



Dave Yost • Auditor of State



**NILES CITY SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Niles City School District  
Trumbull County  
309 North Rhodes Ave.  
Niles, Ohio 44446

To the Board of Education:

### ***Report on the Financial Statements***

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Niles City School District, Trumbull County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General and Classroom Facilities Maintenance Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matters**

The previously issued financial statements for the year ended June 30, 2013 have been restated for the reevaluation of capital assets as more fully described in Note 20 to the Basic Financial Statements. We did not modify our opinion regarding this matter.

The District is experiencing certain financial difficulties. These conditions and management's plans to address these conditions are described in Note 21. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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  
Columbus, Ohio

November 5, 2014

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**Niles City School District**  
Trumbull County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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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, 2014. 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 2014 are as follows:

- In total, net position of governmental activities decreased \$3,227,271, which represents a 7 percent decrease from fiscal year 2013.
- General revenues accounted for \$25,046,494 in revenue, or 85 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,307,571, or 15 percent of total revenues of \$29,354,065.
- The District had \$32,581,336 in expenses related to governmental activities; \$4,307,571 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 \$25,046,494 were not entirely adequate to provide for these programs.
- The District's major governmental funds are the general fund, the bond retirement debt service fund, the classroom facilities fund and the classroom facilities maintenance special revenue fund. The general fund had \$23,048,371 in revenues and \$23,031,405 in expenditures. During fiscal year 2014, the general fund balance increased \$16,966 from a deficit balance of \$1,882,983 to a deficit balance of \$1,866,017.
- The bond retirement fund balance increased \$143,604 during the year while the classroom facilities fund balance decreased \$4,462,152 to \$856,068. The classroom facilities fund had \$907,440 in revenues and \$5,619,592 in expenditures as construction was completed on the two new elementary buildings.
- The classroom facilities maintenance special revenue fund qualified as a major fund for the first time this fiscal year. The fund balance increased \$2,143, to \$1,274,283, during the fiscal year.

**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 position* 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, the bond retirement fund, the classroom facilities fund and the classroom facilities maintenance fund are the most significant funds, and the only governmental funds reported as major.

**Niles City School District**  
Trumbull County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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**Reporting the District as a Whole**

***Statement of Net Position 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 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 position* and the change in that position. This change in net position 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 Position 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.

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

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 10. 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, bond retirement fund, the classroom facilities fund and the classroom facilities maintenance 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 Position and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements.

***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.

**Niles City School District**  
Trumbull County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*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 Position and Changes in Fiduciary Net Position. 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.

**The District as a Whole**

Recall that the Statement of Net Position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

<b>Net Position (Table 1)</b>			
<b>Governmental Activities</b>			
	2014	(Restated) 2013	Change
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Current and Other Assets	\$14,835,133	\$21,026,570	(\$6,191,437)
Capital Assets, Net	<u>63,026,326</u>	<u>61,279,708</u>	<u>1,746,618</u>
<i>Total Assets</i>	<u>77,861,459</u>	<u>82,306,278</u>	<u>(4,444,819)</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	<u>70,738</u>	<u>83,798</u>	<u>(13,060)</u>
<b>Liabilities</b>			
Current Liabilities	3,002,806	4,026,329	(1,023,523)
Long-Term Liabilities			
Due within One Year	1,156,961	760,684	396,277
Due in More than One Year	<u>21,818,372</u>	<u>22,072,569</u>	<u>(254,197)</u>
<i>Total Liabilities</i>	<u>25,978,139</u>	<u>26,859,582</u>	<u>(881,443)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	<u>8,307,967</u>	<u>8,657,132</u>	<u>(349,165)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	41,834,426	40,228,540	1,605,886
Restricted	3,991,234	8,370,391	(4,379,157)
Unrestricted (Deficit)	<u>(2,179,569)</u>	<u>(1,725,569)</u>	<u>(454,000)</u>
<i>Total Net Position</i>	<u>\$43,646,091</u>	<u>\$46,873,362</u>	<u>(\$3,227,271)</u>

Over time, net position can serve as a useful indicator of a District's financial position. At June 30, 2014, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$43,646,091, of which \$3,991,234 is restricted. This includes \$583,388 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, 2014*  
*Unaudited*

At year-end, capital assets represented nearly 81 percent of total assets and deferred outflows of resources. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of the related debt to acquire those assets at June 30, 2014, were \$41,834,426. 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 position, \$3,991,234, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$2,179,569.

Table 2 shows the changes in net position for fiscal year 2014 compared to 2013.

	<b>Table 2</b>		
	Change in Net Position		
	2014	(Restated) 2013	Increase (Decrease)
<b>Revenues</b>			
<b><i>Program Revenues</i></b>			
Charges for Services and Sales	\$1,458,878	\$1,451,966	\$6,912
Operating Grants and Contributions	2,748,693	2,447,592	301,101
Capital Grants and Contributions	100,000	0	100,000
<i>Total Program Revenues</i>	4,307,571	3,899,558	408,013
<b><i>General Revenues</i></b>			
Property Taxes	8,252,473	8,337,908	(85,435)
Intergovernmental	16,662,962	15,597,254	1,065,708
Investment Earnings	7,163	477,951	(470,788)
Miscellaneous	123,896	46,829	77,067
<i>Total General Revenues</i>	25,046,494	24,459,942	586,552
<i>Total Revenues</i>	\$29,354,065	\$28,359,500	\$994,565

**Niles City School District**  
Trumbull County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

<b>Table 2 (continued)</b>			
Change in Net Position			
	2014	(Restated) 2013	Increase (Decrease)
<b><i>Program Expenses</i></b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	\$14,272,042	\$12,560,112	\$1,711,930
Special	3,705,332	3,705,193	139
Vocational	19,367	98,711	(79,344)
Other	1,117,277	1,118,935	(1,658)
<b>Support Services:</b>			
Pupil	1,295,326	1,215,060	80,266
Instructional Staff	342,033	1,156,587	(814,554)
Board of Education	61,566	56,686	4,880
Administration	2,774,679	2,357,568	417,111
Fiscal	733,731	554,838	178,893
Business	208,296	150,574	57,722
Operation and Maintenance of Plant	2,897,602	1,757,996	1,139,606
Pupil Transportation	1,543,731	1,135,953	407,778
Central	294,114	291,876	2,238
Operation of Non-Instructional Services	487,526	110,288	377,238
Operation of Food Services	1,128,252	1,187,476	(59,224)
Extracurricular Activities	706,035	490,959	215,076
Interest and Fiscal Charges	994,427	1,035,564	(41,137)
<b>Total Program Expenses</b>	<b>32,581,336</b>	<b>28,984,376</b>	<b>3,596,960</b>
<b>Change in Net Position</b>	<b>(3,227,271)</b>	<b>(624,876)</b>	<b>(2,602,395)</b>
<b>Net Position Beginning of Year</b>	<b>46,873,362</b>	<b>47,498,238</b>	<b>(624,876)</b>
<b>Net Position End of Year</b>	<b>\$43,646,091</b>	<b>\$46,873,362</b>	<b>(\$3,227,271)</b>

Net position of the District's governmental activities decreased \$3,227,271. Total governmental expenses of \$32,581,336 were partially offset by program revenues of \$4,307,571 and general revenues of \$25,046,494. Program revenues supported 13 percent 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 85 percent of total governmental revenue.

