



Dave Yost • Auditor of State



**NILES CITY SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

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 Niles City School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 the 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards expenditures schedule provides additional information required by the 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. The federal awards expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

August 30, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

The discussion and analysis of the Niles City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets of governmental activities increased \$746,412, which represents a 1.56% increase from 2010.
- General revenues accounted for \$23,054,309 in revenue, or 75.44% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,503,912, or 24.56% of total revenues of \$30,558,221.
- The District had \$29,811,809 in expenses related to governmental activities; \$7,503,912 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$23,054,309 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$22,604,865 in revenues and \$22,380,152 in expenditures. During fiscal year 2011, the general fund's restated fund deficit balance decreased \$224,713 from a deficit balance of \$2,641,487 to a deficit balance of \$2,416,774.
- The District's other major governmental fund is the classroom facilities fund. The classroom facilities fund had \$8,344,157 in revenues and \$3,410,407 in expenditures. During fiscal year 2011, the classroom facilities fund's fund balance increased \$4,933,750 from \$21,048,575 to \$25,982,325.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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 District, presenting both an aggregate view of the 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 tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

**Reporting the District as a Whole**

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

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

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the 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 District's 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 Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

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

***Fund Financial Statements***

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

***Governmental Funds***

Most of the 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* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical and dental self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-58 of this report.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

	<b>Net Assets</b>	
	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 69,805,387	\$ 72,853,630
Capital assets, net	<u>16,651,179</u>	<u>13,567,960</u>
Total assets	<u>86,456,566</u>	<u>86,421,590</u>
<b><u>Liabilities</u></b>		
Current liabilities	13,209,348	13,480,347
Long-term liabilities	<u>24,569,366</u>	<u>25,009,803</u>
Total liabilities	<u>37,778,714</u>	<u>38,490,150</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	12,429,519	8,692,402
Restricted	40,042,954	43,451,688
Unrestricted (deficit)	<u>(3,794,621)</u>	<u>(4,212,650)</u>
Total net assets	<u>\$ 48,677,852</u>	<u>\$ 47,931,440</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$48,677,852. Of this total, \$40,042,954 is restricted in use. This includes \$35,013,758 restricted for capital projects through the Ohio Schools Facilities Commission (OSFC) project.

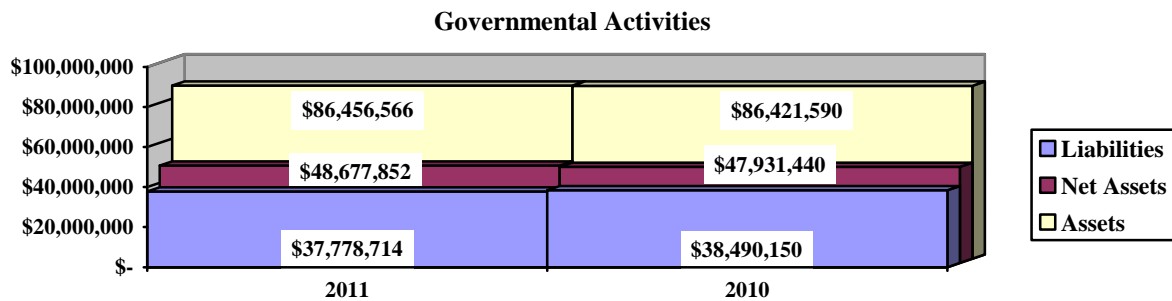
**NILES CITY SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

At year-end, capital assets represented 19.26% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$12,429,519. These capital assets are used to provide services to the students and are not available for future spending. Although the 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 District's net assets, \$40,042,954, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$3,794,621.

The graph below shows the District's assets, liabilities and net assets at June 30, 2011 and June 30, 2010.



The table below shows the change in net assets for fiscal years 2011 and 2010.

	Governmental Activities 2011	Governmental Activities 2010
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,290,644	\$ 1,438,956
Operating grants and contributions	6,213,268	4,215,718
General revenues:		
Property taxes	8,784,880	8,976,059
Grants and entitlements	13,664,585	14,937,597
Investment earnings	254,258	209,408
Other	350,586	323,756
<b>Total revenues</b>	<b>30,558,221</b>	<b>30,101,494</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

**Change in Net Assets**

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 12,064,079	\$ 12,611,438
Special	3,572,741	3,831,966
Vocational	90,734	93,422
Other	1,060,064	1,091,921
Support services:		
Pupil	1,293,705	1,322,380
Instructional staff	1,547,928	1,051,297
Board of education	57,254	47,355
Administration	2,602,230	2,527,337
Fiscal	465,181	694,757
Business	212,360	343,891
Operations and maintenance	2,418,211	2,499,811
Pupil transportation	1,187,696	899,725
Central	259,200	244,676
Operations of non-instructional services:		
Other non-instructional services	180,491	164,217
Food service operations	1,249,181	1,201,922
Extracurricular activities	476,930	486,505
Interest and fiscal charges	<u>1,073,824</u>	<u>1,172,580</u>
Total expenses	<u>29,811,809</u>	<u>30,285,200</u>
Change in net assets	746,412	(183,706)
Net assets at beginning of year	<u>47,931,440</u>	<u>48,115,146</u>
Net assets at end of year	<u><u>\$ 48,677,852</u></u>	<u><u>\$ 47,931,440</u></u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$746,412. Total governmental expenses of \$29,811,809 were offset by program revenues of \$7,503,912 and general revenues of \$23,054,309. Program revenues supported 25.17% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 73.46% of total governmental revenue.

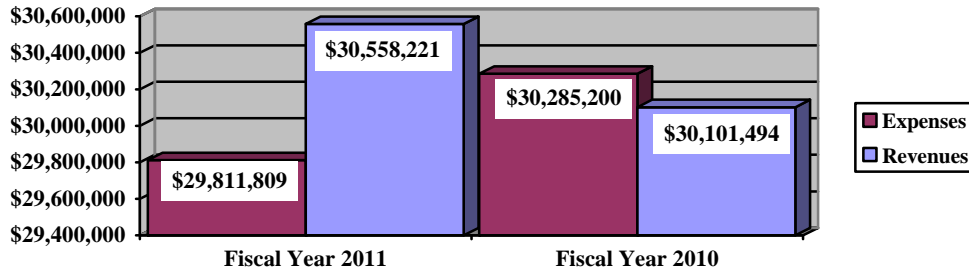
The largest expense of the District is for instructional programs. Instruction expenses totaled \$16,787,618, or 56.31% of total governmental expenses for fiscal year 2011.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2011 and 2010.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of services supported by taxes and unrestricted State grants and entitlements.

**Governmental Activities**

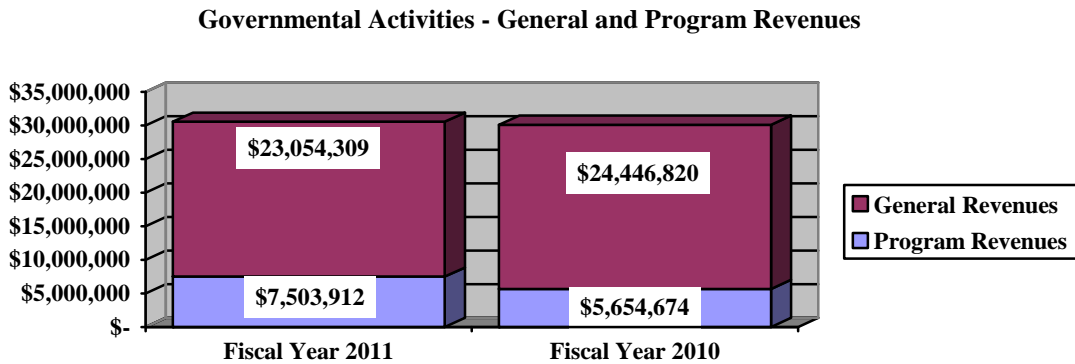
	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 12,064,079	\$ 10,006,726	\$ 12,611,438	\$ 10,976,093
Special	3,572,741	1,090,974	3,831,966	2,592,142
Vocational	90,734	22,259	93,422	25,456
Other	1,060,064	1,006,857	1,091,921	829,630
Support services:				
Pupil	1,293,705	1,109,999	1,322,380	1,197,934
Instructional staff	1,547,928	977,341	1,051,297	695,802
Board of education	57,254	57,254	47,355	47,355
Administration	2,602,230	2,185,528	2,527,337	2,223,738
Fiscal	465,181	445,860	694,757	675,644
Business	212,360	208,639	343,891	340,176
Operations and maintenance	2,418,211	2,387,526	2,499,811	2,475,711
Pupil transportation	1,187,696	1,096,038	899,725	757,541
Central	259,200	249,083	244,676	239,676
Operation of non-instructional services:				
Other non-instructional services	180,491	52,873	164,217	53,715
Food service operations	1,249,181	(6,222)	1,201,922	(22,144)
Extracurricular activities	476,930	343,338	486,505	349,477
Interest and fiscal charges	<u>1,073,824</u>	<u>1,073,824</u>	<u>1,172,580</u>	<u>1,172,580</u>
<b>Total expenses</b>	<u>\$ 29,811,809</u>	<u>\$ 22,307,897</u>	<u>\$ 30,285,200</u>	<u>\$ 24,630,526</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 81.70% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.53%. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for District's students.

