

***NORDONIA HILLS CITY SCHOOL DISTRICT***

**AUDIT REPORT**

**For the Year Ended June 30, 2006**

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





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Nordonia Hills City School District, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 26, 2007

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**NORDONIA HILLS CITY SCHOOL DISTRICT  
AUDIT REPORT  
For the Year Ended June 30, 2006**

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

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nordonia Hills City School District, Summit County, Ohio, (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Nordonia Hills City School District, Summit County, Ohio, as of June 30, 2006, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 to10 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

***Charles E. Harris & Associates, Inc.***  
January 17, 2007



*Nordonia Hills City School District*  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

This discussion and analysis of Nordonia Hills City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for 2006 are as follows:

- General revenues accounted for \$40,168,761 in revenue or 91.1 percent of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$3,918,770 or 8.9 percent of total revenues of \$44,087,531.
- The School District had \$40,699,049 in expenses related to governmental activities; program revenues offset only \$3,918,770 of these expenses. General revenues were adequate to provide for these programs resulting in an increase in net assets of \$3,388,482.
- The School District refunded a portion of their 2000 School Improvement Bonds to take advantage of more favorable interest rates.
- Total expenses amounted to \$40.7 million, and expenses related to instruction amounted to \$18.4 million or 47.5 percent of this total.
- The general and the building improvement funds are considered major funds and presented separately in column format in the following financial statements.

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

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

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

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

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

While these statements contain information about a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2006?" These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting, takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

#### *Fund Financial Statements*

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

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

*Nordonia Hills City School District*  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2006 and 2005.

*Table 1*  
*Net Assets*

	<i>Governmental Activities</i>	
	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
<i>Current and other assets</i>	\$ 45,019,273	\$ 38,385,073
<i>Capital assets, net of depreciation</i>	<u>37,777,140</u>	<u>38,971,577</u>
<i>Total assets</i>	<u>82,796,413</u>	<u>77,356,650</u>
<b>Liabilities</b>		
<i>Current and other liabilities</i>	32,416,917	31,251,597
<i>Long-term liabilities:</i>		
<i>Due within one year</i>	2,080,745	1,549,898
<i>Due in more than one year</i>	<u>36,843,751</u>	<u>36,488,637</u>
<i>Total liabilities</i>	<u>71,341,413</u>	<u>69,290,132</u>
<b>Net Assets</b>		
<i>Invested in capital assets, net of debt</i>	615,164	2,293,795
<i>Restricted</i>	4,631,636	3,831,868
<i>Unrestricted</i>	<u>6,208,200</u>	<u>1,940,855</u>
<i>Total net assets</i>	<u>\$ 11,455,000</u>	<u>\$ 8,066,518</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the School District's assets exceeded liabilities by \$11,455,000.

Capital assets, net of related debt reported on the government-wide statements represent the smallest portion of the School District's net assets, 5.4 percent for fiscal year 2006. Capital assets include land, buildings and improvements, furniture, fixtures and equipment and vehicles, and are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$4,631,636 or 40.4 percent, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$1,382,005 is restricted for debt service payments and \$2,742,995 is restricted for capital projects and a small amount, \$506,636, is restricted for other purposes. The remaining balance of net assets of \$6,208,200 is an unrestricted amount available to meet the government's ongoing obligations to students and staff.

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Table 2 shows a side-by-side comparison of revenues and program expenses and the resulting changes in net assets for fiscal years 2006 and 2005.

<i>Program revenues:</i>		
<i>Charges for services</i>	\$ 1,954,108	\$ 2,080,565
<i>Operating grants, contributions and interest</i>	1,933,958	1,983,081
<i>Capital grants and contributions</i>	30,704	21,307
<i>General revenues:</i>		
<i>Property taxes</i>	30,558,388	26,535,400
<i>Grants and entitlements</i>	8,937,112	8,886,349
<i>Investment earnings</i>	614,098	224,624
<i>Miscellaneous</i>	59,163	84,655
<i>Total revenues</i>	<u>44,087,531</u>	<u>39,815,981</u>
 <b><i>Program Expenses</i></b>		
<i>Instruction:</i>		
<i>Regular</i>	15,249,743	14,309,701
<i>Special</i>	3,190,543	3,310,497
<i>Vocational</i>	378,831	356,102
<i>Other</i>	522,765	472,716
<i>Support services:</i>		
<i>Pupils</i>	3,061,460	3,011,339
<i>Instructional staff</i>	1,525,948	1,320,912
<i>Board of education</i>	82,426	85,919
<i>Administration</i>	2,439,850	2,319,909
<i>Fiscal</i>	902,046	756,566
<i>Business</i>	256,736	268,081
<i>Operation and maintenance of plant</i>	4,475,678	4,638,669
<i>Pupil transportation</i>	2,272,174	2,096,967
<i>Central</i>	179,994	107,928
<i>Operation of non-instructional services:</i>		
<i>Food service operations</i>	1,325,796	1,211,835
<i>Community services</i>	486,556	460,158
<i>Extracurricular activities</i>	1,248,925	1,185,182
<i>Interest and fiscal charges</i>	3,099,578	2,000,024
<i>Total expenses</i>	<u>40,699,049</u>	<u>37,912,505</u>
<i>Increase (decrease) in net assets</i>	<u>\$ 3,388,482</u>	<u>\$ 1,903,476</u>

*Nordonia Hills City School District*  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
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 \$30.5 million in 2006. General revenues from grants and entitlements, such as the school foundation program, generated over \$8.9 million. With the combination of taxes and intergovernmental funding 89.6 percent of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

Instruction and interest and fiscal charges comprise 47.5 percent and 7.6 percent, respectively, of governmental program expenses. Interest expense was attributable to additional interest from the debt refunding, outstanding bonds, accretion on capital appreciation bonds and lease payments for a phone system.