The largest expense of the District is for instructional programs. Instructional expenses totaled \$19,114,018, or 59 percent of total governmental expenses for fiscal year 2014.

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.

**Niles City School District**  
Trumbull County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

**(Table 3)**  
**Total and Net Cost of Program Services**

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$19,114,018	\$16,757,572	\$17,482,951	\$15,826,121
Support Services:				
Pupils and Instructional Staff	1,637,359	1,410,973	2,371,647	1,926,698
Board of Education, Administration, Fiscal and Business	3,778,272	3,561,344	3,119,666	2,822,170
Operation and Maintenance of Plant	2,897,602	2,897,602	1,757,996	1,684,233
Pupil Transportation	1,543,731	1,448,338	1,135,953	1,085,646
Central	294,114	290,514	291,876	273,866
Extracurricular Activities	706,035	455,736	490,959	335,132
Operation of Non- Instructional Services:				
Food Service Operations	1,128,252	83,644	1,187,476	52,603
Other Non-Instructional Services	487,526	373,615	110,288	42,785
Interest and Fiscal Charges	994,427	994,427	1,035,564	1,035,564
<i>Total Expenses</i>	<b>\$32,581,336</b>	<b>\$28,273,765</b>	<b>\$28,984,376</b>	<b>\$25,084,818</b>

The dependence upon property tax for governmental activities is apparent, 43 percent of instruction activities are supported through property taxes alone. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for District's students.

**The District's Funds**

The District's governmental fund balances reported a combined fund balance of \$1,768,458, which is lower than last year's total of \$6,331,673. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ (1,866,017)	\$ (1,882,983)	\$ 16,966	(0.90) %
Bond Retirement	1,693,087	1,549,483	143,604	9.27 %
Classroom Facilities	856,068	5,318,220	(4,462,152)	(83.90) %
Classroom Facilities Maintenance	1,274,283	1,272,140	2,143	0.17 %
Other Governmental	(188,963)	74,813	(263,776)	(352.58) %
<b>Total</b>	<b>\$ 1,768,458</b>	<b>\$ 6,331,673</b>	<b>\$ (4,563,215)</b>	<b>(72.07) %</b>

**Niles City School District**  
Trumbull County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

**General Fund**

The District's general fund balance increased \$16,966 from a deficit balance of \$1,882,983 to a deficit balance of \$1,866,017. The increase in fund balance can be attributed to revenues exceeding expenditures by \$16,966 within the fund. Overall, revenues increased \$741,145 due mostly to an increase in intergovernmental revenues of \$899,495 in fiscal year 2014. Except for intergovernmental revenue, all District revenues remained comparable to fiscal year 2013 on a dollar for dollar basis. Instruction expenditures increased during fiscal year 2014 due to step and cost of living increases and the purchase of additional technology, however support services expenditures decreased due to the District's many efforts to reduce operating costs. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 6,489,531	\$ 6,686,180	\$ (196,649)	(2.94) %
Earnings on investments	3,467	2,970	497	16.73 %
Intergovernmental	15,404,502	14,505,007	899,495	6.20 %
Other revenues	<u>1,150,871</u>	<u>1,113,069</u>	<u>37,802</u>	<u>3.40 %</u>
Total	<u>\$ 23,048,371</u>	<u>\$ 22,307,226</u>	<u>\$ 741,145</u>	<u>3.32 %</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 15,580,375	\$ 14,590,380	\$ 989,995	6.79 %
Support services	6,981,635	7,330,833	(349,198)	(4.76) %
Non-instructional services	41,755	22,478	19,277	85.76 %
Extracurricular activities	360,270	321,795	38,475	11.96 %
Capital outlay	<u>67,370</u>	<u>-</u>	<u>67,370</u>	<u>n/a %</u>
Total	<u>\$ 23,031,405</u>	<u>\$ 22,265,486</u>	<u>\$ 765,919</u>	<u>3.44 %</u>

**Bond Retirement Fund**

During fiscal year 2014, the bond retirement debt service fund had \$1,925,924 in revenues and \$1,782,320 in expenditures and the fund balance increased \$143,604 from \$1,549,483 to \$1,693,087.

**Classroom Facilities Fund**

The District's classroom facilities fund had \$907,440 in revenues, \$250,000 in note proceeds and \$5,619,592 in expenditures. During fiscal year 2014, the classroom facilities fund balance decreased \$4,462,152 from \$5,318,220 to \$856,068 due to continuing expenditures related to the District's Ohio School Facilities Commission building project.

**Classroom Facilities Maintenance Fund**

The District's classroom facilities maintenance fund had \$291,895 in revenues and \$289,752 in expenditures. During fiscal year 2014, the classroom facilities maintenance fund balance increased \$2,143 from \$1,272,140 to \$1,274,283.

**Niles City School District**  
Trumbull County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

**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 2014, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$23,383,217 and final budgeted revenues and other financing sources were also \$24,201,217. Actual revenues and other financing sources for fiscal year 2014 were \$23,102,046. This represents a \$1,099,171 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$23,605,259 were increased to \$23,608,068 in the final appropriations. The actual budget basis expenditures for fiscal year 2014 totaled \$23,077,159, which was \$530,909 lower than the final budget appropriations.

**Capital Assets and Debt Administration**

**Capital Assets** The School District's investment in capital assets for its governmental activities as of June 30, 2014, amounted to \$63,026,326 (net of accumulated depreciation). The increase in the School District's capital assets of \$1,746,618 can be attributed to the construction and completion of the new high school building and the continuing construction on the two new elementary buildings.

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

	2014	(Restated) 2013
	2014	2013
Land	\$655,575	\$655,575
Construction in Progress	0	9,905,706
Land Improvements	3,400,998	2,153,883
Buildings and Improvements	56,091,597	46,703,911
Furniture and Fixtures	2,721,012	1,635,109
Vehicles	157,144	225,524
Total	\$63,026,326	\$61,279,708

For fiscal year 2014, the District hired an outside company to perform an overall tracking and revaluation of all of its capital assets, due to the completion of the OSFC projects taking place over the past few years. This revaluation resulted in an overall decrease to beginning net position of \$824,461.

The overall increase in capital assets of \$1,746,618 is due to capital outlays of \$3,738,590 exceeding depreciation expense of \$1,991,972 for fiscal year 2014. See Note 9 to the basic financial statements for additional information. This entire amount is reported in governmental activities.



**Niles City School District**  
Trumbull County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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**Debt Administration**

At June 30, 2014, the District had the following long term debt outstanding:

**(Table 5)**  
**Outstanding Long-Term Obligations**

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
General Obligation Bonds	\$20,139,460	\$20,638,000
Energy Conservation Notes	791,900	923,900
OSFC Bond Anticipation Note	250,000	0
Turf Project Note	440,000	0
Totals	<u>\$21,621,360</u>	<u>\$21,561,900</u>

Of this total, \$1,107,000 is due within one year and \$20,514,360 is due in greater than one year. See Note 10 to the basic financial statements for additional information.

