverage Amount
Property	\$121,293,074
Inland Marine	5,835,214
Flood and Earthquake	2,000,000
Crime	150,000
General Liability	1,000,000
Employee Benefits Liability	1,000,000
Employer's Liability	1,000,000
School Leaders Professional Liability	2,100,000

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

Note 16 – Jointly Governed Organizations

Northeast Ohio Network for Educational Technology

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 2011, the School District contributed \$221,504 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 Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 157 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2011, the School District paid \$110,692 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director at the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

Nordonia Hills City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Energy USA served as the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 139 participants in the program including the Nordonia Hills City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Cuyahoga Valley Career Center

The Cuyahoga Valley Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Board of Education is comprised of representatives from the board of each participating school district. The Board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. Nordonia Hills City School District students may attend the career center. Each school district's control is limited to its representation on the Board. During fiscal year 2011, no amount was paid by Nordonia Hills City School District to the Cuyahoga Valley Career Center.

Note 17 – Shared Risk Pool

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

Note 18 – Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

Litigation

The Nordonia Hills City School District is a party to legal proceedings. The School Board is of opinion that the ultimate disposition of the current proceeding will not have a material effect, if any, on the financial condition of the School District.

Nordonia Hills City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 19 – Interfund Transactions

Interfund Balances

As of June 30, 2011, the general fund had a \$952,790 interfund receivable and the following funds had the corresponding interfund payables:

Interfund Payable	Interfund Receivable General Fund
<i>Special Revenue Funds:</i>	
Lunchroom	\$192,600
Auxiliary Services	600
Miscellaneous State Grants	127,000
Education Jobs	3,000
Title VI-B	545,600
Technology Title II-D Grant	40
Drug Free Schools	4,400
Preschool Grant	33,300
Reducing Class Size	46,250
Total	\$952,790

The interfund receivable and payables are due to the general fund covering deficit cash balances in these funds.

Interfund Transfers

A transfer of \$20,530 from the general fund to the district managed activities fund was made to support the operations of that fund.

Note 20 – Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2011, only the unspent portion of certain workers' compensation refunds continues to be set aside.

Nordonia Hills City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

	Textbooks Instructional Materials Reserve	Capital Improvement Reserve	Budget Stabilization Reserve
Set-aside Reserve Balances as of June 30, 2010	(\$979,542)	\$0	\$269,950
Current Year Set-aside Requirement	618,875	618,875	0
Offsets	0	(582,240)	0
Qualifying Disbursements	(239,289)	(688,923)	0
Totals	<u>(\$599,956)</u>	<u>(\$652,288)</u>	<u>\$269,950</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>\$0</u>	<u>\$269,950</u>
Set-aside Balance as of June 30, 2011	<u>\$0</u>	<u>\$0</u>	<u>\$269,950</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not presented as being carried forward to future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

Note 21 – Subsequent Event

On November 8, 2011, the School District passed a 6 mill operating levy. This levy is expected to raise about \$5.6 million for current operating expenses.

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Board of Education
Nardon Hills City School District
Northfield, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nardon Hills City School District (the "District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 22, 2011, wherein we noted the District implemented *GASB Statement Nos. 54 and 59*, as disclosed in Note 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider to be a significant deficiency in internal control over financial reporting as item 2011-1.

Board of Education
Nardon Hills City School District

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2011-2.

We noted certain matters that we reported to management of the District in a separate letter dated December 22, 2011.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Education, finance committee, others within the entity, the Auditor of State's Office, 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.

Cimini & Panichi, Inc.

Cleveland, Ohio
December 22, 2011

**Report on Compliance with Requirements That Could Have a
Direct and Material Effect on Each Major Program and on Internal
Control Over Compliance in Accordance with OMB Circular A-133**

Independent Auditor's Report

Board of Education
Nardon Hills City School District
Northfield, Ohio

Compliance

We have audited Nardon Hills City School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 22, 2011, wherein we noted the District adopted *GASB Statement No.'s 54 and 59* as disclosed in Note 3. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management, Board of Education, finance committee, Auditor of the State's Office, 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.

Ciani & Panichi, Inc.