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 2006.

*Table 3*  
*Governmental Activities*

	<u>Total Cost</u> <u>of Services</u> <u>2006</u>	<u>Total Cost</u> <u>of Services</u> <u>2005</u>	<u>Net Cost</u> <u>of Services</u> <u>2006</u>	<u>Net Cost</u> <u>of Services</u> <u>2005</u>
<b>Program Expenses</b>				
<i>Instruction:</i>				
<i>Regular</i>	\$ 15,249,743	\$ 14,309,701	\$ (14,765,664)	\$ (13,797,282)
<i>Special</i>	3,190,543	3,310,497	(3,064,421)	(2,902,246)
<i>Vocational</i>	378,831	356,102	(378,831)	(356,102)
<i>Other</i>	522,765	472,716	(501,164)	(452,609)
<i>Support services:</i>				
<i>Pupils</i>	3,061,460	3,011,339	(2,285,184)	(2,228,227)
<i>Instructional staff</i>	1,525,948	1,320,912	(1,320,735)	(1,144,137)
<i>Board of education</i>	82,426	85,919	(82,426)	(85,919)
<i>Administration</i>	2,439,850	2,319,909	(2,439,850)	(2,319,909)
<i>Fiscal</i>	902,046	756,566	(902,046)	(756,566)
<i>Business</i>	256,736	268,081	(256,736)	(268,081)
<i>Operation and maintenance of plant</i>	4,475,678	4,638,669	(4,475,678)	(4,638,669)
<i>Pupil transportation</i>	2,272,174	2,096,967	(2,241,470)	(2,075,660)
<i>Central</i>	179,994	107,928	(179,994)	(107,928)
<i>Operation of non-instructional services:</i>				
<i>Food service operations</i>	1,325,796	1,211,835	(118,699)	(102,039)
<i>Community services</i>	486,556	460,158	(19,517)	11,905
<i>Extracurricular activities</i>	1,248,925	1,185,182	(648,286)	(604,059)
<i>Interest and fiscal charges</i>	3,099,578	2,000,024	(3,099,578)	(2,000,024)
<i>Total expenses</i>	<u>\$ 40,699,049</u>	<u>\$ 37,912,505</u>	<u>\$ (36,780,279)</u>	<u>\$ (33,827,552)</u>

## **The School District's Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$44,437,234 and total expenditures were \$39,349,352. The net change in fund balance for the year was most significant in the general fund, with an increase of \$4,474,264. This increase was due to a significant increase in property tax revenue despite increasing expenditures and specific to any particular program. Although the net increase in the general fund's balance was significant, the School District is in a better financial position to provide educational services. All other nonmajor governmental funds showed a net increase of \$907,947.

### ***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 2006, the School District amended its general fund budget and, in total, these amendments were significant and necessary due to changes in management's initial plans in their instructional programs. The final budgets were adjusted to equal the actual amounts prior to the close of the fiscal year. Budget revisions are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue estimate was \$35,985,004, which was slightly higher than the original budget estimate of \$35,128,925. Much of this \$856,079 difference was due to estimates for grant awards, the amounts of which are unknown during the original budgeting process. This estimate must be adjusted during the year as the grant awards are finalized. Also, the original estimate for property taxes, provided by the Summit County Fiscal Officer, contains amounts for Homestead and Rollback. Later in the fiscal year, when this amount is known, it is removed from the tax estimate and included in the estimate for intergovernmental revenue.

The original expenditures estimate of \$31,299,731 was revised during the fiscal year. Actual expenditures and encumbrances, however, were only \$33,527,268, \$2,227,537 or 7.1 percent higher than originally anticipated. In total this would be considered insignificant, with increases and decreases from the original to final budget posted to several line items of the budget.

## **Capital Assets and Debt Administration**

### ***Capital Assets***

At the end of fiscal year 2006, the School District had \$37,777,140 invested in land, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows fiscal year 2006 balances compared to fiscal year 2005.

*Nordonia Hills City School District*  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

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

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
<i>Land</i>	\$ 1,260,328	\$ 1,260,328
<i>Buildings and improvements</i>	34,654,474	35,685,537
<i>Furniture, fixtures and equipment</i>	793,653	938,224
<i>Vehicles</i>	<u>1,068,685</u>	<u>1,087,488</u>
<i>Total capital assets</i>	<u>\$ 37,777,140</u>	<u>\$ 38,971,577</u>

The most notable changes occurred in vehicles. This increase is the result of the purchases of several new vehicles including school buses. See Note 7 to the basic financial statements for detail on the School District's capital assets.

***Debt***

At June 30, 2006 the School District had \$34,159,950 in bonds outstanding with \$1,790,000 due within one year. This balance reflected a reduction of \$1,200,013 from the previous year's balance of \$35,449,963. The School District refunded a portion of the 2000 School Improvement bonds to take advantage of more favorable interest rates. Table 5 summarizes the debt and capital lease outstanding:

*Table 5*  
*Outstanding Debt and Capital Lease, at Fiscal Year End*

	<i>Governmental</i>	<i>Governmental</i>
	<i>Activities</i>	<i>Activities</i>
	<u>2006</u>	<u>2005</u>
<i>2000 School improvement bonds</i>	\$ 10,199,963	\$ 35,449,963
<i>2006 School refunding bonds</i>	23,959,987	-
<i>Capital lease</i>	<u>122,848</u>	<u>175,344</u>
<i>Total outstanding</i>	<u>\$ 34,282,798</u>	<u>\$ 35,625,307</u>

During fiscal year 2001, the School District issued \$38,500,000 in bonds, the proceeds of which were used to finance several new construction projects, as well as improvements to existing facilities. Later in 2006, the School District refunded a portion of these bonds with a like amount to realize current and future savings. See Notes 13 and 14 to the basic financial statements for the repayment schedules of the bonded debt and the capital lease.