**Current Financial Related Activities**

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, 309 N. Rhodes, Niles, Ohio, 44446.

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**Niles City School District**

Trumbull County, Ohio

*Statement of Net Position*

*June 30, 2014*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,527,430
Accounts Receivable	4,159
Intergovernmental Receivable	279,410
Property Taxes Receivable	10,010,970
Inventory Held for Resale	13,164
Nondepreciable Capital Assets	655,575
Depreciable Capital Assets, Net	62,370,751
<i>Total Assets</i>	<u>77,861,459</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	<u>70,738</u>
<b>Liabilities</b>	
Accounts Payable	146,793
Accrued Wages and Benefits Payable	1,735,189
Contracts Payable	17,354
Intergovernmental Payable	656,197
Matured Compensated Absences Payable	52,504
Accrued Interest Payable	87,021
Claims Payable	307,748
Long-Term Liabilities:	
Due Within One Year	1,156,961
Due In More Than One Year	21,818,372
<i>Total Liabilities</i>	<u>25,978,139</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	<u>8,307,967</u>
<b>Net Position</b>	
Net Investment in Capital Assets	41,834,426
Restricted for:	
Capital Projects	583,388
Debt Service	1,949,478
Other Purposes	1,458,368
Unrestricted (Deficit)	(2,179,569)
<i>Total Net Position</i>	<u>\$43,646,091</u>

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, 2014*

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position	
			Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities</b>					
Current:					
Instruction:					
Regular	\$14,272,042	\$634,848	\$1,046,769	\$0	(\$12,590,425)
Special	3,705,332	185,910	361,992	0	(3,157,430)
Vocational	19,367	977	0	0	(18,390)
Other	1,117,277	57,934	68,016	0	(991,327)
Support Services:					
Pupils	1,295,326	0	169,171	0	(1,126,155)
Instructional Staff	342,033	0	57,215	0	(284,818)
Board of Education	61,566	0	0	0	(61,566)
Administration	2,774,679	57,274	159,654	0	(2,557,751)
Fiscal	733,731	0	0	0	(733,731)
Business	208,296	0	0	0	(208,296)
Operation and Maintenance of Plant	2,897,602	0	0	0	(2,897,602)
Pupil Transportation	1,543,731	95,393	0	0	(1,448,338)
Central	294,114	0	3,600	0	(290,514)
Operation of Non-Instructional Services	487,526	45,700	68,211	0	(373,615)
Operation of Food Services	1,128,252	231,088	813,520	0	(83,644)
Extracurricular Activities	706,035	149,754	545	100,000	(455,736)
Interest and Fiscal Charges	994,427	0	0	0	(994,427)
<i>Total Governmental Activities</i>	<u>\$32,581,336</u>	<u>\$1,458,878</u>	<u>\$2,748,693</u>	<u>\$100,000</u>	<u>(28,273,765)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
					6,498,322
					1,560,608
					193,543
Grants and Entitlements not					
					16,662,962
					7,163
					123,896
<i>Total General Revenues</i>					<u>28,046,494</u>
					(3,227,271)
					46,873,362
					<u>\$43,646,091</u>

See accompanying notes to the basic financial statements

**Niles City School District**  
Trumbull County, Ohio

*Balance Sheet*  
*Governmental Funds*  
*June 30, 2014*

	General	Bond Retirement	Classroom Facilities	Classroom Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$174,602	\$1,683,108	\$826,146	\$1,302,626	\$170,457	\$4,156,939
Accounts Receivable	4,159	0	0	0	0	4,159
Interfund Receivable	74,726	0	46,992	0	0	121,718
Intergovernmental Receivable	0	0	0	0	279,410	279,410
Property Taxes Receivable	8,217,678	1,561,384	0	231,908	0	10,010,970
Inventory Held for Resale	0	0	0	0	13,164	13,164
<i>Total Assets</i>	<u>\$8,471,165</u>	<u>\$3,244,492</u>	<u>\$873,138</u>	<u>\$1,534,534</u>	<u>\$463,031</u>	<u>\$14,586,360</u>
<b>Liabilities</b>						
Accounts Payable	\$95,963	\$0	\$0	\$24,999	\$25,831	\$146,793
Accrued Wages and Benefits Payable	1,486,213	0	0	1,316	247,660	1,735,189
Contracts Payable	0	0	17,070	0	284	17,354
Intergovernmental Payable	537,162	0	0	3,510	115,525	656,197
Matured Compensated Absences Payable	52,504	0	0	0	0	52,504
Interfund Payable	0	0	0	0	121,718	121,718
<i>Total Liabilities</i>	<u>2,171,842</u>	<u>0</u>	<u>17,070</u>	<u>29,825</u>	<u>511,018</u>	<u>2,729,755</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	6,820,594	1,295,014	0	192,359	0	8,307,967
Unavailable Revenue - Property Taxes	1,344,746	256,391	0	38,067	0	1,639,204
Unavailable Revenue - Grants	0	0	0	0	140,976	140,976
<i>Total Deferred Inflows of Resources</i>	<u>8,165,340</u>	<u>1,551,405</u>	<u>0</u>	<u>230,426</u>	<u>140,976</u>	<u>10,088,147</u>
<b>Fund Balances</b>						
Restricted	0	1,693,087	856,068	1,274,283	67,990	3,891,428
Committed	0	0	0	0	79,639	79,639
Assigned	117,744	0	0	0	0	117,744
Unassigned (Deficit)	(1,983,761)	0	0	0	(336,592)	(2,320,353)
<i>Total Fund Balances</i>	<u>(1,866,017)</u>	<u>1,693,087</u>	<u>856,068</u>	<u>1,274,283</u>	<u>(188,963)</u>	<u>1,768,458</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$8,471,165</u>	<u>\$3,244,492</u>	<u>\$873,138</u>	<u>\$1,534,534</u>	<u>\$463,031</u>	<u>\$14,586,360</u>

See accompanying notes to the basic financial statements

**Niles City School District**

Trumbull County, Ohio

*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
June 30, 2014*

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<b>Total Governmental Fund Balances</b>		<b>\$1,768,458</b>
<b><i>Amounts reported for governmental activities in the statement of net position are different because</i></b>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		63,026,326
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	1,639,204	
Grants	<u>140,976</u>	
Total		1,780,180
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 position.		62,743
In the statement of activities, interest is accrued on outstanding general obligation bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		(87,021)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(19,500,000)	
Capital Appreciation Bonds	(210,000)	
Accretion on Bonds	(429,460)	
Unamortized Premium on Bonds	(257,816)	
Deferred Charge on Refunding	70,738	
Energy Conservation Note	(791,900)	
OSFC Bond Anticipation Note	(250,000)	
Turf Project Note	(440,000)	
Compensated Absences	<u>(1,096,157)</u>	
Total		<u>(22,904,595)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$43,646,091</u></u>

