



**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Medina City School District
Medina County
120 West Washington Street
Medina, Ohio 44256

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Medina City School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2001, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Medina City School District, Medina County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 26, 2001

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**Medina City School District
Medina County
Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	10,544,921	\$905,935	\$2,572,618	\$20,434,058
Investments	12,000,000			36,000,000
Receivables:				
Taxes	31,778,384		5,969,285	269,676
Accounts				
Intergovernmental	33,129	41,661		
Inventory Held for Resale				
Due From Other Funds				
Materials and Supplies Inventory	41,191			
Prepaid Items	335,809	6,640		
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	229,687			
Fixed Assets (Net, where applicable, of accumulated depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long Term Obligations				
Amount to be Provided from General Government Resources				
 Total Assets and Other Debits	<u>\$54,963,121</u>	<u>\$954,236</u>	<u>\$8,541,903</u>	<u>\$56,703,734</u>
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$443,701	\$40,062		\$271
Contracts Payable				3,324,665
Accrued Wages	4,038,382	118,444		
Compensated Absences Payable				
Due to Other Funds				
Intergovernmental Payable	968,309	8,387		
Deferred Revenue	30,732,295		\$5,721,571	256,102
Due to Students				
Notes Payable				180,000
General Obligation Bonds Payable				
Total Liabilities	<u>36,182,687</u>	<u>166,893</u>	<u>5,721,571</u>	<u>3,761,038</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Inventory	41,191			
Reserved for Encumbrances	1,855,936	67,695		45,840,136
Reserved for Property Taxes	1,079,218		247,714	13,574
Reserved for Prepaid Items	335,809	6,640		
Reserved for Bureau of Workers Compensation Refund	229,687			
Reserved for Endowment				
Unreserved, Undesignated	15,238,593	713,008	2,572,618	7,088,986
Total Fund Equity and Other Credits	<u>18,780,434</u>	<u>787,343</u>	<u>2,820,332</u>	<u>52,942,696</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$54,963,121</u>	<u>\$954,236</u>	<u>\$8,541,903</u>	<u>\$56,703,734</u>

The notes to the general purpose financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$594,299	\$72,341	\$713,416 11,986			\$35,837,588 48,011,986 38,017,345
20,573					74,790 20,573
10,041 9,970	1,603				51,232 354,022
56,395			\$76,576,932		229,687 76,633,327
				\$2,820,332	2,820,332
				93,356,852	93,356,852
<u>\$691,278</u>	<u>\$73,944</u>	<u>\$725,402</u>	<u>\$76,576,932</u>	<u>\$96,177,184</u>	<u>\$295,407,734</u>
\$3,355		\$2,600			\$489,989 3,324,665
80,859 71,689	\$21,714			\$4,796,644	4,259,399 4,868,333
19,278 20,573				\$381,068	1,377,042 36,730,541
		172,165			172,165 180,000
<u>195,754</u>	<u>21,714</u>	<u>174,765</u>		<u>90,999,472</u> <u>96,177,184</u>	<u>90,999,472</u> <u>142,401,606</u>
104,727			\$76,576,932		76,576,932 104,727
390,797	52,230				443,027 41,191
					47,763,767 1,340,506 342,449
		508,797 41,840			229,687 508,797 25,655,045
<u>495,524</u>	<u>52,230</u>	<u>550,637</u>	<u>76,576,932</u>		<u>153,006,128</u>
<u>\$691,278</u>	<u>\$73,944</u>	<u>\$725,402</u>	<u>\$76,576,932</u>	<u>\$96,177,184</u>	<u>\$295,407,734</u>