The graph below presents the District's governmental activities revenues for fiscal years 2011 and 2010.



**The District's Funds**

The District's governmental fund balances were restated as described in Note 3.B. The District's governmental fund balances reported a combined fund balance of \$28,408,967, which is higher than last year's total of \$23,905,026. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	Fund Balance (Deficit) <u>June 30, 2011</u>	Restated Fund Balance (Deficit) <u>June 30, 2010</u>	Increase (Decrease)	Percentage Change
General	\$ (2,416,774)	\$ (2,641,487)	\$ 224,713	8.51 %
Classroom facilities	25,982,325	21,048,575	4,933,750	23.44 %
Other Governmental	<u>4,843,416</u>	<u>5,497,938</u>	<u>(654,522)</u>	(11.90) %
Total	<u>\$ 28,408,967</u>	<u>\$ 23,905,026</u>	<u>\$ 4,503,941</u>	18.84 %

**General Fund**

The District's general fund deficit balance decreased \$224,713 from a deficit balance of \$2,641,487 to a deficit balance of \$2,416,774. The decrease in deficit fund balance can be attributed to several items related to decreasing revenues. The decrease in earnings on investments can be attributed to lower interest rates being earned on the District's investments in fiscal year 2011. Tax revenue decreased due to the phase out of the tangible personal property tax. All other revenues and expenses remained comparable to fiscal year 2010 on a percentage basis. Instruction and support service expenditures decreased due to the District's many efforts to reduce operating costs, including savings in wages and benefits due to the implementation of an early retirement incentive in a prior year. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

	2011	Restated 2010	Increase (Decrease)	Percentage Change
	<u>Amount</u>	<u>Amount</u>		
<b><u>Revenues</u></b>				
Taxes	\$ 6,681,041	\$ 6,869,768	\$ (188,727)	(2.75) %
Earnings on investments	8,051	18,292	(10,241)	(55.99) %
Intergovernmental	14,736,616	14,704,301	32,315	0.22 %
Other revenues	<u>1,179,157</u>	<u>1,286,004</u>	<u>(106,847)</u>	(8.31) %
Total	<u>\$ 22,604,865</u>	<u>\$ 22,878,365</u>	<u>\$ (273,500)</u>	(1.20) %
<b><u>Expenditures</u></b>				
Instruction	\$ 13,750,401	\$ 14,785,001	\$ (1,034,600)	(7.00) %
Support services	8,252,864	8,400,913	(148,049)	(1.76) %
Non-instructional services	42,878	55,333	(12,455)	(22.51) %
Extracurricular activities	323,333	348,820	(25,487)	(7.31) %
Facilities acquisition and construction	6,825	8,691	(1,866)	(21.47) %
Debt service	<u>3,851</u>	<u>13,003</u>	<u>(9,152)</u>	(70.38) %
Total	<u>\$ 22,380,152</u>	<u>\$ 23,611,761</u>	<u>\$ (1,231,609)</u>	(5.22) %

***Classroom Facilities Fund***

The District's other major governmental fund is the classroom facilities fund. The classroom facilities fund had \$8,344,157 in revenues and \$3,410,407 in expenditures. During fiscal year 2011, the classroom facilities fund's fund balance increased \$4,933,750 from \$21,048,575 to \$25,982,325 due to the receipt of revenue from the Ohio School Facilities Commission for the District's building project.

***General Fund Budgeting Highlights***

The 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 the course of fiscal year 2011, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$23,568,087 and final budgeted revenues and other financing sources were \$23,680,468. Actual revenues and other financing sources for fiscal year 2011 was \$19,094,917. This represents a \$4,585,551 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$19,529,260 were increased to \$19,686,533 in the final appropriations. The actual budget basis expenditures for fiscal year 2011 totaled \$19,426,550, which was \$259,983 lower than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2011, the District had \$16,651,179 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and construction in progress. The following table shows June 30, 2011 balances compared to June 30, 2010:

**Capital Assets at June 30  
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 1,155,514	\$ 745,575
Land improvements	510,848	558,297
Building and improvements	10,660,090	10,477,814
Furniture and equipment	127,800	161,623
Vehicles	222,247	250,011
Construction in progress	<u>3,974,680</u>	<u>1,374,640</u>
Total	<u>\$ 16,651,179</u>	<u>\$ 13,567,960</u>

The overall increase in capital assets of \$3,083,219 is due to capital outlay of \$3,739,410 being greater than depreciation expense of \$614,327 and disposals net of accumulated depreciation of \$41,864 for fiscal year 2011. See Note 8 to the basic financial statements for additional information. This entire amount is reported in governmental activities.

*Debt Administration*

At June 30, 2011, the District had \$21,590,490 in general obligation bonds and \$1,187,900 in energy conservation notes outstanding. Of this total, \$766,923 is due within one year and \$22,011,467 is due in greater than one year. See Note 9 to the basic financial statements for additional information. The following table summarizes the bonds and notes outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 21,590,490	\$ 22,071,199
Energy conservation notes	<u>1,187,900</u>	<u>1,319,900</u>
Total	<u>\$ 22,778,390</u>	<u>\$ 23,391,099</u>

**Current Financial Related Activities**

Niles City Schools, like many districts in the state of Ohio, is experiencing financial challenges. We have declining property values due to the recent economy conditions. Our state aid has showed no significant increases due to the budget problems of the state. Tangible personal property values will decrease to zero in 2011 as a result of HB 66.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

In a positive note the district currently is building a new high school, an intermediate 3-5 and a K-2 building. The \$56,000,000 project is under the supervision of the Ohio Schools Facilities Commission. In addition to the local share of 29% of the project the taxpayers voted a locally funded initiative of \$2 million for upgrades to the high school building.

In conclusion, the District has committed itself to financial excellence for many years and the District's system of budgeting and internal controls are well regarded. All of the District's financial abilities will be needed to meet the financial challenges of the future. Said challenges will be met with the full cooperation of the Board of Education, administration and staff.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Linda Molinaro, Treasurer, Niles City School District, 100 West Street, Niles, Ohio, 44446.



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

STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash investments . . .	\$ 32,615,589
Receivables:	
Taxes . . . . .	11,022,194
Accounts . . . . .	3,628
Accrued interest . . . . .	42,727
Intergovernmental . . . . .	25,881,876
Materials and supplies inventory . . . . .	4,207
Unamortized bond issuance costs . . . . .	235,166
Capital assets:	
Land and construction in progress . . . . .	5,130,194
Depreciable capital assets, net . . . . .	11,520,985
Capital assets, net . . . . .	16,651,179
Total assets . . . . .	86,456,566
<b>Liabilities:</b>	
Accounts payable . . . . .	43,609
Contracts payable . . . . .	23,385
Accrued wages and benefits . . . . .	2,606,278
Pension obligation payable . . . . .	518,142
Intergovernmental payable . . . . .	134,749
Unearned revenue . . . . .	9,389,130
Accrued interest payable . . . . .	101,904
Claims payable . . . . .	392,151
Long-term liabilities:	
Due within one year . . . . .	1,225,769
Due in more than one year . . . . .	23,343,597
Total liabilities . . . . .	37,778,714
<b>Net Assets:</b>	
Invested in capital assets, net of related debt . . . . .	12,429,519
Restricted for:	
Capital projects . . . . .	35,013,758
Classroom facilities maintenance . . . . .	1,116,044
Debt service . . . . .	1,694,132
Locally funded programs . . . . .	4,402
State funded programs . . . . .	31,610
Federally funded programs . . . . .	483,598
Student activities . . . . .	68,771
Other purposes . . . . .	1,630,639
Unrestricted (deficit) . . . . .	(3,794,621)
Total net assets . . . . .	\$ 48,677,852