Cleveland, Ohio
December 22, 2011

Nordonia Hills City School District

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Year	Receipts	Non-cash Receipts	Disbursements	Non-cash Disbursements
U.S. Department of Agriculture:						
Passed-Through Ohio Department of Education:						
Nutrition Cluster:						
National School Breakfast Program	10.553	2011	\$ 30,001	\$ -	\$ 30,001	\$ -
National School Lunch Program	10.555	2011	<u>296,563</u>	<u>50,008</u>	<u>296,563</u>	<u>50,008</u>
Total U.S. Department of Agriculture – Nutrition Cluster			<u>326,564</u>	<u>50,008</u>	<u>326,564</u>	<u>50,008</u>
U.S. Department of Education:						
Passed-Through Ohio Department of Education:						
Special Education Cluster:						
ARRA-Preschool	84.391	2010	-	-	24,161	-
ARRA – Preschool	84.391	2011	<u>88,699</u>	<u>-</u>	<u>239,418</u>	<u>-</u>
Subtotal Preschool			<u>88,699</u>	<u>-</u>	<u>263,579</u>	<u>-</u>
Title VI-B	84.027	2011	827,224	-	823,302	-
ARRA – Title VI-B	84.392	2010	<u>26,467</u>	<u>-</u>	<u>29,867</u>	<u>-</u>
Subtotal Title VI-B			<u>853,691</u>	<u>-</u>	<u>853,169</u>	<u>-</u>
Total Special Education Cluster			<u>942,390</u>	<u>-</u>	<u>1,116,748</u>	<u>-</u>
Title I – Disadvantaged Children	84.010	2010	21,243	-	49,506	-
Title I – Disadvantaged Children	84.010	2011	134,835	-	122,952	-
ARRA – Title I – Disadvantaged Children	84.389	2010	-	-	32,647	-
ARRA – Title I – Disadvantaged Children	84.389	2011	<u>115,281</u>	<u>-</u>	<u>109,000</u>	<u>-</u>
Total Title I – Disadvantaged Children			<u>271,359</u>	<u>-</u>	<u>314,105</u>	<u>-</u>
Title III – Limited English Proficiency	84.365	2011	<u>25,787</u>	<u>-</u>	<u>28,430</u>	<u>-</u>
Title II-D – Educational Technology	84.318	2010	-	-	137	-
Title II-D – Educational Technology	84.318	2011	<u>105</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Title II-D – Educational Technology			<u>105</u>	<u>-</u>	<u>137</u>	<u>-</u>
ARRA – State Fiscal Stabilization Fund	84.394	2011	<u>372,100</u>	<u>-</u>	<u>298,138</u>	<u>-</u>
Title II-A – Improving Teacher Quality	84.367	2010	-	-	150	-
Title II-A – Improving Teacher Quality	84.367	2011	<u>13,942</u>	<u>-</u>	<u>76,763</u>	<u>-</u>
Total Title II-A – Improving Teacher Quality			<u>13,942</u>	<u>-</u>	<u>76,913</u>	<u>-</u>
Title IV-A -- Drug-Free Schools Grant	84.186	2011	<u>-</u>	<u>-</u>	<u>7,003</u>	<u>-</u>
Education Jobs Fund	84.410	2011	<u>203,574</u>	<u>-</u>	<u>185,575</u>	<u>-</u>
ARRA – Race to the Top Fund	84.395A	2011	<u>5,542</u>	<u>-</u>	<u>1,093</u>	<u>-</u>
Total U.S. Department of Education			<u>1,834,799</u>	<u>-</u>	<u>2,028,142</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u>2,161,363</u>	\$ <u>50,008</u>	\$ <u>2,354,706</u>	\$ <u>50,008</u>

The accompanying notes are an integral part of this schedule

Nordonia Hills City School District

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

Note 1: Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal awards of the Nordonia Hills City School District (the "District") and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Child Nutrition Cluster

Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed that federal monies are expended first.