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, 2014*

	General	Bond Retirement	Classroom Facilities	Classroom Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$6,489,531	\$1,562,844	\$0	\$194,237	\$0	\$8,246,612
Tuition and Fees	873,601	0	0	0	6,068	879,669
Interest	3,467	0	2,131	0	5	5,603
Charges for Services	0	0	0	0	231,088	231,088
Extracurricular Activities	83,474	0	0	0	123,554	207,028
Rentals	45,700	0	0	0	0	45,700
Contributions and Donations	7,031	100,000	0	0	545	107,576
Intergovernmental	15,404,502	263,080	897,722	97,658	2,796,987	19,459,949
Miscellaneous	45,672	0	7,587	0	70,637	123,896
Transportation Fees	95,393	0	0	0	0	95,393
<b>Total Revenues</b>	<b>23,048,371</b>	<b>1,925,924</b>	<b>907,440</b>	<b>291,895</b>	<b>3,228,884</b>	<b>29,402,514</b>
<b>Expenditures</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	11,180,967	0	0	0	1,141,127	12,322,094
Special	3,342,861	0	0	0	333,785	3,676,646
Vocational	17,530	0	0	0	0	17,530
Other	1,039,017	0	0	0	78,260	1,117,277
<b>Support Services:</b>						
Pupils	840,683	0	0	0	213,577	1,054,260
Instructional Staff	151,843	0	0	0	54,936	206,779
Board of Education	47,196	0	0	0	0	47,196
Administration	1,929,832	0	0	64,780	157,422	2,152,034
Fiscal	540,088	28,328	959	4,210	0	573,585
Business	144,804	0	0	18,837	0	163,641
Operation and Maintenance of Plant	1,970,174	0	0	199,425	390	2,169,989
Pupil Transportation	1,125,398	0	0	0	0	1,125,398
Central	231,617	0	0	0	0	231,617
Operation of Non-Instructional Services	41,755	0	0	0	65,023	106,778
Operation of Food Services	0	0	0	0	1,104,675	1,104,675
Extracurricular Activities	360,270	0	0	0	124,431	484,701
Capital Outlay	67,370	0	5,618,633	2,500	769,034	6,457,537
<b>Debt Service:</b>						
Principal Retirement	0	837,000	0	0	0	837,000
Interest and Fiscal Charges	0	916,992	0	0	0	916,992
<b>Total Expenditures</b>	<b>23,031,405</b>	<b>1,782,320</b>	<b>5,619,592</b>	<b>289,752</b>	<b>4,042,660</b>	<b>34,765,729</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>16,966</b>	<b>143,604</b>	<b>(4,712,152)</b>	<b>2,143</b>	<b>(813,776)</b>	<b>(5,363,215)</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds of Notes	0	0	250,000	0	550,000	800,000
Transfers In	0	0	0	0	37,613	37,613
Transfers Out	0	0	0	0	(37,613)	(37,613)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>250,000</b>	<b>0</b>	<b>550,000</b>	<b>800,000</b>
<b>Net Change in Fund Balances</b>	<b>16,966</b>	<b>143,604</b>	<b>(4,462,152)</b>	<b>2,143</b>	<b>(263,776)</b>	<b>(4,563,215)</b>
<b>Fund Balance (Deficit) Beginning of Year</b>	<b>(1,882,983)</b>	<b>1,549,483</b>	<b>5,318,220</b>	<b>1,272,140</b>	<b>74,813</b>	<b>6,331,673</b>
<b>Fund Balance (Deficit) End of Year</b>	<b>(\$1,866,017)</b>	<b>\$1,693,087</b>	<b>\$856,068</b>	<b>\$1,274,283</b>	<b>(\$188,963)</b>	<b>\$1,768,458</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, 2014*

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**Net Change in Fund Balances - Total Governmental Funds** (\$4,563,215)

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

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

Capital Outlay	3,738,590	
Current Year Depreciation	(1,991,972)	
Total		1,746,618

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

Property Taxes	5,861	
Intergovernmental Grants	(56,945)	
Total		(51,084)

Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.

OSFC Bond Anticipation Note Issued	(250,000)	
Turf Project Note Issued	(550,000)	
Total		(800,000)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.

837,000

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

Accrued Interest on Bonds & Notes	2,771	
Accreted Interest on Capital Appreciation Bonds	(96,460)	
Amortization of Bond Premiums	29,314	
Amortization of Deferred Charge on Refunding	(13,060)	
Total		(77,435)

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

(111,934)

The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the district-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

(207,221)

*Change in Net Position of Governmental Activities*

(\$3,227,271)

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 (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$8,179,591	\$8,179,591	\$6,530,550	(\$1,649,041)
Tuition and Fees	803,856	847,105	871,408	24,303
Interest	3,198	3,370	3,467	97
Rentals	42,157	44,426	45,700	1,274
Intergovernmental	14,210,329	14,974,887	15,404,502	429,615
Miscellaneous	56,088	59,105	60,801	1,696
Transportation Fees	87,998	92,733	95,393	2,660
<i>Total Revenues</i>	<u>23,383,217</u>	<u>24,201,217</u>	<u>23,011,821</u>	<u>(1,189,396)</u>
<b>Expenditures</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	11,440,716	11,442,077	11,334,765	107,312
Special	3,268,104	3,268,493	3,244,601	23,892
Vocational	17,506	17,508	17,508	0
Other	1,053,436	1,053,562	1,039,017	14,545
<b>Support Services:</b>				
Pupils	996,526	996,645	941,639	55,006
Instructional Staff	253,752	253,782	245,337	8,445
Board of Education	67,744	67,752	44,256	23,496
Administration	1,971,823	1,972,057	1,885,671	86,386
Fiscal	563,576	563,643	538,488	25,155
Business	144,913	144,931	143,751	1,180
Operation and Maintenance of Plant	1,952,867	1,953,099	1,889,719	63,380
Pupil Transportation	1,175,106	1,175,246	1,067,610	107,636
Central	270,901	270,934	264,869	6,065
Operation of Non-Instructional Services	22,293	22,295	20,463	1,832
Extracurricular Activities	338,634	338,674	332,095	6,579
Capital Outlay	67,362	67,370	67,370	0
<i>Total Expenditures</i>	<u>23,605,259</u>	<u>23,608,068</u>	<u>23,077,159</u>	<u>530,909</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(222,042)	593,149	(65,338)	(658,487)
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditure	0	0	90,225	90,225
<i>Net Change in Fund Balance</i>	(222,042)	593,149	24,887	(568,262)
<i>Fund Balance Beginning of Year</i>	82,883	82,883	82,883	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$139,159)</u>	<u>\$676,032</u>	<u>\$107,770</u>	<u>(\$568,262)</u>