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

### **Current Issues Affecting Financial Condition**

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

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

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

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

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

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



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***Nordonia Hills City School District***  
**Statement of Net Assets**  
**June 30, 2006**

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 12,897,459
Cash and cash equivalents:	
With fiscal agents	15,975
With escrow agents	7,904
Inventory held for resale	9,359
Materials and supplies inventory	41,569
Receivables:	
Intergovernmental	296,603
Accrued interest	40,094
Taxes	31,372,664
Deferred charges	337,646
Capital assets:	
Land	1,260,328
Depreciable capital assets, net	36,516,812
Total capital assets	<u>37,777,140</u>
Total assets	<u>82,796,413</u>
<u>Liabilities:</u>	
Accounts payable	325,896
Accrued wages	2,825,786
Matured compensated absences payable	121,356
Intergovernmental payable	1,202,010
Accrued interest payable	111,650
Matured bonds payable	15,000
Matured interest payable	975
Deferred revenue	27,814,244
Long-term liabilities:	
Due within one year	2,080,745
Due in more than one year	36,843,751
Total liabilities	<u>71,341,413</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	615,164
Restricted for:	
Capital projects	2,742,995
Debt service	1,382,005
Other purposes	506,636
Unrestricted	<u>6,208,200</u>
Total net assets	<u>\$ 11,455,000</u>

See accompanying notes to the basic financial statements.

**Nordonia Hills City School District**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2006**

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenues and Changes in Net Assets
					Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 15,249,743	\$ 422,736	\$ 61,343	\$ -	\$ (14,765,664)
Special	3,190,543	35,584	90,538	-	(3,064,421)
Vocational	378,831	-	-	-	(378,831)
Other	522,765	-	21,601	-	(501,164)
Support services:					
Pupils	3,061,460	-	776,276	-	(2,285,184)
Instructional staff	1,525,948	-	205,213	-	(1,320,735)
Board of education	82,426	-	-	-	(82,426)
Administration	2,439,850	-	-	-	(2,439,850)
Fiscal	902,046	-	-	-	(902,046)
Business	256,736	-	-	-	(256,736)
Operation and maintenance of plant	4,475,678	-	-	-	(4,475,678)
Pupil transportation	2,272,174	-	-	30,704	(2,241,470)
Central	179,994	-	-	-	(179,994)
Operation of non-instructional services:					
Food service operations	1,325,796	908,810	298,287	-	(118,699)
Community services	486,556	-	467,039	-	(19,517)
Extracurricular activities	1,248,925	586,978	13,661	-	(648,286)
Interest and fiscal charges	3,099,578	-	-	-	(3,099,578)
Total governmental activities	<u>\$ 40,699,049</u>	<u>\$ 1,954,108</u>	<u>\$ 1,933,958</u>	<u>\$ 30,704</u>	<u>(36,780,279)</u>

General Revenues:

Property taxes levied for:

General purposes	27,021,680
Debt service	2,867,770
Capital outlay	668,938
Grants and entitlements not restricted to specific programs	8,937,112
Investment earnings	614,098
Miscellaneous	59,163

Total general revenues 40,168,761

Change in net assets 3,388,482

Net assets beginning of year 8,066,518

Net assets end of year \$ 11,455,000

See accompanying notes to the basic financial statements.

**Nordonia Hills City School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

	General	Building Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 8,126,579	\$ 1,774,726	\$ 2,673,859	\$ 12,575,164
Cash and cash equivalents:				
With fiscal agents	-	-	15,975	15,975
With escrow agents	-	7,904	-	7,904
Inventory held for resale	-	-	9,359	9,359
Materials and supplies inventory	37,498	-	4,071	41,569
Receivables:				
Intergovernmental	-	-	296,603	296,603
Accrued interest	40,094	-	-	40,094
Interfund	21,630	-	-	21,630
Taxes	27,717,872	-	3,654,792	31,372,664
Equity in pooled cash and cash equivalents (restricted)	322,295	-	-	322,295
Total assets	<u>\$ 36,265,968</u>	<u>\$ 1,782,630</u>	<u>\$ 6,654,659</u>	<u>\$ 44,703,257</u>
<u>Liabilities and fund balances:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 153,849	\$ -	\$ 172,047	\$ 325,896
Accrued wages	2,688,426	-	137,360	2,825,786
Matured compensated absences payable	121,356	-	-	121,356
Interfund payable	-	-	21,630	21,630
Intergovernmental payable	1,146,316	-	55,694	1,202,010
Matured bonds payable	-	-	15,000	15,000
Matured interest payable	-	-	975	975
Deferred revenue	25,358,638	-	3,340,807	28,699,445
Total liabilities	<u>29,468,585</u>	<u>-</u>	<u>3,743,513</u>	<u>33,212,098</u>
<u>Fund balances:</u>				
Reserved for encumbrances	740,977	4,780	195,575	941,332
Reserved for budget stabilization	269,950	-	-	269,950
Unreserved,				
Designated for budget stabilization	52,345	-	-	52,345
Undesignated, reported in:				
General fund	5,734,111	-	-	5,734,111
Special revenue funds	-	-	457,788	457,788
Debt service fund	-	-	1,439,987	1,439,987
Capital projects funds	-	1,777,850	817,796	2,595,646
Total fund balances	<u>6,797,383</u>	<u>1,782,630</u>	<u>2,911,146</u>	<u>11,491,159</u>
Total liabilities and fund balances	<u>\$ 36,265,968</u>	<u>\$ 1,782,630</u>	<u>\$ 6,654,659</u>	<u>\$ 44,703,257</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, 2006**