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**Medina City School District
Medina County
Combined Statement of Revenues, Expenditures and Changes in Fund
Balances - All Governmental Fund Types and Similar Trust Fund
Fiscal Year Ended June 30, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Taxes	\$31,146,897		\$6,186,862	\$506,468		\$37,840,227
Intergovernmental	15,946,631	\$1,991,240	717,860	260,822		18,916,553
Interest	1,774,938	7,870		3,841,486	\$3,204	5,627,498
Tuition and Fees	306,279					306,279
Charges for Services	19,240					19,240
Rent	25,521					25,521
Gifts and Donations	14	96,525		20,000	2,000	118,539
Extracurricular Activities		695,911			2,994	698,905
Miscellaneous	79,732	91,987		16,800		188,519
Total Revenue	49,299,252	2,883,533	6,904,722	4,645,576	8,198	63,741,281
Expenditures:						
Current:						
Instruction:						
Regular	22,321,172	307,770		261,562		22,890,504
Special	4,797,631	476,683				5,274,314
Vocational	532,444					532,444
Other	1,175,316					1,175,316
Support Services:						
Pupils	2,357,323	294,574				2,651,897
Instructional Staff	2,499,860	424,047				2,923,907
Board of Education	67,116					67,116
Administration	3,137,910	541,878				3,679,788
Fiscal	1,036,912	50	102,143	9,369		1,148,474
Business	713,994	16,700				730,694
Operation and Maintenance	4,506,301			164,569		4,670,870
Pupil Transportation	2,834,935	24,541				2,859,476
Central	175,457	3,527		33,416		212,400
Non-Instructional Services		519,931			8,700	528,631
Extracurricular Activities	749,173	281,911				1,031,084
Capital Outlay	340,093			27,762,155		28,102,248
Debt Service:						
Principal Retirement			505,542			505,542
Interest and Fiscal Charges			4,736,113	20,700		4,756,813
Total Expenditures	47,245,637	2,891,612	5,343,798	28,251,771	8,700	83,741,518
Excess of Revenues Over (Under) Expenditures	2,053,615	(8,079)	1,560,924	(23,606,195)	(502)	(20,000,237)
Other Financing Sources (Uses):						
Operating Transfers In				185,700		185,700
Proceeds from the Sale of Fixed Assets	21,472					21,472
Refund of Prior Year Expenditures	183,597	899		1,219,881		1,404,377
Operating Transfers Out	(191,700)					(191,700)
Total Other Financing Sources (Uses)	13,369	899		1,405,581		1,419,849
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,066,984	(7,180)	1,560,924	(22,200,614)	(502)	(18,580,388)
Fund Balances at Beginning of Year	16,713,450	794,523	1,259,408	75,143,310	42,342	93,953,033
Fund Balances at End of Year	\$18,780,434	\$787,343	\$2,820,332	\$52,942,696	\$41,840	\$75,372,645

The notes to the general purpose financial statements are an integral part of this statement.

Medina City School District
Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Similar Trust Fund
For Fiscal Year Ended June 30, 2001

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$30,668,158	\$31,146,412	\$478,254			
Intergovernmental	15,533,175	15,946,631	413,456	\$1,749,748	\$1,828,512	\$78,764
Interest	1,000,000	1,774,938	774,938	7,609	7,870	261
Extracurricular Activities				804,125	695,911	(108,214)
Tuition and Fees	259,120	306,279	47,159			
Gifts and Donations				225,750	96,525	(129,225)
Miscellaneous	86,320	124,507	38,187	80,850	91,987	11,137
Total Revenue	47,546,773	49,298,767	1,751,994	2,868,082	2,720,805	(147,277)
Expenditures:						
Current:						
Instruction:						
Regular	22,565,625	22,619,826	(54,201)	376,433	322,944	53,489
Special	5,134,839	4,808,050	326,789	573,136	496,014	77,122
Vocational	548,692	526,065	22,627			
Other	1,444,586	1,620,990	(176,404)			
Support Services:						
Pupils	2,410,574	2,374,931	35,643	316,793	298,181	18,612
Instructional Staff	2,329,420	2,503,530	(174,110)	576,826	442,742	134,084
Board of Education	99,678	96,454	3,224			
Administration	3,382,271	3,181,392	200,879	771,152	552,236	218,916
Fiscal	1,148,923	1,095,558	53,365	50	50	
Business	734,023	788,568	(54,545)	59,856	19,987	39,869
Operation and Maintenance	5,539,016	5,470,397	68,619			
Pupil Transportation	3,236,407	2,999,454	236,953	26,531	24,951	1,580
Central	215,848	210,017	5,831	27,370	3,637	23,733
Non-Instructional Services						
Extracurricular Activities	645,334	751,553	(106,219)	439,904	295,139	144,765
Capital Outlay	394,480	393,411	1,069	37		37
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	49,829,716	49,440,196	389,520	3,787,203	3,036,452	750,751
Excess of Revenues Over (Under) Expenditures	(2,282,943)	(141,429)	2,141,514	(919,121)	(315,647)	603,474
Other Financing Sources (Uses):						
Operating Transfers In				52,718	52,718	
Proceeds from Sale of Bonds						
Proceeds from the Sale of Fixed Assets		21,472	21,472			
Refund of Prior Year Expenditures	10,400	183,597	173,197	320	898	578
Advances In	31,200	6,195	(25,005)		6,195	6,195
Other Financing Sources				120,125	121,067	942
Operating Transfers Out	(314,481)	(191,700)	122,781		(52,718)	(52,718)
Advances Out	(39,140)	(6,195)	32,945		(6,195)	(6,195)
Total Other Financing Sources (Uses)	(312,021)	13,369	325,390	173,163	121,965	(51,198)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,594,964)	(128,060)	2,466,904	(745,958)	(193,682)	552,276
Fund Balances at Beginning of Year	17,714,287	17,714,287		849,682	849,682	
Prior Year Encumbrances Reappropriated	2,888,744	2,888,744		142,178	142,178	
Fund Balances at End of Year	\$18,008,067	\$20,474,971	\$2,466,904	\$245,902	\$798,178	\$552,276