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 (Non-GAAP Basis) and Actual  
Classroom Facilities Maintenance Fund  
For the Fiscal Year Ended June 30, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$158,252	\$158,252	\$195,453	\$37,201
Intergovernmental	79,071	79,071	97,658	18,587
<i>Total Revenues</i>	<u>237,323</u>	<u>237,323</u>	<u>293,111</u>	<u>55,788</u>
<b>Expenditures</b>				
Current:				
Support Services:				
Administration	74,570	74,570	65,815	8,755
Fiscal	5,048	5,048	4,210	838
Business	51,175	51,175	18,837	32,338
Operation and Maintenance of Plant	759,908	759,908	268,104	491,804
Operation of Non-Instructional Services	5,000	5,000	0	5,000
Capital Outlay	17,500	17,500	2,500	15,000
<i>Total Expenditures</i>	<u>913,201</u>	<u>913,201</u>	<u>359,466</u>	<u>553,735</u>
<i>Net Change in Fund Balance</i>	(675,878)	(675,878)	(66,355)	609,523
<i>Fund Balance Beginning of Year</i>	1,194,269	1,194,269	1,194,269	0
Prior Year Encumbrances Appropriated	139,656	139,656	139,656	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$658,047</u>	<u>\$658,047</u>	<u>\$1,267,570</u>	<u>\$609,523</u>

See accompanying notes to the basic financial statements

**Niles City School District**

Trumbull County, Ohio

*Statement of Fund Net Position*

*Proprietary Fund*

*June 30, 2014*

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	<u>Internal Service</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$370,491
<b>Liabilities</b>	
Claims Payable	<u>307,748</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$62,743</u></u>

See accompanying notes to the basic financial statements

**Niles City School District**

Trumbull County, Ohio

*Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2014*

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	<u>Internal Service</u>
<b>Operating Revenues</b>	
Charges for Services	<u>\$3,245,367</u>
<b>Operating Expenses</b>	
Purchased Services	501,973
Claims	2,952,175
<i>Total Operating Expenses</i>	<u>3,454,148</u>
<i>Operating Loss</i>	(208,781)
<b>Non-Operating Revenues</b>	
Interest	<u>1,560</u>
<i>Change in Net Position</i>	(207,221)
<i>Net Position Beginning of Year</i>	<u>269,964</u>
<i>Net Position End of Year</i>	<u><u>\$62,743</u></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, 2014*

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	<u>Internal Service</u>
<b><i>Decrease in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services	\$3,245,367
Cash Payments for Goods and Services	(501,973)
Cash Payments for Claims	<u>(2,994,427)</u>
<i>Net Cash Used for Operating Activities</i>	(251,033)
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	<u>3,408</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(247,625)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>618,116</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$370,491</u></u>
 <b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	(\$208,781)
Adjustments:	
Change in Claims Payable	<u>(42,252)</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$251,033)</u></u>
See accompanying notes to the basic financial statements	

**Niles City School District**

Trumbull County, Ohio

*Statement of Net Position*

*Fiduciary Funds*

*June 30, 2014*

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	Private Purpose Trust	
	Scholarship	Agency
<b>Current Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$311,941	\$32,341
<b>Current Liabilities</b>		
Due to Students	0	\$32,341
<b>Net Position</b>		
Held in Trust for Scholarships	\$311,941	

See accompanying notes to the basic financial statements

**Niles City School District**  
Trumbull County, Ohio

*Statement of Changes in Net Position*  
*Private Purpose Trust Funds*  
*For the Fiscal Year Ended June 30, 2014*

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	<u>Scholarship</u>
<b>Additions</b>	
Interest	\$40
Contributions and Donations	<u>1,250</u>
<i>Total Additions</i>	1,290
<b>Deductions</b>	
Scholarships Awarded	<u>11,000</u>
<i>Change in Net Position</i>	(9,710)
<i>Net Position Beginning of Year</i>	<u>321,651</u>
<i>Net Position End of Year</i>	<u><u>\$311,941</u></u>

See accompanying notes to the basic financial statements

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**Niles City School District  
Trumbull County, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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**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 6 instructional and support service facilities, which are staffed by 183 certified and 95 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 2014 was 2,406.

**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'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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". 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, 2014

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

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten 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, 6000 Youngstown-Warren Road, Niles, Ohio 44446.

State Support Team Region 5 (the "Team")

The Team is a jointly governed organization among the school districts located in Trumbull, Mahoning, Ashtabula 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 Team is governed by a 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 Mahoning County Educational Service Center, 100 DeBartolo Place, Suite 220, Youngstown, Ohio 44512.

**Niles City School District  
Trumbull County, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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*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 deferred outflows of resources less liabilities and deferred inflows of resources 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.

Bond retirement fund - The bond retirement fund accounts for the retirement of serial bonds and short-term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation which is levied for debt charges on bonds or loans, shall be paid into this fund.

**Niles City School District  
Trumbull County, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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Classroom facilities fund - This fund was established pursuant to Sections 3318.080 and 3318.15, Ohio Revised Code, and accounts for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for building and equipping of classroom facilities.

Classroom facilities maintenance fund - This fund was established pursuant to Section 3318.06, Ohio Revised Code, and accounts for property taxes restricted for the maintenance and upkeep of classroom facilities.

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 position and changes in net position. 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 position 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

**Niles City School District**  
**Trumbull County, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

*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 non-major 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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of this fund are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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.

**Niles City School District  
Trumbull County, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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**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, are 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). 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.

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to

**Niles City School District  
Trumbull County, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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.

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 the 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

**Niles City School District  
Trumbull County, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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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 covering the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the original and 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.

During fiscal year 2014, investments were limited to 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 2014. 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, 2014.



**Niles City School District  
Trumbull County, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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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 2014 amounted to \$3,467, which includes \$3,269 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 nonspendable classification in the governmental funds which indicates that it does not 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 position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. For fiscal year 2014, 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.

**Niles City School District  
Trumbull County, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 years
Buildings and Improvements	25 - 50 years
Furniture, Fixtures 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 position.

**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, 2014, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employee who has accumulated the unpaid leave will be paid.

**Niles City School District  
Trumbull County, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the internal service fund 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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

**L. Fund Balance Classifications**

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. In other governmental funds, unassigned is used to report a deficit balance.

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, 2014

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**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 Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include amounts restricted for food service, non-public schools and community involvement.

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

**O. 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.

**P. Internal Activity**

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

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.

**Niles City School District**  
**Trumbull County, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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**Q. 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.

**R. Unamortized Premiums**

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

On the governmental fund financial statements premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.

**S. Deferred Charge on Refunding**

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Major Fund:</u>	<u>Deficit</u>
General Fund	\$1,866,017
<u>Nonmajor Funds:</u>	
Building Fund	43,152
Food Service Fund	121,921
IDEA Part B Fund	43,132
Title I Fund	99,993
Improving Teacher Quality Fund	16,275
Miscellaneous Federal Grants Fund	12,119

The deficit fund balances in these funds are the result of adjustments for accrued liabilities, except for the Food Service fund, which had a negative cash balance at fiscal year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur.

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The Food Service special revenue fund did not comply with Ohio state law, which does not permit a cash basis deficit at year-end (see compliance note below). The general fund is liable for the deficit in this fund and provides transfers when cash is required.

**B. Compliance**

The Food Service special revenue fund had a negative cash balance at June 30, 2014 of \$9,992, indicating that revenues from other sources were used to pay obligations of this fund, contrary to Ohio Revised Code Section 5705.10.

Management has indicated that all cash balances will be closely monitored to ensure no future violations.