<b>Total governmental fund balances</b>		\$ 11,491,159
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.		37,777,140
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes		885,201
Deferred charges are included in governmental activities in the statement of net assets.		337,646
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(111,650)
Long-term liabilities, including general obligation bonds, compensated absences and capital leases payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (7,430,000)	
Refunding general obligation bonds	(24,459,438)	
Capital appreciation bonds	(4,109,502)	
Refunding capital appreciation bonds	(1,377,834)	
Compensated absences	(1,424,874)	
Capital leases	(122,848)	
Total	<u>(38,924,496)</u>	<u>(38,924,496)</u>
Net assets of governmental activities		<u>\$ 11,455,000</u>

See accompanying notes to the basic financial statements.

**Nordonia Hills City School District**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2006**

	General	Building Improvement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property taxes	\$ 27,232,369	\$ -	\$ 3,585,010	\$ 30,817,379
Intergovernmental	8,592,047	-	2,342,175	10,934,222
Interest	545,468	68,630	2,311	616,409
Tuition and fees	464,795	-	18,338	483,133
Extracurricular activities	211,438	-	375,539	586,977
Gifts and donations	-	-	17,683	17,683
Customer services	-	-	908,810	908,810
Rent	41,444	-	-	41,444
Miscellaneous	9,359	-	21,818	31,177
Total revenues	<u>37,096,920</u>	<u>68,630</u>	<u>7,271,684</u>	<u>44,437,234</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	14,718,012	-	52,802	14,770,814
Special	3,071,209	-	75,444	3,146,653
Vocational	342,194	-	-	342,194
Other	504,765	-	18,000	522,765
Support services:				
Pupils	2,346,854	-	685,529	3,032,383
Instructional staff	1,287,576	-	151,882	1,439,458
Board of education	82,426	-	-	82,426
Administration	2,345,440	-	1	2,345,441
Fiscal	843,118	-	54,865	897,983
Business	254,839	-	-	254,839
Operation and maintenance of plant	3,530,526	-	568,665	4,099,191
Pupil transportation	2,011,365	-	-	2,011,365
Central	179,994	-	-	179,994
Operation of non-instructional services:				
Food service operations	-	-	1,266,901	1,266,901
Community services	-	-	480,719	480,719
Extracurricular activities	778,974	-	395,146	1,174,120
Capital outlay	239,960	-	53,707	293,667
Debt service:				
Principal retirement	52,497	-	1,290,000	1,342,497
Interest and fiscal charges	7,347	-	1,296,568	1,303,915
Issuance cost	-	-	362,027	362,027
Total expenditures	<u>32,597,096</u>	<u>-</u>	<u>6,752,256</u>	<u>39,349,352</u>
Excess of revenues over (under) expenditures	<u>4,499,824</u>	<u>68,630</u>	<u>519,428</u>	<u>5,087,882</u>
<u>Other financing sources (uses):</u>				
Refunding bonds issued	-	-	23,959,987	23,959,987
Premium on refunding bonds	-	-	1,945,455	1,945,455
Transfers in	-	-	25,560	25,560
Transfers out	(25,560)	-	-	(25,560)
Payment to refunded bond escrow agent	-	-	(25,542,483)	(25,542,483)
Total other financing sources (uses)	<u>(25,560)</u>	<u>-</u>	<u>388,519</u>	<u>362,959</u>
Net change in fund balances	4,474,264	68,630	907,947	5,450,841
Fund balances at beginning of year	2,323,119	1,714,000	2,003,199	6,040,318
Fund balances at end of year	<u>\$ 6,797,383</u>	<u>\$ 1,782,630</u>	<u>\$ 2,911,146</u>	<u>\$ 11,491,159</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, 2006**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 5,450,841</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital asset additions	\$ 293,667
Depreciation expense	<u>(1,467,421)</u>
Excess of capital outlay over depreciation expense	(1,173,754)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal	
	(20,683)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:	
Property taxes	\$ (258,992)
Intergovernmental	(65,899)
Charges for services	<u>(24,812)</u>
Net change in deferred revenues during the year	(349,703)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	1,290,000
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	
	52,497
The issuance of refunding bonds resulted in other financing sources and uses in the governmental funds, but these transactions are reflected in the statement of net assets as liabilities or in the case of issuance costs, an asset.	
Payment to refunded bond escrow agent	\$ 25,542,483
Proceeds from refunding bonds	(23,959,987)
Interest payment on refunding bonds	(1,582,483)
Issuance costs	362,027
Premium on refunding bonds issued	<u>(1,945,455)</u>
Net change caused by the issuance of refunding bonds	(1,583,415)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:	
Increase in compensated absences	\$ (64,121)
Decrease in accrued interest	<u>30,096</u>
Total additional expenditures	(34,025)
The amortization of issuance costs, bond premium and accretion is reflected as an expense in the statement of activities.	
Issuance cost	\$ (24,381)
Premium	131,017
Bond accretion	<u>(349,912)</u>
Total additional expenses	<u>(243,276)</u>
Change in net assets of governmental activities	<u><u>\$ 3,388,482</u></u>

See accompanying notes to the basic financial statements.