Debt Service			Capital Projects			Expendable Trust		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$6,183,386	\$6,186,495	\$3,109	\$508,033	\$506,401	(\$1,632)			
670,395	717,860	47,465	258,829	260,822	1,993			
			2,000,000	3,841,486	1,841,486	\$2,600	\$3,204	\$604
						2,500	2,994	494
						2,000	2,000	
				36,800	36,800			
6,853,781	6,904,355	50,574	2,766,862	4,645,509	1,878,647	7,100	8,198	1,098
			244,528	240,984	3,544			
210,319	210,319		13,506	13,506				
			629,174	644,601	(15,427)			
			48,000	47,992	8			
						14,330	10,500	3,830
			76,183,539	74,063,294	2,120,245			
670,542	670,542							
4,756,813	4,756,813							
5,637,674	5,637,674		77,118,747	75,010,377	2,108,370	14,330	10,500	3,830
1,216,107	1,266,681	50,574	(74,351,885)	(70,364,868)	3,987,017	(7,230)	(2,302)	4,928
185,700	185,700			660,622	660,622			
				1,219,881	1,219,881			
				(660,622)	(660,622)			
185,700	185,700			1,219,881	1,219,881			
1,401,807	1,452,381	50,574	(74,351,885)	(69,144,987)	5,206,898	(7,230)	(2,302)	4,928
1,012,061	1,012,061		61,218,095	61,218,095		42,342	42,342	
			15,196,149	15,196,149		1,800	1,800	
\$2,413,868	\$2,464,442	\$50,574	\$2,062,359	\$7,269,257	\$5,206,898	\$36,912	\$41,840	\$4,928

Medina City School District
Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Similar Trust Fund
For Fiscal Year Ended June 30, 2001