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 12,064,079	\$ 717,271	\$ 1,340,082	\$ (10,006,726)
Special . . . . .	3,572,741	16,037	2,465,730	(1,090,974)
Vocational . . . . .	90,734	-	68,475	(22,259)
Other . . . . .	1,060,064	-	53,207	(1,006,857)
Support services:				
Pupil . . . . .	1,293,705	-	183,706	(1,109,999)
Instructional staff . . . . .	1,547,928	-	570,587	(977,341)
Board of education . . . . .	57,254	-	-	(57,254)
Administration . . . . .	2,602,230	18,792	397,910	(2,185,528)
Fiscal . . . . .	465,181	-	19,321	(445,860)
Business . . . . .	212,360	-	3,721	(208,639)
Operations and maintenance . . . . .	2,418,211	24,100	6,585	(2,387,526)
Pupil transportation . . . . .	1,187,696	82,802	8,856	(1,096,038)
Central . . . . .	259,200	-	10,117	(249,083)
Operation of non-instructional services:				
Other non-instructional services . . . . .	180,491	-	127,618	(52,873)
Food service operations . . . . .	1,249,181	308,405	946,998	6,222
Extracurricular activities . . . . .	476,930	123,237	10,355	(343,338)
Interest and fiscal charges . . . . .	1,073,824	-	-	(1,073,824)
Total governmental activities . . . . .	<u>\$ 29,811,809</u>	<u>\$ 1,290,644</u>	<u>\$ 6,213,268</u>	<u>(22,307,897)</u>

<b>General Revenues:</b>	
Property taxes levied for:	
General purposes . . . . .	6,920,557
Special revenue . . . . .	209,337
Debt service . . . . .	1,654,986
Grants and entitlements not restricted to specific programs . . . . .	13,664,585
Investment earnings . . . . .	254,258
Miscellaneous . . . . .	350,586
Total general revenues . . . . .	<u>23,054,309</u>
Change in net assets . . . . .	746,412
<b>Net assets at beginning of year . . . . .</b>	<u>47,931,440</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 48,677,852</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments. . . . .	\$ 372,429	\$ 25,995,429	\$ 5,202,743	\$ 31,570,601
Receivables:				
Property taxes. . . . .	8,336,514	-	2,685,680	11,022,194
Accounts . . . . .	3,598	-	30	3,628
Accrued interest . . . . .	-	35,258	6,436	41,694
Intergovernmental. . . . .	-	25,032,818	849,058	25,881,876
Due from other funds . . . . .	155,241	-	-	155,241
Materials and supplies inventory. . . . .	-	-	4,207	4,207
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	135,352	-	-	135,352
Total assets . . . . .	<u>\$ 9,003,134</u>	<u>\$ 51,063,505</u>	<u>\$ 8,748,154</u>	<u>\$ 68,814,793</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 26,791	\$ -	\$ 16,818	\$ 43,609
Contracts payable. . . . .	-	23,385	-	23,385
Accrued wages and benefits. . . . .	2,139,227	-	467,051	2,606,278
Compensated absences payable . . . . .	206,091	-	-	206,091
Early retirement incentive payable . . . . .	198,000	-	-	198,000
Intergovernmental payable . . . . .	114,862	-	19,887	134,749
Unearned revenue. . . . .	7,101,364	-	2,287,766	9,389,130
Deferred revenue . . . . .	1,200,491	25,057,795	872,915	27,131,201
Pension obligation payable . . . . .	433,082	-	85,060	518,142
Due to other funds . . . . .	-	-	155,241	155,241
Total liabilities. . . . .	<u>11,419,908</u>	<u>25,081,180</u>	<u>3,904,738</u>	<u>40,405,826</u>
<b>Fund Balances:</b>				
Nonspendable:				
Materials and supplies inventory. . . . .	-	-	4,207	4,207
Restricted:				
Debt service . . . . .	-	-	1,447,354	1,447,354
Capital improvements . . . . .	-	25,982,325	190,139	26,172,464
Classroom facilities maintenance . . . . .	-	-	1,077,977	1,077,977
Food service operations . . . . .	-	-	41,085	41,085
Non-public schools . . . . .	-	-	10,216	10,216
School supplies . . . . .	-	-	19	19
Other purposes. . . . .	-	-	136,120	136,120
School bus purchases. . . . .	165,470	-	-	165,470
Instructional materials. . . . .	1,449,794	-	-	1,449,794
Committed:				
Capital improvements . . . . .	-	-	2,016,140	2,016,140
Extracurricular. . . . .	-	-	68,771	68,771
Assigned:				
Public school support . . . . .	23,675	-	-	23,675
Unassigned (deficit) . . . . .	(4,055,713)	-	(148,612)	(4,204,325)
Total fund balances (deficit) . . . . .	<u>(2,416,774)</u>	<u>25,982,325</u>	<u>4,843,416</u>	<u>28,408,967</u>
Total liabilities and fund balances . . . . .	<u>\$ 9,003,134</u>	<u>\$ 51,063,505</u>	<u>\$ 8,748,154</u>	<u>\$ 68,814,793</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2011

<b>Total governmental fund balances</b>		\$	28,408,967
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			16,651,179
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	1,587,240	
Accrued interest receivable		31,413	
Intergovernmental receivable		25,512,548	
Total			27,131,201
Unamortized deferred charges are not recognized in the funds			109,918
Unamortized premiums on bond issuances are not recognized in the funds			(345,758)
Unamortized bond issuance costs are not recognized in the funds			235,166
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			518,518
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation current interest bonds		(20,455,000)	
General obligation capital appreciation bonds		(581,997)	
Accreted interest on capital appreciation bonds		(553,493)	
Energy conservation notes		(1,187,900)	
Compensated absences payable		(1,151,045)	
Accrued interest payable		(101,904)	
Total			(24,031,339)
<b>Net assets of governmental activities</b>		<b>\$</b>	<b>48,677,852</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 6,681,041	\$ -	\$ 1,800,934	\$ 8,481,975
Tuition . . . . .	721,042	-	-	721,042
Transportation fees . . . . .	82,802	-	-	82,802
Earnings on investments . . . . .	8,051	232,244	20,129	260,424
Charges for services . . . . .	-	-	308,405	308,405
Extracurricular . . . . .	13,983	-	123,237	137,220
Classroom materials and fees . . . . .	3,819	-	12,266	16,085
Rental income . . . . .	24,100	-	-	24,100
Contributions and donations . . . . .	4,203	-	10,355	14,558
Contract services . . . . .	990	-	-	990
Other local revenues . . . . .	328,218	1,050	21,318	350,586
Intergovernmental - state . . . . .	14,736,616	8,110,863	507,112	23,354,591
Intergovernmental - federal . . . . .	-	-	4,475,129	4,475,129
<b>Total revenues . . . . .</b>	<b>22,604,865</b>	<b>8,344,157</b>	<b>7,278,885</b>	<b>38,227,907</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	10,111,935	-	1,647,540	11,759,475
Special . . . . .	2,553,124	-	1,014,522	3,567,646
Vocational . . . . .	90,762	-	-	90,762
Other . . . . .	994,580	-	70,461	1,065,041
Support services:				
Pupil . . . . .	1,101,595	-	177,561	1,279,156
Instructional staff . . . . .	1,003,022	-	544,763	1,547,785
Board of education . . . . .	57,254	-	-	57,254
Administration . . . . .	2,212,615	-	405,961	2,618,576
Fiscal . . . . .	395,006	-	43,679	438,685
Business . . . . .	207,005	-	3,982	210,987
Operations and maintenance . . . . .	1,879,698	-	122,789	2,002,487
Pupil transportation . . . . .	1,142,843	-	3,537	1,146,380
Central . . . . .	253,826	-	5,774	259,600
Operation of non-instructional services:				
Operation of non-instructional . . . . .	42,878	-	134,180	177,058
Food service operations . . . . .	-	-	1,245,541	1,245,541
Extracurricular activities . . . . .	323,333	-	135,610	458,943
Facilities acquisition and construction . . . . .	6,825	3,410,407	700,894	4,118,126
Debt service:				
Principal retirement . . . . .	-	-	742,000	742,000
Interest and fiscal charges . . . . .	3,851	-	934,613	938,464
Bond issuance costs . . . . .	-	-	98,540	98,540
<b>Total expenditures . . . . .</b>	<b>22,380,152</b>	<b>3,410,407</b>	<b>8,031,947</b>	<b>33,822,506</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	224,713	4,933,750	(753,062)	4,405,401
<b>Other financing sources (uses):</b>				
Premium on bonds . . . . .	-	-	221,518	221,518
Sale of refunding bonds . . . . .	-	-	3,535,000	3,535,000
Payment to refunding bond escrow agent . . . . .	-	-	(3,657,978)	(3,657,978)
<b>Total other financing sources (uses) . . . . .</b>	<b>-</b>	<b>-</b>	<b>98,540</b>	<b>98,540</b>
Net change in fund balances . . . . .	224,713	4,933,750	(654,522)	4,503,941
<b>Fund balances (deficit) at</b>				
<b>beginning of year (restated) . . . . .</b>	<b>(2,641,487)</b>	<b>21,048,575</b>	<b>5,497,938</b>	<b>23,905,026</b>
<b>Fund balances (deficit) at end of year . . . . .</b>	<b>\$ (2,416,774)</b>	<b>\$ 25,982,325</b>	<b>\$ 4,843,416</b>	<b>\$ 28,408,967</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<b>Net change in fund balances - total governmental funds</b>		\$	4,503,941
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Capital outlays expense exceeds depreciation in the current period accordingly.			
Capital asset additions	\$	3,739,410	
Current year depreciation		(614,327)	
Total			3,125,083
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.			(41,864)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Taxes		302,905	
Intergovernmental revenue		(7,966,440)	
Earnings on investments		(14,042)	
Total			(7,677,577)
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			
			742,000
Issuance of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net assets.			
			(3,535,000)
Payment to refunded bond escrow agent for the retirement of bonds is another financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net assets. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:			
Bonds refunded		3,535,000	
Deferred charges on refundings		122,978	
Total			3,657,978
Premiums on bonds and bond issuance costs related to the issuance of bonds are amortized over the life of the issuance in the statement of activities. The following transactions occurred in the year:			
Premiums on bonds		(221,518)	
Bond issuance costs		98,540	
Total			(122,978)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported on the statement of activities			
Increase in accrued interest payable		(6,091)	
Accreted interest on capital appreciation bonds		(129,291)	
Amortization of bond issuance costs		(16,232)	
Amortization of bond premiums		29,314	
Amortization of deferred charges		(13,060)	
Total			(135,360)
Some expenses reported in the statement of activities, such as compensated absences and retirement incentives, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
			51,393
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.			
			178,796
<b>Change in net assets of governmental activities</b>			\$ 746,412