**Nordonia Hills City School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Taxes	\$ 25,484,803	\$ 26,620,249	\$ 26,772,860	\$ 152,611
Intergovernmental	8,317,019	8,167,019	8,592,047	425,028
Interest	512,572	481,649	529,522	47,873
Tuition and fees	459,607	440,600	474,805	34,205
Rent	43,582	32,580	45,023	12,443
Extracurricular activities	205,932	199,450	212,742	13,292
Miscellaneous	105,410	43,457	108,896	65,439
Total revenues	35,128,925	35,985,004	36,735,895	750,891
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	13,749,954	14,728,497	14,728,497	-
Special	3,346,022	3,584,145	3,584,145	-
Vocational	316,151	338,651	338,651	-
Other	616,801	660,697	660,697	-
Support services:				
Pupils	2,195,759	2,352,025	2,352,025	-
Instructional staff	1,212,262	1,298,535	1,298,535	-
Board of education	77,587	83,109	83,109	-
Administration	2,290,606	2,453,622	2,453,622	-
Fiscal	786,520	842,494	842,494	-
Business	242,528	259,787	259,787	-
Operation and maintenance of plant	3,418,538	3,661,824	3,661,824	-
Pupil transportation	2,063,837	2,210,713	2,210,713	-
Central	253,126	271,139	271,139	-
Extracurricular activities	730,040	781,994	781,994	-
Capital outlay	-	36	36	-
Total expenditures	31,299,731	33,527,268	33,527,268	-
Excess of revenues over (under) expenditures	3,829,194	2,457,736	3,208,627	750,891
<u>Other financing sources (uses):</u>				
Refund of prior year receipts	-	(99,077)	(99,077)	-
Advances in	450,000	552,620	552,620	-
Advances out	(510,000)	(510,892)	(510,892)	-
Transfers out	-	(25,560)	(25,560)	-
Total other financing sources (uses)	(60,000)	(82,909)	(82,909)	-
Net change in fund balance	3,769,194	2,374,827	3,125,718	750,891
Fund balance at beginning of year	3,600,407	3,600,407	3,600,407	-
Prior year encumbrances appropriated	825,153	825,153	825,153	-
Fund balance at end of year	\$ 8,194,754	\$ 6,800,387	\$ 7,551,278	\$ 750,891

See accompanying notes to the basic financial statements.



***Nordonia Hills City School District***  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	<u>\$ 88,785</u>
<u>Liabilities:</u>	
Accounts payable	\$ 8,378
Due to students	80,407
Total liabilities	<u>\$ 88,785</u>

See accompanying notes to the basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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 Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation  
- Fund Accounting**

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

**B. Fund Accounting**

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

Governmental Fund Types

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

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

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

Fiduciary Fund Types

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

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

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

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

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

Revenue - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

**D. Budgets and  
Budgetary  
Accounting**

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

The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2006. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

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

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

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

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

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

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

**H. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in the general fund include the amounts required to be reserved for budget stabilization. See Note 18 for additional information regarding statutory reserves.

**I. Capital Assets**

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

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

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

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

**J. Compensated Absences**

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

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

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

## *Nordonia Hills City School District*

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### **K. Net Assets**

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

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

### **L. Interfund Transactions**

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

### **M. Estimates**

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

### **N. Fund Balance Reserves**

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

## **NOTE 2 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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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 210 non-certificated employees and 264 certificated teaching and support personnel, including 17 administrators that provide services to 3,944 students and other community members.



Reporting Entity

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

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

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

The School District is associated with two jointly governed organizations and one shared risk pool. These organizations include the Cuyahoga Valley Career Center, the Northeast Ohio Network for Educational Technology (NEONET), and the Health Benefits Program of the Stark County Schools Council of Governments. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Notes 15 and 16 to the basic financial statements.

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

## Nordonia Hills City School District

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

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

### Net Change in Fund Balance

	General <u>Fund</u>
GAAP basis	\$ 4,474,264
Revenue accruals	191,595
Expenditure accruals	(660,406)
Encumbrances (budget basis) outstanding at year end	<u>(879,735)</u>
Budget basis	<u>\$ 3,125,718</u>

### **NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

## *Notes to the Basic Financial Statements*

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following obligations provided they mature or are redeemable within five years from the date of settlement:

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

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

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

# Nordonia Hills City School District

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## Deposits

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

As of June 30, the carrying amount of the School District's deposits was \$5,979,948. The School District's bank balance of \$6,137,116 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust  
 department and not in the School District's name           \$ 5,929,082

## Investments

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

Investment type	Fair Value	Maturity	Rating
Repurchase agreements	\$ 215,000	Daily	N/A <sup>(1)</sup>
Discounted notes:			
Federal Home Loan Mortgage Corporation	349,895	07/05/06	AAA <sup>(2)</sup>
Federal Home Loan Mortgage Corporation	343,175	11/14/06	AAA <sup>(2)</sup>
Federal Home Loan Mortgage Corporation	194,860	12/26/06	AAA <sup>(2)</sup>
Federal Home Loan Mortgage Corporation	335,370	04/17/06	AAA <sup>(2)</sup>
Federal National Mortgage Association	196,660	10/26/06	AAA <sup>(2)</sup>
Federal National Mortgage Association	333,060	06/01/07	AAA <sup>(2)</sup>
Federal National Mortgage Association	1,195,725	07/26/06	AAA <sup>(2)</sup>
Federal National Mortgage Association	1,189,540	08/30/06	AAA <sup>(2)</sup>
Federal Home Loan Bank	1,193,201	08/09/06	AAA <sup>(2)</sup>
Federal Home Loan Bank	1,483,689	09/13/06	AAA <sup>(2)</sup>
	\$ 7,030,175		

<sup>(1)</sup> Underlying securities are exempt.