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$37,359,577	\$37,839,308	\$479,731
Intergovernmental	18,212,147	18,753,825	541,678
Interest	3,010,209	5,627,498	2,617,289
Extracurricular Activities	806,625	698,905	(107,720)
Tuition and Fees	259,120	306,279	47,159
Gifts and Donations	227,750	98,525	(129,225)
Miscellaneous	167,170	253,294	86,124
Total Revenue	60,042,598	63,577,634	3,535,036
Expenditures:			
Current:			
Instruction:			
Regular	23,186,586	23,183,754	2,832
Special	5,707,975	5,304,064	403,911
Vocational	548,692	526,065	22,627
Other	1,444,586	1,620,990	(176,404)
Support Services:			
Pupils	2,727,367	2,673,112	54,255
Instructional Staff	2,906,246	2,946,272	(40,026)
Board of Education	99,678	96,454	3,224
Administration	4,153,423	3,733,628	419,795
Fiscal	1,372,798	1,319,433	53,365
Business	793,879	808,555	(14,676)
Operation and Maintenance	6,168,190	6,114,998	53,192
Pupil Transportation	3,262,938	3,024,405	238,533
Central	291,218	261,646	29,572
Non-Instructional Services	633,445	591,071	42,374
Extracurricular Activities	1,085,238	1,046,692	38,546
Capital Outlay	76,578,056	74,456,705	2,121,351
Debt Service:			
Principal Retirement	670,542	670,542	
Interest and Fiscal Charges	4,756,813	4,756,813	
Total Expenditures	136,387,670	133,135,199	3,252,471
Excess of Revenues Over (Under) Expenditures	(76,345,072)	(69,557,565)	6,787,507
Other Financing Sources (Uses):			
Operating Transfers In	238,418	899,040	660,622
Proceeds from Sale of Bonds			
Proceeds from the Sale of Fixed Assets		1,241,353	1,241,353
Refund of Prior Year Expenditures	10,720	184,495	173,775
Advances In	31,200	12,390	(18,810)
Other Financing Sources	120,125	121,067	942
Operating Transfers Out	(314,481)	(905,040)	(590,559)
Advances Out	(39,140)	(12,390)	26,750
Total Other Financing Sources (Uses)	46,842	1,540,915	1,494,073
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(76,298,230)	(68,016,650)	8,281,580
Fund Balances at Beginning of Year	80,836,467	80,836,467	
Prior Year Encumbrances Reappropriated	18,228,871	18,228,871	
Fund Balances at End of Year	\$22,767,108	\$31,048,688	\$8,281,580

**Medina City School District
Medina County
Combined Statement of Revenues, Expenses and Changes in Fund Equity
All Proprietary Fund Types and Similar Trust Funds
Fiscal Year Ended June 30, 2001**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating Revenues:				
Sales	\$1,314,431			\$1,314,431
Tuition		\$211,267		211,267
Interest			\$41,465	41,465
Total Operating Revenues	1,314,431	211,267	41,465	1,567,163
Operating Expenses:				
Salaries	494,650	138,711		633,361
Fringe Benefits	208,888	56,005		264,893
Purchased Services	44,799	6,607		51,406
Materials and Supplies		863		863
Cost of Sales	715,391			715,391
Depreciation	13,287			13,287
Other Operating Expenses	4,963	11,588	30,250	46,801
Total Operating Expenses	1,481,978	213,774	30,250	1,726,002
Operating Income (Loss)	(167,547)	(2,507)	11,215	(158,839)
Non-Operating Revenues:				
Federal Donated Commodities	102,068			102,068
Intergovernmental	148,990			148,990
Interest	18,245			18,245
Total Non-Operating Revenues	269,303			269,303
Net Income (Loss)	101,756	(2,507)	11,215	110,464
Retained Earnings/Fund Balance at Beginning of Year	289,041	54,737	497,582	841,360
Retained Earnings/Fund Balance at End of Year	390,797	52,230	508,797	951,824
Contributed Capital	104,727			104,727
Total Fund Equity at End of Year	\$495,524	\$52,230	\$508,797	\$1,056,551

The notes to the general purpose financial statements are an integral part of this statement.