Food Donation Program

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

Nordonia Hills City School District

Schedule of Findings
OMB Circular A-133 Section .505

For the Year Ended June 30, 2011

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs	Special Education Cluster: CFDA # 84.391, 84.027, 84.392 Title I Cluster: CFDA # 84.010, 84.389 Child Nutrition Cluster: CFDA # 10.553, 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	No

Nordonia Hills City School District

Schedule of Findings (Continued)
OMB Circular A-133 Section .505

For the Year Ended June 30, 2011

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS (continued)

Findings	Findings Summary																		
2011-1	<p><i>Financial Reporting – Significant Deficiency</i></p> <p>Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.</p> <p>The following audit adjustments were made to the financial statements, and where applicable, to the District’s accounting records:</p> <ol style="list-style-type: none"> 1. Increase accounts payable for amounts that were not originally recorded and decrease the related reserve for encumbrances. 2. Increase cash balances to actual at June 30, 2011. 3. Decreased construction in progress for the items that were included in the accounts payable amount in the prior year. 4. Increased accrued wages to actual at June 30, 2011. 5. To record a capital asset addition and related depreciation expense not originally recorded. <p>The lack of controls over the posting of year-end financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.</p> <p>We recommend the District adopts policies and procedures for controls over recording of year-end financial transactions and over financial report to help ensure the information accurately reflects the activity of the District and thereby increasing the reliability of the financial data at year-end. Although the District has contracted a third party to perform their GAAP Conversion, the District’s management needs to review the statements to be sure that all items are being properly recorded.</p> <p>Officials Response: Management will develop a process to oversee the GAAP conversion process more closely and have better communication with them.</p>																		
2011-2	<p><i>Budgetary Control – Material Noncompliance</i></p> <p>Per Ohio Revised Code Section 5705.41(B), no subdivision is to expend money unless it has been appropriated. The following funds had final expenditures plus encumbrances in excess of final appropriations plus prior year encumbrances:</p> <table data-bbox="293 1671 1230 1944"> <tr> <td colspan="2">Major Funds:</td> </tr> <tr> <td> General</td> <td style="text-align: right;">\$ 1,083,254</td> </tr> <tr> <td colspan="2">Special Revenue Funds:</td> </tr> <tr> <td> Lunchroom</td> <td style="text-align: right;">162,532</td> </tr> <tr> <td> Other Grant</td> <td style="text-align: right;">1,094</td> </tr> <tr> <td> High School Book Store</td> <td style="text-align: right;">969</td> </tr> <tr> <td> Auxiliary Services</td> <td style="text-align: right;">56,284</td> </tr> <tr> <td> Miscellaneous State Grants</td> <td style="text-align: right;">61,123</td> </tr> <tr> <td> Race To The Top</td> <td style="text-align: right;">7,400</td> </tr> </table>	Major Funds:		General	\$ 1,083,254	Special Revenue Funds:		Lunchroom	162,532	Other Grant	1,094	High School Book Store	969	Auxiliary Services	56,284	Miscellaneous State Grants	61,123	Race To The Top	7,400
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Race To The Top	7,400																		

Nordonia Hills City School District

Schedule of Findings (Continued)
OMB Circular A-133 Section .505

For the Year Ended June 30, 2011

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS (continued)

Title VI-B	630,095
Stimulus Title II	10
Limited English Proficiency	4,091
Drug Free Grant	3,274
EHA Preschool Special Education	38,230
Reducing Class Size	19,225
Officials Response: Management will review appropriations versus expenditures throughout the year to ensure compliance with this requirement.	

3. Findings for Federal Awards

None

Nordonia Hills City School District

Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)

For the Year Ended June 30, 2011

Findings	Findings Summary	Fully Corrected?	Not corrected, partially corrected, different correct action taken; finding no longer valid; Explain
2010-1	<p><i>Financial Reporting – Material Weakness</i></p> <p>Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.</p> <p>The following audit adjustments were made to the financial statements, and where applicable, to the District’s accounting records:</p> <ul style="list-style-type: none"> 6. Increase accounts payable for amounts that were not originally recorded and decrease the related reserve for encumbrances. 7. Increased construction in progress for the items that were not originally included in the accounts payable amount. <p>The lack of controls over the posting of year-end financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.</p> <p>We recommend the District adopts policies and procedures for controls over recording of year-end financial transactions and over financial report to help ensure the information accurately reflects the activity of the District and thereby increasing the reliability of the financial data at year-end. Although the District has contracted a third party to perform their GAAP Conversion, the District’s management needs to review the statements to be sure that all items are being properly recorded.</p> <p>Officials Response: Management will develop a process to oversee the GAAP conversion process more closely and have better communication with them.</p>	No	The District had similar audit adjustments in the current year.