<sup>(2)</sup> Standard and Poor's rating

## *Notes to the Basic Financial Statements*

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Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$545,468, which includes \$120,015 assigned from other School District funds.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's \$215,000 investment in repurchase agreements is to be secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the School District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The investments in Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA) and Federal Home Loan Bank (FHLB) are held by the counterparty's trust department or agent and not in the School District's name. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

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

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

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 5 percent of the School District's investments are in FHLB, FNMA and FHLMC. These investments are 17%, 41% and 38%, respectively, of the School District total investments. The School District's policy places no limit on the amount that may be invested in any one issuer.

**NOTE 5 - PROPERTY TAX**

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

Public utility property taxes are assessed on tangible personal property at 88% of true value (with certain exceptions) and on real property at 35% of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. In prior years, tangible personal property was assessed at 25% of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75%. This will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009.

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

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

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

## Notes to the Basic Financial Statements

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Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of year end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at year-end is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at year-end in the general fund, bond retirement fund, and permanent improvements fund was \$2,359,234, \$254,255, and \$59,730, respectively. These advances are recognized as revenue on the fund financial statements.

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

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

Property Category	2004 Assessed Value	2005 Assessed Value
<u>Real Property</u>		
Residential/agricultural	\$ 673,923,370	\$ 750,104,630
Commercial/Industrial/Mineral	145,958,620	159,319,070
Public utilities	477,060	479,650
<u>Tangible Personal Property</u>		
General	55,925,187	44,265,728
Public utilities	28,601,060	26,559,530
Total	\$ 904,885,297	\$ 980,728,608

### NOTE 6 - RECEIVABLES

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Receivables at year-end consisted of taxes, accounts (tuition and excess costs), intergovernmental grants and entitlements, interfund, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of principal items of intergovernmental receivables follows:

Governmental activities	Amount
Food service	\$ 28,761
IDEA, Part B	209,000
Title II-A	58,842
Total intergovernmental receivable	\$ 296,603

*Nordonia Hills City School District*

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006 was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>
Capital assets, not being depreciated:				
Land	\$ 1,260,328	\$ -	\$ -	\$ 1,260,328
Capital assets, being depreciated:				
Buildings and improvements	47,355,008	-	-	47,355,008
Furniture, fixtures and equipment	2,002,430	53,707	(16,217)	2,039,920
Vehicles	3,002,905	239,960	(222,516)	3,020,349
Total capital assets, being depreciated	<u>52,360,343</u>	<u>293,667</u>	<u>(238,733)</u>	<u>52,415,277</u>
Less: Accumulated depreciation:				
Buildings and improvements	(11,669,471)	(1,031,063)	-	(12,700,534)
Furniture, fixtures and equipment	(1,064,206)	(196,656)	14,595	(1,246,267)
Vehicles	(1,915,417)	(239,702)	203,455	(1,951,664)
Total accumulated depreciation	<u>(14,649,094)</u>	<u>(1,467,421)</u>	<u>218,050</u>	<u>(15,898,465)</u>
Total capital assets being depreciated, net	<u>37,711,249</u>	<u>(1,173,754)</u>	<u>(20,683)</u>	<u>36,516,812</u>
Governmental activities capital assets, net	<u>\$ 38,971,577</u>	<u>\$ (1,173,754)</u>	<u>\$ (20,683)</u>	<u>\$ 37,777,140</u>



## *Notes to the Basic Financial Statements*

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 468,050
Special	40,261
Vocational	35,181
Support services:	
Pupils	21,258
Instructional staff	82,223
Administration	83,147
Business	348
Operation and maintenance of plant	361,521
Pupil transportation	239,702
Operation of non-instructional services:	
Food service operations	56,039
Community services	5,837
Extracurricular activities	<u>73,854</u>
Total depreciation expense	<u>\$ 1,467,421</u>

### **NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund balances at June 30, 2006 consisted of the following:

Due to general fund from:	
Nonmajor governmental funds	\$ 21,630

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2006, all interfund loans outstanding are anticipated to be repaid in fiscal year 2007.

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

## *Nordonia Hills City School District*

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Interfund transfers for the year ended June 30, 2006, consisted of the following:

Transfers to nonmajor governmental funds from:	
General fund	\$ 25,560

### **NOTE 9- RISK MANAGEMENT**

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

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

In addition, the School District contracted with insurance companies for property, employee bonding, general and educational liability insurance during fiscal year 2006.

### **NOTE 10 - DEFINED BENEFIT PENSION PLANS**

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#### **A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58% of annual covered salary was the portion used to fund pension obligations. For the fiscal year 2005, 10.57% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$595,062, \$461,517 and \$514,889, respectively; 40.1% has

been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$356,319 representing the unpaid contribution for fiscal year 2006 is recorded as a liability within the basic financial statements.

**B. State Teachers  
Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer defined benefit pension plan. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2005 (the latest information available) plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2006, 2005 and 2004 were \$2,075,491, \$1,999,296 and \$1,934,214, respectively; 83.1% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$338,011, representing the unpaid contribution for fiscal year 2005, is recorded as a liability within the basic financial statements. Contributions to the DC and Combined plans for fiscal year 2006 were \$24,722 made by the School District and \$45,928 made by the plan members.