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 5,430,529	\$ 5,456,426	\$ 4,399,828	\$ (1,056,598)
Tuition. . . . .	889,953	894,197	721,042	(173,155)
Transportation fees. . . . .	102,199	102,686	82,802	(19,884)
Earnings on investments . . . . .	9,937	9,984	8,051	(1,933)
Rental income . . . . .	29,746	29,887	24,100	(5,787)
Other local revenues . . . . .	71,374	71,714	57,827	(13,887)
Intergovernmental - state . . . . .	16,924,118	17,004,818	13,711,958	(3,292,860)
<b>Total revenues . . . . .</b>	<u>23,457,856</u>	<u>23,569,712</u>	<u>19,005,608</u>	<u>(4,564,104)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	11,938,755	8,668,501	8,618,217	50,284
Special. . . . .	325,806	2,287,609	2,284,432	3,177
Vocational. . . . .	8,824	87,363	86,356	1,007
Other. . . . .	947,900	1,008,324	995,254	13,070
Support services:				
Pupil. . . . .	358,968	945,539	935,453	10,086
Instructional staff . . . . .	87,549	792,287	777,322	14,965
Board of education . . . . .	71,773	58,889	57,250	1,639
Administration. . . . .	1,352,968	1,706,336	1,691,921	14,415
Fiscal . . . . .	507,171	451,194	445,974	5,220
Business . . . . .	237,589	250,486	215,758	34,728
Operations and maintenance. . . . .	2,150,984	1,801,600	1,713,369	88,231
Pupil transportation . . . . .	850,129	1,010,473	1,007,517	2,956
Central. . . . .	226,616	252,293	239,353	12,940
Operation of non-instructional services . . . . .	58,950	44,758	44,012	746
Extracurricular activities. . . . .	404,675	310,902	307,537	3,365
Facilities acquisition and construction . . . . .	603	9,979	6,825	3,154
<b>Total expenditures . . . . .</b>	<u>19,529,260</u>	<u>19,686,533</u>	<u>19,426,550</u>	<u>259,983</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	3,928,596	3,883,179	(420,942)	(4,304,121)
<b>Other financing sources:</b>				
Refund of prior year's expenditures . . . . .	110,231	110,756	89,309	(21,447)
<b>Total other financing sources . . . . .</b>	<u>110,231</u>	<u>110,756</u>	<u>89,309</u>	<u>(21,447)</u>
Net change in fund balance . . . . .	4,038,827	3,993,935	(331,633)	(4,325,568)
<b>Fund balance at beginning of year (restated) . . . . .</b>	515,864	515,864	515,864	-
<b>Prior year encumbrances appropriated . . . . .</b>	74,428	74,428	74,428	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 4,629,119</u>	<u>\$ 4,584,227</u>	<u>\$ 258,659</u>	<u>\$ (4,325,568)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2011

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and investments . . . . .	\$ 909,636
Accrued interest . . . . .	1,033
Total assets . . . . .	<u>910,669</u>
<b>Liabilities:</b>	
Claims payable . . . . .	<u>392,151</u>
Total liabilities . . . . .	<u>392,151</u>
<b>Net assets:</b>	
Unrestricted . . . . .	<u>518,518</u>
Total net assets . . . . .	<u>\$ 518,518</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Sales/charges for services . . . . .	\$ 3,926,505
Total operating revenues . . . . .	<u>3,926,505</u>
 <b>Operating expenses:</b>	
Purchased services . . . . .	796,063
Claims . . . . .	2,959,470
Other . . . . .	<u>67</u>
Total operating expenses . . . . .	<u>3,755,600</u>
 Operating income . . . . .	 <u>170,905</u>
 <b>Nonoperating revenues:</b>	
Interest revenue . . . . .	<u>7,891</u>
Total nonoperating revenues . . . . .	<u>7,891</u>
 Change in net assets . . . . .	 178,796
 <b>Net assets at beginning of year . . . . .</b>	 <u>339,722</u>
 <b>Net assets at end of year . . . . .</b>	 <u>\$ 518,518</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from sales/charges for services . . . . .	\$ 3,926,505
Cash payments for personal services . . . . .	(3,133,930)
Cash payments for contractual services . . . . .	(796,063)
Cash payments for other expenses . . . . .	(67)
	(3,555)
Net cash used in operating activities . . . . .	(3,555)
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	7,016
	7,016
Net cash provided by investing activities . . . . .	7,016
Net increase in cash and cash equivalents . . . . .	3,461
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>906,175</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 909,636</b>
<b>Reconciliation of operating income to net cash used in operating activities:</b>	
Operating income . . . . .	\$ 170,905
Changes in assets and liabilities: (Decrease) in claims payable . . . . .	(174,460)
Net cash used in operating activities. . . . .	\$ (3,555)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NILES CITY SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and investments . . . . .	\$ 326,999	\$ 30,857
Total assets. . . . .	326,999	\$ 30,857
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 3,481
Due to students. . . . .	-	27,376
Total liabilities . . . . .	-	\$ 30,857
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	326,999	
Total net assets . . . . .	\$ 326,999	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 220
Gifts and contributions . . . . .	1,000
Total additions . . . . .	1,220
 <b>Deductions:</b>	
Scholarships awarded . . . . .	11,513
Change in net assets . . . . .	(10,293)
<b>Net assets at beginning of year . . . . .</b>	<b>337,292</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 326,999</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Niles City School District (the "District") operates under a locally-elected five-member Board and provides educational services as mandated by State and/or Federal agencies. The Board controls the District's 9 instructional and support service facilities, which are staffed by 197 certified and 113 classified employees who provide services to students and other community members.