**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;

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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;
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, 2014, the carrying amount of all District deposits was \$1,966,715. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$1,874,565 of the District's bank balance of \$1,995,056 was covered by the Federal Deposit Insurance Corporation, while \$120,491 was exposed to custodial risk as discussed below.

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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 percent 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, 2014, the District had the following investments and maturities:

	Fair Value	Maturity
STAR Ohio	\$2,904,697	6 months or less

*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:* Standard & Poor's has assigned STAR Ohio a 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.

*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. None of the District's investments 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, 2014:

	Fair Value	% of Total
STAR Ohio	\$2,904,697	100.00%



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

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 position as of June 30, 2014:

<u>Cash and Investments per Note Disclosure</u>		<u>Cash and Investments per Statement of Net Position</u>	
Carrying amount of deposits	\$1,966,715	Governmental Activities	\$4,527,430
Investments	2,904,697	Private Purpose Trust Funds	311,941
Cash on Hand	300	Agency Fund	32,341
Total	\$4,871,712		\$4,871,712

**NOTE 5 - INTERFUND TRANSACTIONS**

Due from and to other funds at June 30, 2014 consisted of the following amounts, as reported in the fund financial statements:

	Due from:	
<u>Due to:</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Projects Funds</u>
General Fund	\$74,726	\$0
Classroom Facilities Fund	0	46,992
	\$74,726	\$46,992

The purpose of these amounts due from and to other funds is to cover negative cash balances in nonmajor special revenue funds and for an interfund advance between capital projects 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 and public utility property located in the District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014

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were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2012, were levied after April 1, 2013, 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.

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, 2014, are available to finance fiscal year 2014 operations. 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 and public utility property taxes which are measurable as of June 30, 2014 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 to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2014 was \$52,338 in the general fund, \$9,979 in the bond retirement debt service fund and \$1,482 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2013 was \$62,699 in the general fund, \$17,988 in the bond retirement debt service fund, \$30,658 in the permanent improvement capital projects fund and \$2,698 in the classroom facilities maintenance special revenue fund. The difference was in timing and collection by the County Auditor.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$227,876,120	95.60 %	\$226,468,710	95.73 %
Public Utility Personal	10,485,060	4.40	10,110,700	4.27
<b>Total</b>	<b>\$238,361,180</b>	<b>100.00 %</b>	<b>\$236,579,410</b>	<b>100.00 %</b>
Tax rate per \$1,000 of assessed valuation	\$53.75		\$54.90	

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Notes to the Basic Financial Statements  
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**NOTE 7 – FUND BALANCES**

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

Fund Balances	General	Bond Retirement	Classroom Facilities	Classroom Facilities Maintenance	Nonmajor Governmental	Total
<b>Restricted for:</b>						
Non-Public Schools	\$0	\$0	\$0	\$0	\$31,269	\$31,269
School Supplies	0	0	0	0	583	583
Technology Improvements	0	0	0	0	20,080	20,080
Classroom Maintenance	0	0	0	1,274,283	0	1,274,283
Debt Service Payments	0	1,693,087	0	0	0	1,693,087
Capital Improvements	0	0	856,068	0	1,419	857,487
Other Purposes	0	0	0	0	14,639	14,639
<i>Total Restricted</i>	<u>0</u>	<u>1,693,087</u>	<u>856,068</u>	<u>1,274,283</u>	<u>67,990</u>	<u>3,891,428</u>
<b>Committed to:</b>						
Extracurricular Activities	0	0	0	0	79,639	79,639
<b>Assigned to:</b>						
Other Purposes	115,745	0	0	0	0	115,745
Encumbrances	1,999	0	0	0	0	1,999
<i>Total Assigned</i>	<u>117,744</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>117,744</u>
<b>Unassigned (Deficit)</b>	<u>(1,983,761)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(336,592)</u>	<u>(2,320,353)</u>
<b>Total Fund Balances</b>	<u><u>(\$1,866,017)</u></u>	<u><u>\$1,693,087</u></u>	<u><u>\$856,068</u></u>	<u><u>\$1,274,283</u></u>	<u><u>(\$188,963)</u></u>	<u><u>\$1,768,458</u></u>

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2014 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 position follows:

<u>Governmental Activities</u>	<u>Amount</u>
Property Taxes	\$10,010,970
Accounts	4,159
Intergovernmental	<u>279,410</u>
Total	<u><u>\$10,294,539</u></u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

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**NOTE 9 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	(Restated) Balance 6/30/13	Additions	Reductions	Balance 6/30/14
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$655,575	\$0	\$0	\$655,575
Construction in progress	9,905,706	0	(9,905,706)	0
<b>Total capital assets not being depreciated</b>	<b>10,561,281</b>	<b>0</b>	<b>(9,905,706)</b>	<b>655,575</b>
<i>Capital assets being depreciated:</i>				
Land improvements	2,641,607	1,409,734	0	4,051,341
Buildings and improvements	51,624,431	10,933,869	0	62,558,300
Furniture, fixtures and equipment	3,117,855	1,300,693	0	4,418,548
Vehicles	986,207	0	0	986,207
<b>Total capital assets being depreciated</b>	<b>58,370,100</b>	<b>13,644,296</b>	<b>0</b>	<b>72,014,396</b>
<i>Accumulated depreciation:</i>				
Land improvements	(487,724)	(162,619)	0	(650,343)
Buildings and improvements	(4,920,520)	(1,546,183)	0	(6,466,703)
Furniture, fixtures and equipment	(1,482,746)	(214,790)	0	(1,697,536)
Vehicles	(760,683)	(68,380)	0	(829,063)
<b>Total accumulated depreciation</b>	<b>(7,651,673)</b>	<b>(1,991,972) *</b>	<b>0</b>	<b>(9,643,645)</b>
<b>Capital assets being depreciated, net</b>	<b>50,718,427</b>	<b>11,652,324</b>	<b>0</b>	<b>62,370,751</b>
<b>Governmental activities capital assets, net</b>	<b>\$61,279,708</b>	<b>\$11,652,324</b>	<b>(\$9,905,706)</b>	<b>\$63,026,326</b>

\* Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$1,731,871
Special	777
<b>Support Services:</b>	
Pupil	1,150
Instructional Staff	36,553
Board of Education	858
Administration	25,924
Fiscal	672
Operation and Maintenance of Plant	14,948
Pupil Transportation	76,165
Central	142
Operation of Non-Instructional Services	39,288
Operation of Food Services	7,678
Extracurricular	55,946
<b>Total Depreciation Expense</b>	<b>\$1,991,972</b>

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**NOTE 10 – LONG-TERM OBLIGATIONS**

The changes in the District’s long-term obligations during fiscal year 2014 were as follows:

<b>Governmental activities:</b>	<u>Balance</u> <u>06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/14</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<i>General obligation bonds:</i>					
Capital appreciation bonds - Series 2001	\$ 117,268	\$ -	\$ (117,268)	\$ -	\$ -
Accreted interest - Series 2001	177,732	-	(177,732)	-	-
Current interest bonds - Series 2009	16,490,000	-	(250,000)	16,240,000	260,000
Capital appreciation bonds - Series 2009	120,000	-	-	120,000	-
Accreted interest - Series 2009	275,383	68,846	-	344,229	-
Current interest bonds - Series 2010	3,310,000	-	(50,000)	3,260,000	355,000
Capital appreciation bonds - Series 2010	90,000	-	-	90,000	-
Accreted interest - Series 2010	<u>57,617</u>	<u>27,614</u>	<u>-</u>	<u>85,231</u>	<u>-</u>
<i>Total general obligation bonds</i>	<u>20,638,000</u>	<u>96,460</u>	<u>(595,000)</u>	<u>20,139,460</u>	<u>615,000</u>
<i>Other long-term obligations:</i>					
Energy conservation notes	923,900	-	(132,000)	791,900	132,000
OSFC bond anticipation note	-	250,000	-	250,000	250,000
Turf project note	-	550,000	(110,000)	440,000	110,000
Compensated absences	<u>984,223</u>	<u>145,618</u>	<u>(33,684)</u>	<u>1,096,157</u>	<u>49,961</u>
Total other long-term obligations	<u>1,908,123</u>	<u>945,618</u>	<u>(275,684)</u>	<u>2,578,057</u>	<u>541,961</u>
Total long-term obligations	<u>\$ 22,546,123</u>	<u>\$ 1,042,078</u>	<u>\$ (870,684)</u>	<u>22,717,517</u>	<u>\$ 1,156,961</u>
Add: Unamortized premium on bond issuance - 2009				130,378	
Add: Unamortized premium on bond issuance - 2010				<u>127,438</u>	
Total on statement of net position				<u>\$ 22,975,333</u>	

*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 made quarterly disbursements to the District during the construction project.

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 a special revenue fund.

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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 was \$870,000. This issuance was paid off during the fiscal year.

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.

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 made quarterly disbursements to the District during the construction project. As of June 30, 2014, the total cost of the construction project is \$54,452,539, of which OSFC will pay \$37,470,722.

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 \$344,229 in accreted interest on the capital appreciation bonds has been included in the long-term liabilities on the statement of net position at June 30, 2014. 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 position. The balance of the refunded current interest bonds at June 30, 2014, is \$3,535,000.

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Notes to the Basic Financial Statements  
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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 \$85,231 has been included in the statement of net position at June 30, 2014.

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.

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 position.

Ohio School Facilities Commission Bond Anticipation Note: During fiscal year 2014, the District issued a classroom facilities improvement note in the amount of \$250,000. This note was issued on November 7, 2013, matures on November 7, 2014, and carries an interest rate of 2.75%. These notes are a general obligation of the District and are reported as a component of long-term liabilities on the statement of net position.

Turf Project Notes: During fiscal year 2014, the District issued notes in the amount of \$550,000 for new field turf in the football stadium. These notes were issued on July 16, 2013, mature on May 1, 2018, and carry an interest rate of 3.0%. The District secured \$270,000 in private donations to offset the cost of this project and pay back these notes over their term. These notes are a general obligation of the District and are reported as a component of long-term liabilities on the statement of net position.

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

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Principal and interest payments to retire the long-term obligations as of June 30, 2014 are as follows:

Fiscal Year Ended	Current Interest Bonds, Series 2009			Capital Appreciation Bonds, Series 2009		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$260,000	\$748,781	\$1,008,781	\$0	\$0	\$0
2016	300,000	740,900	1,040,900	0	0	0
2017	325,000	731,120	1,056,120	0	0	0
2018	280,000	720,939	1,000,939	0	0	0
2019	340,000	709,919	1,049,919	0	0	0
2020 - 2024	1,745,000	3,401,214	5,146,214	120,000	740,000	860,000
2025 - 2029	3,830,000	2,756,790	6,586,790	0	0	0
2030 - 2034	5,280,000	1,640,972	6,920,972	0	0	0
2035 - 2037	3,880,000	301,500	4,181,500	0	0	0
<b>Total</b>	<b>\$16,240,000</b>	<b>\$11,752,135</b>	<b>\$27,992,135</b>	<b>\$120,000</b>	<b>\$740,000</b>	<b>\$860,000</b>

Fiscal Year Ended	Current Interest Bonds, Series 2010			Capital Appreciation Bonds, Series 2010		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$355,000	\$106,481	\$461,481	\$0	\$0	\$0
2016	365,000	97,469	462,469	0	0	0
2017	385,000	86,675	471,675	0	0	0
2018	405,000	73,813	478,813	0	0	0
2019	425,000	59,288	484,288	0	0	0
2020 - 2023	1,325,000	127,775	1,452,775	90,000	360,000	450,000
<b>Total</b>	<b>\$3,260,000</b>	<b>\$551,501</b>	<b>\$3,811,501</b>	<b>\$90,000</b>	<b>\$360,000</b>	<b>\$450,000</b>

Fiscal Year Ending June 30,	Energy Conservation Notes			Turf Project Notes***		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$132,000	\$33,260	\$165,260	\$110,000	\$12,382	\$122,382
2016	132,000	27,559	159,559	110,000	9,097	119,097
2017	132,000	21,739	153,739	110,000	5,770	115,770
2018	132,000	16,034	148,034	110,000	2,482	112,482
2019	132,000	10,292	142,292	0	0	0
2020	131,900	4,555	136,455	0	0	0
<b>Total</b>	<b>\$791,900</b>	<b>\$113,439</b>	<b>\$905,339</b>	<b>\$440,000</b>	<b>\$29,731</b>	<b>\$469,731</b>

\*\*\* The District secured \$270,000 in private donations to offset the cost of this project and pay back these notes over their term.

**Legal Debt Margins:** The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent 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 percent of the property valuation of the District.



**Niles City School District  
Trumbull County, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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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, 2014, are a legal voted debt margin of \$2,585,234 (including available funds of \$1,693,087), a legal unvoted debt margin of \$236,579, and a legal energy conservation debt margin of \$1,573,894.

**NOTE 11 - 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.

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 percent 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 percent 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 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 2014, the District contracted with Harcum-Hylant Agency, Inc. for property, liability and fleet insurance. The insurance coverages are as follows:

**Niles City School District  
Trumbull County, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

Type of Coverage	Coverage
<b>Coverage provided by Harcum-Hylant Agency:</b>	
Building and Personal Property (\$2,500 deductible)	\$63,926,076
Crime:	
Employee Theft (\$1,000 deductible)	50,000
Money and Securities:	
Inside Premises	10,000
Outside Premises	10,000
General Liability (\$2,500 deductible)	
Per occurrence	4,000,000
Total Aggregate per Year	6,000,000
Automobile Liability (\$1,000 deductible)	4,000,000
Uninsured Motorists	1,000,000

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:

Insurance Coverage	Family	Single
Medical & Prescription Drug	\$1,460	\$599
Dental	78	19
Vision	21	6
Total Premium	\$1,559	\$624

The claims liability of \$307,748 reported in the Employee Benefits Self-Insurance internal service fund at June 30, 2014 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:

**Niles City School District  
Trumbull County, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2013	\$300,000	3,306,115	3,256,115	\$350,000
2014	350,000	2,952,175	2,994,427	307,748

**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.

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 can be obtained on SERS' website at [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 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS

**Niles City School District  
Trumbull County, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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for the fiscal years ended June 30, 2014, 2013 and 2012 were \$396,423, \$401,979 and \$434,695, respectively; 39 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**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 is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plans. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits - Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit", the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits - Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies

**Niles City School District  
Trumbull County, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying one percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or other Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3 percent of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit 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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. 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.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 10 percent of covered payroll for members and 14 percent for employers. The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,338,858, \$1,357,458 and \$1,443,742, respectively; 83 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were not available at the time this report was issued.