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**NOTE 11 - POST-EMPLOYMENT BENEFITS**

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Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District this amount equaled \$159,653 during the 2006 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3.3 billion at June 30, 2005 (the latest information available). For the year ended June 30, 2005, (the latest information available), the net health care costs paid by the STRS were \$254,780,000 and eligible benefit recipients totaled 115,395.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced 50% for those who apply.

## *Notes to the Basic Financial Statements*

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For fiscal year 2006, employer contributions to fund health care benefits were 3.42% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year 2006, the minimum pay has been established at \$35,800. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$270,146, which includes a surcharge of \$77,791 during the 2006 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2006 were \$158,751,207. The target level for the health fund is 150% of projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual claim costs. The number of participants eligible to receive benefits is 59,492.

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### **NOTE 12 - OTHER EMPLOYEE BENEFITS**

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#### **A. Compensated Absences**

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

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

#### **B. Insurance Benefits**

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

## Nordonia Hills City School District

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

### NOTE 13 - BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

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

	Balance <u>June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2006</u>	Due within <u>one year</u>
<u>Governmental activities</u>					
<u>Bonds</u>					
School improvement bonds, maturing December 1, 2014:					
Serial and term bonds	\$ 32,680,000	\$ -	\$ (25,250,000)	\$ 7,430,000	\$ 1,350,000
Capital appreciation bonds	2,769,963	-	-	2,769,963	-
Accretion on bonds	<u>1,052,474</u>	<u>287,065</u>	<u>-</u>	<u>1,339,539</u>	<u>-</u>
	<u>36,502,437</u>	<u>287,065</u>	<u>(25,250,000)</u>	<u>11,539,502</u>	<u>1,350,000</u>
2006 refunding bonds, maturing December 1, 2025:					
Serial and term bonds	-	22,645,000	-	22,645,000	440,000
Premium	-	1,945,455	(131,017)	1,814,438	-
Capital appreciation bonds	-	1,314,987	-	1,314,987	-
Accretion on bonds	<u>-</u>	<u>62,847</u>	<u>-</u>	<u>62,847</u>	<u>-</u>
	<u>-</u>	<u>25,968,289</u>	<u>(131,017)</u>	<u>25,837,272</u>	<u>440,000</u>
<u>Other Obligations</u>					
Compensated absences	1,360,753	268,477	(204,356)	1,424,874	235,645
Capital leases payable	<u>175,345</u>	<u>-</u>	<u>(52,497)</u>	<u>122,848</u>	<u>55,100</u>
Total other liabilities	<u>1,536,098</u>	<u>268,477</u>	<u>(256,853)</u>	<u>1,547,722</u>	<u>290,745</u>
Governmental activities long-term liabilities	<u>\$ 38,038,535</u>	<u>\$ 26,523,831</u>	<u>\$ (25,637,870)</u>	<u>\$ 38,924,496</u>	<u>\$ 2,080,745</u>

## *Notes to the Basic Financial Statements*

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

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

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

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

Principal and interest requirements to retire the school improvement bonds outstanding at June 30, 2006 are as follows:

Fiscal		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,790,000	\$ 1,301,095
2008	1,655,000	1,225,583
2009	1,720,000	1,150,173
2010	1,795,000	1,070,850
2011	1,880,000	987,081
2012-2016	4,104,086	10,430,227
2017-2021	9,010,864	5,364,736
2022-2026	<u>12,205,000</u>	<u>1,361,138</u>
Total	<u>\$ 34,159,950</u>	<u>\$ 22,890,881</u>

**NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

Capital assets acquired by lease have been capitalized as equipment in the amount of \$354,606 equal to the present value of the future minimum lease payments on the government-wide financial statements. Principal payments in the current fiscal year totaled \$52,497.

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

<u>Fiscal</u> <u>Year</u>	<u>Lease</u> <u>Payments</u>
2007	\$ 59,844
2008	59,844
2009	<u>9,974</u>
Total minimum lease payments	129,662
Less: amount representing interest	<u>(6,814)</u>
Total	<u>\$ 122,848</u>

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

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The Northeast Ohio Network for Educational Technology (NEONET) is the computer service organization or Data Acquisition Site (DAS) 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 2006, the School District contributed \$56,428 to NEONET. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center, who serves as the fiscal agent, at 420 Washington Ave., Suite 200, Cuyahoga Falls, Ohio 44221.

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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. Nardon 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 2006, no monies were paid by Nardon Hills City School District to the Cuyahoga Valley Career Center.

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

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**NOTE 16 - SHARED RISK POOL**

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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.

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**NOTE 17 - CONTINGENCIES**

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**A. Grants**

The School District has received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements. Expenditures are subject to audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the School District's management believes that such disallowances, if any, will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

**B. Litigation**

The School District is not party to any legal proceedings.