The District is located in Niles, Ohio, in Trumbull County, and includes an area covering eight square miles throughout the City. The District is the 166<sup>th</sup> largest among the 918 public school districts and community schools in the State of Ohio in terms of enrollment. The enrollment of the District during fiscal year 2011 was 2,770.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities and proprietary funds provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Northeast Ohio Management Information Network

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

Superintendents and Treasurers of the participating school districts are eligible to be voting members of the Governing Board which consists of ten voting members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and one treasurer from each of the aforementioned counties (non-voting members who must be employed by a participating school district, the fiscal agent, or NEOMIN). The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A copy of NEOMIN's financial statements may be obtained from the Trumbull County Education Service Center, 347 North Park Avenue, Warren, Ohio 44481.

Northeast Ohio Instructional Media Center

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

Region 12 Professional Development Center

The Region 12 Professional Development Center (the "Center") is a jointly governed organization among the school districts located in Trumbull, Mahoning and Columbiana counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improving instructional programs.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

*RELATED ORGANIZATION*

McKinley Memorial Library

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

*PUBLIC ENTITY RISK POOLS*

Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Workers' Compensation Group Rating Plan (the "Plan") has been established through Benefit Management, Inc. as a group purchasing pool. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom facilities fund - A capital projects fund used to account for monies received and expended in connection with contracts entered into by a school district and the Ohio Department of Education for the building and equipping of classroom facilities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

*Internal service fund* - The internal service fund is used to account for the financing of services provided by one fund or department to other funds or departments of the District on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical/surgical, dental and vision insurance benefits to employees.

*FIDUCIARY FUNDS*

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

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

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of 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. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Fund Financial Statements - Fund financial statements report detailed information about the District. 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, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's internal service fund is charges for services. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donation. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue in the governmental fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. The purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with Trumbull County Budget Commission for rate determination.

Estimated Resources:

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

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any legal level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budget amounts reflect the first appropriation for that fund covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the original final budgeted amounts represent the first and final appropriation amounts passed by the Board during the year.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

During fiscal year 2011, investments were limited to negotiable and nonnegotiable certificates of deposits, a money market fund and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. 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 2011 amounted to \$8,051, which includes \$7,349 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments. An analysis of the District's investment account at year end is provided in Note 4.

**G. Inventory**

On government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as expenditures in the governmental fund types when purchased. Inventories for governmental funds are accounted for using the consumption method on both the fund financial statements and the government-wide financial statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does now constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

Governmental capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. For fiscal year 2011, the District maintained a capitalization threshold of \$5,000. The 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 extend an asset's life are not.

All reported capital assets except land and construction in process are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable" and "interfund loans payable", or "due from other funds" and due to other funds". These amounts are eliminated in the governmental activities column on the statement of net assets.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employees for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting For Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, any employee at least 50 years old with at least 10 years of service, or any employee with at least 20 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

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

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

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

**L. Fund Balance**

The District reports classifications of fund balance based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Nonspendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

Restricted - amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Education.

Assigned - amounts that are constrained by the District's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

Unassigned - residual fund balance within the general fund that is in spendable form that is not restricted, committed, or assigned.

The District applies restricted resources first when an expense is incurred for purposes for which restricted and unrestricted fund balance is available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**M. Operating Revenues and Expenses**

Operating revenues are those revenues generated directly from the primary activity of the internal service fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Any revenues or expenses not meeting the definitions of operating are reported as non-operating.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes includes amounts restricted for food service, textbooks and school bus purchases.

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

**O. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**P. Estimates**

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

**Q. 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 governments or imposed by enabling legislation. Restricted assets include amounts required to be set-aside for textbooks and school bus purchases. See Note 17 for details.

**NILES CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**R. Interfund Activity**

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

**S. Parochial School**

Within the District boundaries is the St. Stephens parochial school. Current state legislation provides funding to parochial schools. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The fiduciary responsibility of the District for these monies is reflected in a nonmajor governmental fund for financial reporting purposes.

**T. Unamortized Premium, Discount, and Issuance Costs**

On government-wide financial statements, issuance costs are deferred and amortized over the term of the debt using the straight-line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Premiums are deferred and accreted over the term of the debt. Premiums are presented as an addition to the face amount of the debt.

On the governmental fund financial statements, issuance costs and premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 9.A.

**U. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither occurred during fiscal year 2011.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**B. Fund Reclassifications**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	General	Classroom Facilities	Nonmajor Governmental	Total Governmental
Fund balance (deficit) as previously reported	\$ (2,663,036)	\$ 21,048,575	\$ 5,519,487	\$ 23,905,026
Fund reclassification:				
Public school support fund	21,549	-	(21,549)	-
Restated fund balance at July 1, 2010	\$ (2,641,487)	\$ 21,048,575	\$ 5,497,938	\$ 23,905,026

The fund reclassifications did not have an effect on net assets as previously reported.

**C. Budgetary Prior Period Adjustment**

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to only report the general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

**Budgetary Basis**

	General Fund
Balance at June 30, 2010	\$ 732,892
Funds budgeted elsewhere	(217,028)
Restated balance at July 1, 2010	\$ 515,864

**NILES CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**D. Deficit Fund Balances**

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA, Part B	\$ 47,719
Educational stabilization	60,459
Title I, disadvantaged children	34,453
Improving teacher quality	5,981

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits 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 deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At fiscal year end, the District had \$300 in undeposited cash on hand which is included in the basic financial statements of the District as part of "equity in pooled cash and investments".

**B. Deposits with Financial Institutions**

At June 30, 2011, the carrying amount of all District deposits was \$6,775,773. Based on the criteria described in GASB Statement No. 40, "Deposits And Investment Risk Disclosures", as of June 30, 2011, \$1,025,500 of the District's bank balance of \$8,121,435 was covered by the Federal Deposit Insurance Corporation, while \$7,095,935 was exposed to custodial risk as discussed below.

**NILES CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2011, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FFCB	\$ 2,014,820	\$ -	\$ -	\$ -	\$ 2,014,820	\$ -
FNMA	751,793	-	-	-	-	751,793
FNMA discount notes	1,502,490	-	-	-	-	1,502,490
Money market	5,163,057	5,163,057	-	-	-	-
Negotiable CDs	3,997,644	999,973	2,249,951	747,720	-	-
STAR Ohio	12,767,568	12,767,568	-	-	-	-
Total	<u>\$ 26,197,372</u>	<u>\$ 18,930,598</u>	<u>\$ 2,249,951</u>	<u>\$ 747,720</u>	<u>\$ 2,014,820</u>	<u>\$ 2,254,283</u>

The weighted average of maturity of investments is 0.47 years.

*Interest Rate Risk:* Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District's investment policy addresses interest rate risk by requiring the consideration of cash flow requirements and market conditions in determining the term of an investment, and limiting investment portfolio maturities to five years or less.

*Credit Risk:* As of June 30, 2011, The District's investments in federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the money market an AAAM money market rating. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The federal agency securities and negotiable cd's are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*Concentration of Credit Risk:* The District's investment policy addresses concentration of credit risk by requiring investments to be diversified in order to reduce the risk of loss resulting from the over concentration of assets in a specific type of security, the erosion of market value, or by default. However, the District's investment policy does not place any limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 2,014,820	7.69
FNMA	751,793	2.87
FNMA discount notes	1,502,490	5.74
Money market	5,163,057	19.71
Negotiable CDs	3,997,644	15.26
STAR Ohio	<u>12,767,568</u>	<u>48.73</u>
Total	<u>\$ 26,197,372</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of June 30, 2011

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 6,775,773
Investments	26,197,372
Cash on hand	<u>300</u>
Total	<u>\$ 32,973,445</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 32,615,589
Private-purpose trust funds	326,999
Agency funds	<u>30,857</u>
Total	<u>\$ 32,973,445</u>

**NILES CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 5 - INTERFUND TRANSACTIONS**

Due from and to other funds at June 30, 2011 consisted of the following individual amounts, as reported in the fund financial statements:

<u>Due to general fund from:</u>	<u>Amount</u>
Nonmajor governmental fund	\$ 155,241

The purpose of this amount due from and to other funds is to cover negative cash balances in nonmajor special revenue funds. Effective April 1, 2007, the District may maintain negative cash balances if two criteria are met: (1) the general fund must have available and unencumbered funds to cover the negative amounts; and (2) a reimbursement request must have been submitted by the fiscal year-end. The District has met these two requirements.