Nordonia Hills City School District

Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)

For the Year Ended June 30, 2011

Findings	Findings Summary	Fully Corrected?	Not corrected, partially corrected, different correct action taken; finding no longer valid; Explain																		
2010-2	<p><i>Financial Reporting – Significant Deficiency</i></p> <p>The District was not reconciling their bank accounts in a timely manner.</p> <p>We recommend that the District adopts policies and procedures for controls over bank reconciliations.</p> <p>Officials Response: Management will develop a process for month-end to ensure that bank reconciliations are performed and reviewed timely.</p>	Yes	This has been fully corrected.																		
2010-3	<p><i>Budgetary Control – Material Noncompliance</i></p> <p>Per Ohio Revised Code Section 5705.41(B), no subdivision is to expend money unless it has been appropriated. The following funds had final expenditures plus encumbrances in excess of final appropriations plus prior year encumbrances:</p> <p>Major Funds:</p> <table data-bbox="324 1234 899 1297"> <tr> <td>General</td> <td style="text-align: right;">\$ 260,001</td> </tr> <tr> <td>Building Improvement</td> <td style="text-align: right;">1,832,341</td> </tr> </table> <p>Special Revenue Funds:</p> <table data-bbox="324 1360 899 1549"> <tr> <td>Auxiliary Services</td> <td style="text-align: right;">9,232</td> </tr> <tr> <td>Miscellaneous State Grants</td> <td style="text-align: right;">164,339</td> </tr> <tr> <td>Title VI-B</td> <td style="text-align: right;">849</td> </tr> <tr> <td>Technology Title II-D Grant</td> <td style="text-align: right;">159</td> </tr> <tr> <td>Title I</td> <td style="text-align: right;">2,523</td> </tr> <tr> <td>Preschool Grant</td> <td style="text-align: right;">50,712</td> </tr> </table> <p>Capital Projects Fund:</p> <table data-bbox="324 1612 899 1644"> <tr> <td>Permanent Improvement</td> <td style="text-align: right;">37,785</td> </tr> </table> <p>Officials Response: Management will review appropriations versus expenditures throughout the year to ensure compliance with this requirement.</p>	General	\$ 260,001	Building Improvement	1,832,341	Auxiliary Services	9,232	Miscellaneous State Grants	164,339	Title VI-B	849	Technology Title II-D Grant	159	Title I	2,523	Preschool Grant	50,712	Permanent Improvement	37,785	No	The District has similar noncompliance findings in the current year.
General	\$ 260,001																				
Building Improvement	1,832,341																				
Auxiliary Services	9,232																				
Miscellaneous State Grants	164,339																				
Title VI-B	849																				
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Permanent Improvement	37,785																				

Nordonia Hills City School District

Schedule of Prior Audit Findings
 OMB Circular A-133 Section .315(b)

For the Year Ended June 30, 2011

Findings	Findings Summary	Fully Corrected?	Not corrected, partially corrected, different correct action taken; finding no longer valid; Explain
2010-4	<p><i>Budgetary Control – Material Noncompliance</i></p> <p>Ohio Revised Code Section 5705.412 requires the Treasurer, Superintendent and President of the Board of Education to certify that adequate revenues will be available to maintain all personnel and programs for the current fiscal year and for a number days in the succeeding fiscal years equal to the number of days instruction was held or is scheduled for the current year.</p> <p>During the year we noted that the District did not execute Section 5705.412 certificates for the appropriation measures.</p> <p>Officials Response: Management will ensure proper Section 5705.412 certificates are executed.</p>	Yes	This has been fully corrected in the current year.

Independent Accountant's Report on Applying Agreed-Upon Procedure

Board of Education
Nardon Hills City School District
Northfield, Ohio

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment at its meeting on January 24, 2011 to include violence within a dating relationship within its definition of harassment, intimidation, or bullying.

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

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

Ciuni & Panichi, Inc.

Cleveland, Ohio
December 22, 2011

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Dave Yost • Auditor of State

NORDONIA HILLS CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 21, 2012**