*Nordonia Hills City School District*

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**NOTE 18 - STATUTORY RESERVES**

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

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

During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Improvement Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Designated Amounts</u>	<u>Total</u>
Set-aside cash balance as of June 30, 2005	\$ (889,207)	\$ -	\$ 269,950	\$ 52,345	\$ (566,912)
Current year set-aside requirements	553,727	553,727	-	-	1,107,454
Current year offset	-	(734,116)	-	-	(734,116)
Qualifying disbursements	<u>(499,208)</u>	<u>(545,096)</u>	<u>-</u>	<u>-</u>	<u>(1,044,304)</u>
Total	<u>\$ (834,688)</u>	<u>\$ (725,485)</u>	<u>\$ 269,950</u>	<u>\$ 52,345</u>	<u>\$ (1,237,878)</u>
Set-aside balance carried forward to future years	<u>\$ (834,688)</u>		<u>\$ 269,950</u>	<u>\$ 52,345</u>	
Restricted cash balance			<u>\$ 269,950</u>		

**NOTE 19 - ACCOUNTABILITY**

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As of June 30, 2006, two special revenue funds had deficit fund balances. These deficits were caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances as follows:

<u>Fund</u>	<u>Amount</u>
Food service	\$ 5,407
Drug free school	1,928

**NOTE 20 – REQUIRED SUPPLEMENTARY INFORMATION (RSI) IS OMITTED**

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For the fiscal year ended 2005, the School District was required to implement GASB Technical Bulletin No. 2004-2. In addition to the implementation of this guidance, the School District simultaneously implemented GASB Statement No. 45, as recommended by the GASB. This Statement requires employers to present as required supplementary information (RSI) schedules of funding progress and employer contributions for the plan as a whole if a plan financial report, prepared in accordance with GASB Statement 43 is not issued and made publicly available and the plan is not included in the financial report of a public employee retirement system or another entity. SERS and STRS have not issued a financial report in accordance with the statement and have not conducted a valuation of their plans, as they were not required to implement the statement as of the date of this report. Therefore, RSI is unavailable to the School District and it does not follow these notes to the financial statements.

**NORDONIA HILLS CITY SCHOOL DISTRICT**  
Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2006

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Disbursements
<u>U.S. Department of Agriculture</u>				
Passed Through the Ohio Department of Education				
Food Distribution	N/A	10.550	\$ 30,282	\$ 30,282
Nutrition Cluster:				
National School Breakfast Program	050047-05PU-2005	10.553	5,459	5,459
National School Breakfast Program	050047-05PU-2006	10.553	13,687	13,687
National School Lunch Program	050047-LLP4-2005	10.555	54,945	54,945
National School Lunch Program	050047-LLP4-2006	10.555	124,898	124,898
Total Nutrition Cluster			<u>198,989</u>	<u>198,989</u>
Total U.S. Department of Agriculture			229,271	229,271
<u>U.S. Department of Education</u>				
Pass through Ohio Department of Education				
Special Education Cluster:				
Preschool Disabilities	050047-PGS1-2005	84.173	5,335	5,335
Preschool Disabilities	050047-PGS1-2006	84.173	26,658	26,658
Title VI-B	050047-6BSF-2006	84.027	29,587	28,063
Title VI-B - IDEA-B	050047-6BSF-2005	84.027	51,196	51,196
Title VI-B - IDEA-B	050047-6BSA-2006	84.027	692,013	645,505
Total Special Education Cluster			804,789	756,757
Title I	050047-C1S1-2006	84.010	8,232	-
Total Title I			8,232	-
Title II-A Improving Teacher Quality	050047-TRS1-2005	84.367	38,002	18,391
Title II-A Improving Teacher Quality	050047-TRS1-2006	84.367	6,635	20,880
Total Title II-A			44,637	39,271
Advance Placement Program	050047-AVTF-2004	84.330	104	-
Total Advanced Placement Program			104	-
Title V	050047-C2S1-2005	84.298	12,455	12,455
Total Title V			12,455	12,455
Title III - Limited English Proficiency	050047-TRS1-2005	84.365	1,393	1,393
Title III - Limited English Proficiency	050047-TRS1-2006	84.365	20,184	18,066
Total Title III Limited English Proficiency			21,577	19,459
Safe and Drug Free Program	050047-DRS1-2006	84.186	8,470	8,470
Total Safe and Drug Free Program			8,470	8,470
Total U.S. Department of Education			<u>900,264</u>	<u>836,412</u>
Total Federal Expenditures			<u>\$ 1,129,535</u>	<u>\$ 1,065,683</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

**NORDONIA HILLS CITY SCHOOL DISTRICT**  
**Notes to the Schedule of Federal Awards Expenditures**  
**For the Year Ended June 30, 2006**

**1. Significant Accounting Policies**

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

**2. Food Distribution**

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2006, the District had commodities in inventory recorded in the Food Service Fund.

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nordonia Hills City School District, Summit County, Ohio, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls Over Financial Reporting**

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Nordonia Hills City School District in a separate letter dated January 17, 2007.

**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 grants agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain other matters involving compliance that we reported to the management of the District in a separate letter dated January 17, 2007.

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

***Charles E. Harris & Associates, Inc.***  
January 17, 2007

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

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

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

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

To the Board of Education:

**Compliance**

We have audited the compliance of the Nordonia Hills City School District, Summit County, Ohio, (the District) with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program cluster for the year ended June 30, 2006. The District's major federal program cluster is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program cluster 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 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 on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program cluster for the year ended June 30, 2006.

**Internal Control Over Compliance**

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



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

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

***Charles E. Harris & Associates, Inc.***

**January 17, 2007**

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

**NORDONIA HILLS CITY SCHOOL DISTRICT  
SUMMIT COUNTY  
June 30, 2006**

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

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Special Education Cluster: Pre-school Disabilities Grant CFDA 84.173 Title VI-B CFDA 84.027
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

**NORDONIA HILLS CITY SCHOOL DISTRICT**  
**SUMMIT COUNTY**  
**June 30, 2006**

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

None.

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

None.

**STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS**

The prior audit report, for the period ending June 30, 2005, included no material citations or recommendations.



**Mary Taylor, CPA**  
Auditor of State

**NORDONIA HILLS CITY SCHOOL DISTRICT**  
**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**APRIL 5, 2007**