This amount will be repaid once the anticipated revenues are received. Amounts due from and to other funds between governmental funds are eliminated on the government-wide financial statements.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

**NILES CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 6 - PROPERTY TAXES - (Continued)**

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$34,658 in the general fund, \$10,066 in the bond retirement debt service fund (a nonmajor governmental fund) and \$1,099 in the classroom facilities maintenance special revenue fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$112,283 in the general fund, \$34,042 in the bond retirement debt service fund (a nonmajor governmental fund) and \$3,740 in the classroom facilities maintenance special revenue fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 249,336,630	95.76	\$ 248,717,200	95.98
Public utility personal	10,626,330	4.09	10,406,560	4.02
Tangible personal property	<u>395,175</u>	<u>0.15</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 260,358,135</u>	<u>100.00</u>	<u>\$ 259,123,760</u>	<u>100.00</u>

Tax rate per \$1,000 of  
assessed valuation for:

General operations	\$46.20	\$46.25
Bonded debt	6.50	6.50
Classroom facilities maintenance	1.00	1.00

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2011 consisted of taxes, accounts, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 11,022,194
Accounts	3,628
Accrued interest	42,727
Intergovernmental	<u>25,881,876</u>
Total	<u>\$ 36,950,425</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year, with the exception of the Ohio School Facilities Commission intergovernmental receivable of \$25,032,818, which will be collected over the duration of the project.

**NOTE 8 - CAPITAL ASSETS**

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

	Balance			Balance
	<u>06/30/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/11</u>
<b><u>Governmental activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 745,575	\$ 409,939	\$ -	\$ 1,155,514
Construction in progress	<u>1,374,640</u>	<u>2,600,040</u>	<u>-</u>	<u>3,974,680</u>
<i>Total capital assets, not being depreciated</i>	<u>2,120,215</u>	<u>3,009,979</u>	<u>-</u>	<u>5,130,194</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,215,794	-	(106,181)	1,109,613
Buildings and improvements	18,085,907	700,331	(1,011,923)	17,774,315
Equipment and furniture	530,285	-	(34,705)	495,580
Vehicles	<u>1,080,241</u>	<u>29,100</u>	<u>(134,532)</u>	<u>974,809</u>
<i>Total capital assets, being depreciated</i>	<u>20,912,227</u>	<u>729,431</u>	<u>(1,287,341)</u>	<u>20,354,317</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(657,497)	(41,725)	100,457	(598,765)
Buildings and improvements	(7,608,093)	(481,915)	975,783	(7,114,225)
Equipment and furniture	(368,662)	(33,823)	34,705	(367,780)
Vehicles	<u>(830,230)</u>	<u>(56,864)</u>	<u>134,532</u>	<u>(752,562)</u>
<i>Total accumulated depreciation</i>	<u>(9,464,482)</u>	<u>(614,327)</u>	<u>1,245,477</u>	<u>(8,833,332)</u>
Total capital assets, net	<u>\$ 13,567,960</u>	<u>\$ 3,125,083</u>	<u>\$ (41,864)</u>	<u>\$ 16,651,179</u>



**NILES CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 516,947
<u>Support services:</u>	
Administration	4,588
Operations and maintenance	5,045
Pupil transportation	60,563
Other non-instructional services	4,218
Extracurricular activities	16,946
Food service operations	<u>6,020</u>
Total depreciation expense	<u>\$ 614,327</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

<u>Governmental activities:</u>	<u>Balance</u>			<u>Balance</u>	<u>Amount</u>
	<u>06/30/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/11</u>	<u>Due Within</u>
					<u>One Year</u>
<u>General obligation bonds</u>					
Current interest bonds-series 2001	\$ 3,800,000	\$ -	\$ (3,800,000)	\$ -	\$ -
Capital appreciation bonds-series 2001	371,997	-	-	371,997	130,841
Accreted interest-series 2001	355,357	54,294	-	409,651	144,082
Current interest bonds-series 2009	17,355,000	-	(305,000)	17,050,000	315,000
Capital appreciation bonds-series 2009	120,000	-	-	120,000	-
Accreted interest-series 2009	68,845	68,846	-	137,691	-
Current interest refunding bonds-series 2010	-	3,445,000	(40,000)	3,405,000	45,000
Capital appreciation refunding bonds-series 2010	-	90,000	-	90,000	-
Accreted interest-series 2010	-	6,151	-	6,151	-
Total general obligation bonds	<u>22,071,199</u>	<u>3,664,291</u>	<u>(4,145,000)</u>	<u>21,590,490</u>	<u>634,923</u>
Energy conservation notes	1,319,900	-	(132,000)	1,187,900	132,000
Compensated absences	1,069,150	408,399	(120,413)	1,357,136	260,846
Retirement incentive	396,000	-	(198,000)	198,000	198,000
Total long-term obligations	<u>\$ 24,856,249</u>	<u>\$ 4,072,690</u>	<u>\$ (4,595,413)</u>	<u>24,333,526</u>	<u>\$ 1,225,769</u>
				Add: Unamortized premium on bonds - 2009	147,760
				Add: Unamortized premium on bonds - 2010	197,998
				Less: Unamortized deferred charges - 2010	<u>(109,918)</u>
				Total reported on statement of net assets	<u>\$ 24,569,366</u>

**NILES CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

*General Obligation Bonds:* During fiscal year 2001, the District issued general obligation bonds to provide funds for the construction of a new middle school building (the “construction project”). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. The source of payment is derived from a current 6.5 mil bonded debt tax levy for the construction project. In the fund financial statements, the principal and interest payments on these bonds are recorded as expenditures in the bond retirement debt service fund. In the government-wide financial statements, the principal payments on these bonds are used to reduce the liability.

These bonds represent the amount of the construction project that the District was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC makes quarterly disbursements to the District during the construction project. As of June 30, 2011, the total estimated cost of the construction project is \$14,017,426, of which OSFC will pay \$8,130,429.

In conjunction with the 1.4 mils which support the bond issuance, the District also passed a 0.5 mil levy in fiscal year 2001 to fund the maintenance costs of the new facilities. Tax revenue from this levy is reported in the special revenue funds.

This bond issuance is comprised of both current interest bonds, par value \$5,515,000, and capital appreciation bonds, par value \$371,997. The interest rates on the current interest bonds range from 3.25% to 5.10%. The capital appreciation bonds mature on December 1, 2011 (4.80%), December 1, 2012 (4.90%), and December 1, 2013 (5.00%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity of the capital appreciation bonds is \$870,000. A total of \$409,651 in accreted interest on the capital appreciation bonds has been included in the long-term liability at June 30, 2011. The current interest bonds maturing on or after December 1, 2010 are subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2010 to November 30, 2011	101.0% of par
December 1, 2011 to November 30, 2012	100.5% of par
December 1, 2012 and thereafter	100.0% of par

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

*General Obligation Bonds:* During fiscal year 2009, the District issued general obligation bonds to provide funds for the construction of a new high school building and a new elementary school building (the “construction project”). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. The source of payment is derived from a current 1.4 mil bonded debt tax levy for the construction project. In the fund financial statements, the principal and interest payments on these bonds are recorded as expenditures in the bond retirement debt service fund. In the government-wide financial statements, the principal payments on these bonds are used to reduce the liability.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

These bonds represent the amount of the construction project that the District was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC makes quarterly disbursements to the District during the construction project. As of June 30, 2011, the total estimated cost of the construction project is \$56,016,871, of which OSFC will pay \$39,771,978.

In conjunction with the 6.5 mils which support the bond issuance, the District also passed a 0.5 mil levy in fiscal year 2009 to fund the maintenance costs of the new facilities. Tax revenue from this levy is reported in the special revenue funds.

This bond issuance is comprised of current interest bonds, par value \$9,904,893, current interest term bonds, par value \$8,220,000, and capital appreciation bonds, par value \$120,000. The interest rates on the current interest bonds range from 2.00% to 5.00%. The interest rates on the current interest term bonds range from 4.875% to 5.00%. The capital appreciation bonds mature on December 1, 2017 (10.655%), December 1, 2018 (9.186%), December 1, 2019 (23.634%) and December 1, 2020 (23.225%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital acquisition bonds is \$860,000. A total of \$137,691 in accreted interest on the capital appreciation bonds has been included in the long-term liabilities on the statement of net assets at June 30, 2011. The current interest bonds maturing on or after December 1, 2019 are subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2019 and thereafter	100.0% of par

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issuance is December 1, 2036.