**Niles City School District  
Trumbull County, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2013 *Comprehensive Annual Financial Report* are available.

Additional information or copies of STRS Ohio's 2013 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**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, 2014, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan – The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is 0.76 percent. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$22,999, \$22,707 and \$25,772, respectively; 100 percent has been contributed for fiscal year 2014, 2013 and 2012.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

**Niles City School District  
Trumbull County, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.14 percent. 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 2014, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$27,235, \$27,617 and \$46,390, respectively; 39 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The SERS 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 financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

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

Plan Description - STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issued a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll free (888) 227-7877.

**Niles City School District  
Trumbull County, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$102,989, \$104,420 and \$111,057, respectively; 83 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**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 and the classroom facilities maintenance fund are 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balances (GAAP basis).
4. \*Certain funds have legally separate adopted budgets (budget) but are included in the General Fund (GAAP).

\*As part of Governmental Accounting Standards Board No. 54 "Fund Balance Reporting", certain funds that are legally budgeted 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.



**Niles City School District  
Trumbull County, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and classroom facilities maintenance fund are as follows:

	Net Change in Fund Balance	
	General	Classroom Facilities Maintenance
GAAP Basis	\$16,966	\$2,143
Net Adjustment for Revenue Accruals	133,407	1,216
Net Adjustment for Expenditure Accruals	(45,754)	(34,658)
Net Adjustment for Funds Budgeted as Special Revenue	(79,732)	0
Adjustment for Encumbrances	0	(35,056)
Budget Basis	\$24,887	(\$66,355)

**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.

**NOTE 17 - STATUTORY RESERVES**

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

**Niles City School District**  
Trumbull County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2013	\$0
Current Year Set-Aside Requirement	435,129
Qualifying Disbursements	(5,262,917)
Current year offsets	(293,110)
Total	(\$5,120,898)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0
Cash balance as of June 30, 2014	\$0

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

**NOTE 18 - 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:

Fund Type	Outstanding Encumbrances
Classroom Facilities Fund	\$252,764
Classroom Facilities Maintenance Fund	35,056
Other Nonmajor Governmental Funds	94,202
	\$382,022

**NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2014, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 ad No. 62", Statement No. 67, "Financial Reporting for Pension Plans", and Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees."

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

**Niles City School District**  
Trumbull County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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GASB Statement No. 67 establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses/expenditures. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the District.

GASB Statement No. 70 improves the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**NOTE 20 – RESTATEMENT OF PRIOR YEAR NET POSITION**

During fiscal year 2014 the District hired an outside company to perform an overall revaluation of its capital assets and it was determined that capital assets were overstated. A restatement to beginning net position was necessary to properly reflect capital assets and net position as previously reported.

	<u>Governmental Activities</u>
Net Position at 6/30/13	\$47,697,823
Overstatement of Capital Assets	<u>(824,461)</u>
Adjusted Net Position at 6/30/13	<u><u>\$46,873,362</u></u>

**NOTE 21 – FINANCIAL CONDITION**

In accordance with Ohio Revised Code Section 3316.031, the Ohio Department of Education declared the District to be in a state of fiscal watch in 2003. The District's year-end deficit balances have been disclosed in Note 3. An entity may be released from fiscal watch if the Department of Education determines that corrective actions have been or are being implemented. The performance audit report provided recommendations to eliminate the conditions that brought about the declaration of fiscal watch. The performance audit report contained the following noteworthy accomplishments made by the District while in fiscal watch: 1) the District's voters approved a 4.65 mill renewal levy, 2) reductions in force, and 3) entered into negotiations to address costly health care provisions. Although these steps made a significant impact on reducing the District's current projected deficit, the District is still projected to reach a deficit of 2.9 million in fiscal year 2017 based on declining revenues from tax valuations and State assistance. A copy of the District's performance audit can be viewed at <http://www.auditor.state.oh.us/auditsearch/search.aspx>.

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**NILES CITY SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<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	2014	10.555	\$ 74,660	\$ 74,660
<i>Cash Assistance:</i>				
National School Breakfast Program	2014	10.553	138,208	138,208
National School Lunch Program	2014	10.555	582,685	582,685
Subtotal - Cash Assistance			<b>720,894</b>	<b>720,894</b>
<i>Total Child Nutrition Cluster</i>			<b>795,554</b>	<b>795,554</b>
Child Nutrition - Point of Sale	2014	10.560	23,405	11,110
Total U.S. Department of Agriculture			<b>818,959</b>	<b>806,664</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Title I Cluster:</i>				
Grants to Local Educational Agencies - ESEA Title 1	2012	84.010	-	1,086
	2013		262,242	233,331
	2014		835,127	867,792
Subtotal - ESEA Title 1 Cluster			<b>1,097,370</b>	<b>1,102,210</b>
<i>Special Education Cluster:</i>				
Special Education Grants to States - (IDEA Part B)	2012	84.027	50	-
Special Education Grants to States - (IDEA Part B)	2013	84.027	98,376	82,872
	2014		410,412	422,771
Subtotal - Special Education Cluster			<b>508,838</b>	<b>505,642</b>
Technology State Grants - Title II-D	2013	84.318	-	87
Subtotal - Technology State Grants - Title II-D			-	<b>87</b>
Improving Teacher Quality State Grants - Title II-A	2013	84.367	10,588	14,220
	2014		137,948	157,658
Subtotal - Improving Teacher Quality			<b>148,536</b>	<b>171,878</b>
Race to the Top - Resident Educator	2013	84.395	3,500	4,550
Total U.S. Department of Education			<b>1,758,243</b>	<b>1,784,367</b>
<b>Total</b>			<b>\$2,577,202</b>	<b>\$2,591,030</b>

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

**NILES CITY SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures, (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 fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

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

Niles City School District  
Trumbull County  
309 North Rhodes Ave.  
Niles, Ohio 44446

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 5, 2014 wherein we noted the District restated for a reevaluation of capital assets. We also noted the District is experiencing financial difficulties.

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

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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  
Columbus, Ohio

November 5, 2014





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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  
309 North Rhodes Ave.  
Niles, Ohio 44446

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Niles City School District's (the District) compliance with the applicable 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 the Niles City School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Niles City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 5, 2014

**NILES CITY SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education - Grants to States/CFDA # 84.027 Nutrition Cluster/CFDA # 10.553, 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**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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**NILES CITY SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Adequate supporting documentation not maintained for two of the District's elementary schools to support meals claimed for reimbursement under the Nutrition Cluster Program, CFDA Number 10.553 and 10.555. Reported as material noncompliance, material weakness and questioned cost.	Yes	

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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  
JANUARY 15, 2015**