Series 2010 Refunding General Obligation Bonds

On July 13, 2010, the District issued general obligation bonds (Series 2010 Refunding Bonds) to advance refund the callable portion of the Series 2001 school improvement current interest bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The balance of the refunded current interest bonds at June 30, 2011, is \$3,535,000.

The refunding issue is comprised of both current interest bonds, par value \$3,445,000, and capital appreciation bonds par value \$90,000. The interest rates on the current interest bonds range from 2.00% - 4.00%. The capital appreciation bonds mature on December 1, 2019 (effective interest rate 17.91%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing each December 1, 2019 is \$450,000. Total accreted interest of \$6,151 has been included in the statement of net assets at June 30, 2011.

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

**NILES CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

The reacquisition price exceeded the net carrying amount of the old debt by \$122,978. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments over the next 11 years by \$926,065 and resulted in an economic gain of \$194,449.

*Energy Conservation Notes:* During fiscal year 2005, the District issued energy conservation notes in the amount of \$1,979,900. These notes were issued on April 14, 2005, mature on March 15, 2020, and carry an interest rate of 4.35%. These notes are a general obligation of the District and are reported as a component of long-term liabilities on the statement of net assets.

*Compensated Absences:* Compensated absences will be paid out of the fund from which the employee is paid, which is primarily the general fund.

*Retirement Incentive:* The retirement incentive is a program offered by the District in order to give employees incentive to retire either in their first year of retirement eligibility or soon thereafter. The balance of the retirement incentive as of June 30, 2011 is \$198,000 and is due within one year. The \$198,000 amount due within one year has been reported as a fund liability in the modified accrual basic financial statements as well as a liability in the full accrual basic financial statements.

**B. Principal and interest payments to retire the long-term obligations as of June 30, 2011 are as follows:**

Fiscal Year Ending June 30,	<u>Capital Appreciation Bonds - Series 2001</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 130,841	\$ 154,159	\$ 285,000
2013	123,888	166,112	290,000
2014	117,268	177,732	295,000
Total	<u>\$ 371,997</u>	<u>\$ 498,003</u>	<u>\$ 870,000</u>

Fiscal Year Ending June 30,	<u>Current Interest Bonds - Series 2009</u>			<u>Capital Appreciation Bonds - Series 2009</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 315,000	\$ 767,074	\$ 1,082,074	\$ -	\$ -	\$ -
2013	245,000	761,168	1,006,168	-	-	-
2014	250,000	755,287	1,005,287	-	-	-
2015	260,000	748,782	1,008,782	-	-	-
2016	300,000	740,902	1,040,902	-	-	-
2017 - 2021	1,090,000	3,564,082	4,654,082	120,000	740,000	860,000
2022 - 2026	2,960,000	3,204,313	6,164,313	-	-	-
2027 - 2031	4,475,000	2,365,635	6,840,635	-	-	-
2032 - 2036	5,745,000	1,093,169	6,838,169	-	-	-
2037	1,410,000	35,250	1,445,250	-	-	-
Total	<u>\$ 17,050,000</u>	<u>\$ 14,035,662</u>	<u>\$ 31,085,662</u>	<u>\$ 120,000</u>	<u>\$ 740,000</u>	<u>\$ 860,000</u>

**NILES CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

Fiscal Year Ending June 30,	Current Interest Bonds - Refunding 2010			Capital Appreciation Bonds - Refunding 2010		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 45,000	\$ 112,925	\$ 157,925	\$ -	\$ -	\$ -
2013	50,000	111,975	161,975	-	-	-
2014	50,000	110,975	160,975	-	-	-
2015	355,000	106,481	461,481	-	-	-
2016	365,000	97,469	462,469	-	-	-
2017 - 2021	1,675,000	314,850	1,989,850	90,000	360,000	450,000
2022 - 2023	865,000	32,700	897,700	-	-	-
Total	<u>\$ 3,405,000</u>	<u>\$ 887,375</u>	<u>\$ 4,292,375</u>	<u>\$ 90,000</u>	<u>\$ 360,000</u>	<u>\$ 450,000</u>

Fiscal Year Ending June 30,	Energy Conservation Notes		
	Principal	Interest	Total
2012	\$ 132,000	\$ 50,564	\$ 182,564
2013	132,000	44,670	176,670
2014	132,000	39,002	171,002
2015	132,000	33,260	165,260
2016	132,000	27,559	159,559
2017 - 2020	527,900	52,620	580,520
Total	<u>\$ 1,187,900</u>	<u>\$ 247,675</u>	<u>\$ 1,435,575</u>

**C. Legal Debt Margins**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District.

The assessed valuation used in determining the District's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at June 30, 2011, are a legal voted debt margin of \$3,776,609 (including available funds of \$1,447,354), a legal unvoted debt margin of \$259,625, and a legal energy conservation debt margin of \$1,148,725.

**NOTE 10 - COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees earn ten to twenty days of vacation per year, depending on length of service. Accumulated, unused vacation time is paid to administrators upon termination of employment. Certified teachers do not earn vacation time.

**NILES CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 10 - COMPENSATED ABSENCES - (Continued)**

Certified teachers, administrators, and classified employees earn sick leave at a rate of 1.25 days per month.

For certified employees, there is no maximum number of sick leave days that can be accumulated. Upon retirement, payment is made for 25% of up to 200 days of the unused accumulated sick leave days, not to exceed 50 days, and \$30 per day shall be paid for all unused accumulated sick leave days in excess of 200 days. For classified employees, there is no maximum number of sick leave days that can be accumulated. Upon retirement, payment is made for 35% of up to 200 days of the unused accumulated sick leave days, not to exceed 70 days, and \$50 per day shall be paid for all unused accumulated sick leave days in excess of 200 days.

**NOTE 11 - NOTES PAYABLE**

During fiscal year 2006, the District issued a tax anticipation note in the amount of \$1,300,000. This note was issued on December 1, 2005 and matured on December 1, 2010 and was issued in order to provide funds for the general operations of the District.

During fiscal year 2011, the following changes occurred in the tax anticipation notes payable:

	<u>Balance</u>		<u>Decreases</u>	<u>Balance</u>
	<u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>
Tax anticipation note-2005	\$ 260,000	\$ -	\$ (260,000)	\$ -
Total	<u>\$ 260,000</u>	<u>\$ -</u>	<u>\$ (260,000)</u>	<u>\$ -</u>

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the District contracted with Harcum-Schuetz Agency, Inc. for property, liability and fleet insurance. The insurance coverages are as follows:

Building and personal property (\$2,500 deductible)	\$55,757,032
Inland marine (\$1,000 deductible):	
Scheduled equipment	14,600
Miscellaneous equipment	97,100
Musical instruments	75,000
Crime:	
Employee theft (\$5,000 deductible)	25,000
Money and securities:	
Inside premises	10,000
Outside premises	10,000
General liability (\$2,500 deductible):	
Per occurrence	1,000,000
Total aggregate per year	3,000,000
Automobile liability (\$1,000 deductible)	3,000,000
Uninsured motorists	1,000,000

**NILES CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 12 - RISK MANAGEMENT - (Continued)**

Settled claims have not exceeded commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior year.

**B. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to all employees that work four (4) hours or more per day through Anthem Life Group.

**C. Employee Medical Benefits**

The District has established an Employee Benefits Self-Insurance internal service fund in order to account for and finance employee benefit plans. Through this fund, medical, dental, vision and prescription drug insurances are offered to employees of the District.

The District pays the following premiums into the fund for coverage:

<u>Insurance coverage</u>	<u>Family</u>	<u>Single</u>
Medical	\$1,109.15	\$410.27
Dental	81.01	16.24
Vision	18.76	3.77
Prescription drug	408.56	151.13

The claims liability of \$392,151 reported in the Employee Benefits Self-Insurance internal service fund at June 30, 2011 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting And Financial Reporting For Risk Financing And Related Insurance Issues", and as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Claims activity for the current year is as follows:

	<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2011	\$ 566,611	\$ 2,959,470	\$ (3,133,930)	\$ 392,151
2010	212,639	3,572,848	(3,218,876)	566,611

**D. Workers' Compensation**

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Workers' Compensation Group Rating Plan (the "Plan") has been established through Benefit Management, Inc. as a group purchasing pool. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**NILES CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 12 - RISK MANAGEMENT - (Continued)**

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

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$419,006, \$429,312 and \$296,564, respectively; 62.00 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**B. State Teachers Retirement System of Ohio**

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



**NILES CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - PENSION PLANS - (Continued)**

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

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

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

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,460,923, \$1,471,747 and \$1,441,097, respectively; 84.27 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NILES CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$98,581, \$62,335 and \$180,687, respectively; 62.00 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$26,964, \$25,530 and \$24,469, respectively; 62.00 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$26,964, \$25,530 and \$24,469, respectively; 84.27 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**NILES CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Conitnued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (331,633)
Net adjustment for revenue accruals	213,197
Net adjustment for expenditure accruals	189,952
Net adjustment for other sources/uses	(89,309)
Funds budgeted elsewhere **	210,572
Adjustment for encumbrances	31,934
GAAP basis	\$ 224,713

\*\* As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budged in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special rotary fund and the public school support fund.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 17 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2011, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2010	\$ 1,348,600	\$ -
Current year set-aside requirement	399,678	399,678
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(298,484)	(350,908)
Excess qualified expenditures from prior years	-	-
Current year offsets	-	-
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	<u>(48,770)</u>
Total	<u>\$ 1,449,794</u>	<u>\$ -</u>
Balance carried forward to fiscal year 2012	<u>\$ 1,449,794</u>	<u>\$ -</u>
Set-aside reserve balance June 30, 2011	<u>\$ 1,449,794</u>	<u>\$ -</u>

For the capital improvements reserve, qualifying expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The District also received monies during fiscal year 2011 that are restricted by the State of Ohio for school bus purchases.

A schedule of the restricted assets at June 30, 2011 is as follows:

Amount restricted for instructional materials	\$ 1,449,794
Amount restricted for school bus purchases	165,470
Amount to limit set asides to available cash	<u>(1,479,912)</u>
Total restricted assets	<u>\$ 135,352</u>

A schedule of the restricted fund balances at June 30, 2011 is as follows:

Amount restricted for instructional materials	\$ 1,449,794
Amount restricted for school bus purchases	<u>165,470</u>
Total restricted fund balances	<u>\$ 1,615,264</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 18 - CONTRACTUAL COMMITMENTS**

As of June 30, 2011, the District had commitments with the following companies for the construction project:

	Contract Amount	Amount Paid as of June 30, 2011	Amount Remaining on Contract
AA Blueprint Co.	\$ 80,000	\$ 35,000	\$ 45,000
Advances Land Measurement Inc.	5,000	-	5,000
Balog, Stiens, Hendricks & Chagrin Valley Engineering	2,425,372	-	2,425,372
City of Niles (Permits)	19,000	-	19,000
D.S.V. Builders Inc.	100,000	4,075	95,925
EA Group	908,436	613,912	294,524
Four Season Environmental	12,405	400	12,005
Fulton & Assoc	25,789	-	25,789
Jackson & Sons Drilling	112,030	64,250	47,780
M & M Excavating Inc.	1,741,652	-	1,741,652
Penn Ohio Electrical	75,463	45,500	29,963
Santon Electric	153,593	11,893	141,700
Searle Enterprises, Inc.	134,407	125,957	8,450
The Osborn Engineering Co.	10,940	-	10,940
	<u>132,361</u>	<u>-</u>	<u>132,361</u>
	<u>\$ 5,936,448</u>	<u>\$ 900,987</u>	<u>\$ 5,035,461</u>

These contractual commitments relate to the OSFC project undertaken by the District. Costs incurred by fiscal year end have been recorded as construction-in-progress in the District's capital assets (See Note 8).

**NOTE 19 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be report as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>FundType</u>	
General fund	\$ 31,934
Classroom facilities fund	3,178,876
Other nonmajor governmental	<u>115,385</u>
Total restricted assets	<u>\$ 3,326,195</u>

NILES CITY SCHOOL DISTRICT  
TRUMBULL COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
<i>Non-Cash Assistance (Food Distribution):</i>						
National School Lunch Program	2011	10.555		\$65,332		\$65,332
<i>Cash Assistance:</i>						
National School Breakfast Program	2011	10.553	\$187,277		\$187,277	
National School Lunch Program	2011	10.555	674,244		674,244	
Subtotal - Cash Assistance			<u>861,521</u>		<u>861,521</u>	
<i>Total Child Nutrition Cluster</i>			<u>861,521</u>	<u>65,332</u>	<u>861,521</u>	<u>65,332</u>
Total U.S. Department of Agriculture			<u>861,521</u>	<u>65,332</u>	<u>861,521</u>	<u>65,332</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Title I, Part A Cluster:</i>						
Grants to Local Educational Agencies - ESEA Title 1	2010	84.010	180,602		147,174	
	2011		637,982		661,352	
Subtotal - CFDA No. 84.010			<u>818,584</u>		<u>808,526</u>	
ARRA - Title IA	2010	84.389			13,284	
	2011		324,898		392,028	
Subtotal - CFDA No. 84.389			<u>324,898</u>		<u>405,312</u>	
<i>Total - Title 1, Part A Cluster</i>			<u>1,143,482</u>		<u>1,213,838</u>	
<i>Special Education Cluster:</i>						
Special Education Grants to States - (IDEA Part B)	2010	84.027	100,764		95,945	
	2011		539,819		572,788	
Subtotal - CFDA No. 84.027			<u>640,583</u>		<u>668,733</u>	
ARRA - IDEA Part B	2010	84.391	25,516		19,271	
	2011		294,915		309,751	
Subtotal - CFDA No. 84.391			<u>320,431</u>		<u>329,022</u>	
<i>Total - Special Education Cluster</i>			<u>961,014</u>		<u>997,755</u>	
Safe and Drug-Free Schools Grants	2010	84.186	(215)		260	
	2011		2,149		2,149	
Subtotal - CFDA No. 84.186			<u>1,934</u>		<u>2,409</u>	
Technology State Grants - Title II-D	2010	84.318	2,429		2,438	
	2011		5,071		5,027	
Subtotal - CFDA No. 84.318			<u>7,500</u>		<u>7,465</u>	
Improving Teacher Quality State Grants - Title II-A	2010	84.367	36,803		28,344	
	2011		132,940		149,875	
Subtotal - CFDA No. 84.367			<u>169,743</u>		<u>178,219</u>	
ARRA - State Fiscal Stabilization Fund	2010	84.394			365,607	
	2011		1,094,723		1,048,774	
Subtotal - CFDA 84.394			<u>1,094,723</u>		<u>1,414,381</u>	
Total U.S. Department of Education			<u>3,378,396</u>		<u>3,814,067</u>	
<b><u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u></b>						
<i>Passed Through Ohio Environmental Protection Agency:</i>						
ARRA - State Clean Diesel Grant Program - School Bus	2011	66.040			1,904	
Total U.S. Environmental Protection Agency					<u>1,904</u>	
<b>Totals</b>			<u><u>\$4,239,917</u></u>	<u><u>\$65,332</u></u>	<u><u>\$4,677,492</u></u>	<u><u>\$65,332</u></u>

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

**NILES CITY SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the program that benefitted from the use of these donated commodities.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.





# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Niles City School District, Trumbull County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 30, 2011. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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

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

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

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated August 30, 2011.

Niles City School District  
Trumbull County  
Independent Accountants' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management, the audit committee, Board of Education, and federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

August 30, 2011



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Niles City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Niles City School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 Niles City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance, in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Voinovich Government Center, 242 Federal Plaza W. Suite 302, Youngstown, Ohio 44503-1293  
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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

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

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State

August 30, 2011

**NILES CITY SCHOOL DISTRICT  
TRUMBULL COUNTY  
JUNE 30, 2011**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Program's Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510)(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b> Title 1, Part A Cluster Special Education Cluster State Fiscal Stabilization Funds Child Nutrition Cluster	<b>CFDA #'s</b> 84.010 and 84.389 (ARRA) 84.027 and 84.391 (ARRA) 84.394 (ARRA) 10.553 and 10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: All Others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

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

None

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Niles City School District  
Trumbull County  
100 West Street  
Niles, Ohio 44004

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on July 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

**Dave Yost**  
Auditor of State

August 30, 2011

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# Dave Yost • Auditor of State

**NILES CITY SCHOOL DISTRICT**

**TRUMBULL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 13, 2011**