**Medina City School District
Medina County
Combined Statement of Cash Flows
All Proprietary Fund Types and Similar Trust Funds
Fiscal Year Ended June 30, 2001**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Increase/(Decrease) in Cash and Cash Equivalents				
Cash Flow from Operating Activities:				
Cash Received from Customers	\$1,314,431	\$211,267		\$1,525,698
Cash Payments to Suppliers for Goods and Services	(656,716)	(7,470)		(664,186)
Cash Payments to Employees for Services	(480,508)	(151,655)		(632,163)
Cash Payments for Employee Benefits	(212,944)	(43,190)		(256,134)
Cash Payments for Other Expenses	(4,963)	(11,588)	(\$30,250)	(46,801)
Net Cash Provided by (Used For) Operating Activities	(40,700)	(2,636)	(30,250)	(73,586)
Cash Flows from Noncapital Financing Activities:				
Operating Grants Received	171,579			171,579
Operating Transfers In				
Net Cash Provided by Noncapital Financing Activities	171,579			171,579
Cash Flow for Investing Activities:				
Interest on Investments	18,245		41,465	59,710
Net Increase in Cash and Cash Equivalents	149,124	(2,636)	11,215	157,703
Cash and Cash Equivalents at Beginning of Year	445,175	74,977	497,584	1,017,736
Cash and Cash Equivalents at End of Year	\$594,299	\$72,341	\$508,799	\$1,175,439
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	(167,547)	(2,507)	11,215	(158,839)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	13,287			13,287
Donated Commodities Used During Year	102,068			102,068
(Increase)/Decrease in Assets:				
Materials and Supplies Inventory	(514)			(514)
Prepaid Items	(104)	2,386		2,282
Increase/(Decrease) in Liabilities:				
Accounts Payable	1,920			1,920
Accrued Wages	10,886	4,400		15,286
Compensated Absences Payable	(3,952)			(3,952)
Intergovernmental Payable	3,256	(6,915)		(3,659)
Total Adjustments	126,847	(129)		126,718
Net Cash Provided by (Used for) Operating Activities	(\$40,700)	(\$2,636)	\$11,215	(\$32,121)
Reconciliation of Cash and Cash Equivalents to the Balance Sheet				
Agency Fund	\$172,163			
Expendable Trust	44,440			
Non-Expendable Trust	508,799			
Total Cash and Cash Equivalents for Trust and Agency	\$725,402			
Non-cash Capital, Investing, and Related Financing Activities				
Donated Commodities Received	\$104,221	\$0	\$0	\$104,221

The notes to the general purpose financial statements are an integral part of this statement.

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001

Note 1 - Description of the School District

The Medina City School District (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and/or federal guidelines.

The District is located in Medina County and encompasses the entire City of Medina and portions of surrounding townships. The District currently operates five elementary schools, two middle schools and one comprehensive high school staffed by 42 administrators, 447 certificated full-time teaching personnel, and 275 classified employees who provide services to 6,213 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District 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, preschool, and student-related activities of the District. The following activities are included within the reporting entity:

Non-public Schools - Within the District boundaries, The Nurtury, St. Francis Xavier, Kids Country, and the Medina Christian Academy are operated as non-public schools. Current State legislation provides funding to these schools. These monies are received and disbursed on behalf of the schools by the Treasurer of the District, as directed by the schools. The activity of these State monies is reflected in a special revenue fund by the District for financial reporting purposes.

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; the District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or 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. The District does not have any component units.

The District is associated with two jointly governed organizations and an insurance purchasing pool. These organizations are the Medina County Career Center, Ohio Schools Council, and the Ohio School Boards Association Worker's Compensation Rating Program. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board Statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do no conflict with or contradict GASB pronouncements. For this fiscal year, the School District has implemented GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions" implementation of GASB Statement No. 33 had no material affect on the general purpose financial statements.

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation - Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District activities or functions.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and nonexpendable trust funds) are accounted for through governmental funds. The following are the District's Governmental Fund Types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and the nonexpendable trust funds).

Proprietary Fund Types

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's proprietary fund types:

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation - Fund Accounting

Proprietary Fund Types (continued)

Enterprise Funds - Enterprise funds are used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or it has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The District has expendable trust and nonexpendable trust funds. The District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. As a result, transfers in and out do not balance in the amount of \$6,000.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds and nonexpendable trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary funds and nonexpendable trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) in net current assets, and decreases (expenditures and other financing uses) in net current assets.

All proprietary fund types and the nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

B. Measurement Focus and Basis of Accounting (continued)

Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after the fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and miscellaneous accounts (student fees and rent).

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2001, and delinquent property taxes, whose availability is indeterminable, and which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues.

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. Allocation of cost, such as depreciation and amortization are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established time-table. 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 resolutions 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 within the general fund, capital projects funds, and debt service fund, and at the fund level for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

C. Budgetary Process (continued)

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express 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 Medina County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate 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 final amended certificate of resources issued during the fiscal year 2001.

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate 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 final amended certificate of resources issued during the fiscal year 2001.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based upon final assessed values and tax rates or a certification saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures within the general fund, debt service fund, and the capital projects fund and at the fund level of expenditures for all other funds, which are the legal levels of budgetary control. 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. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

C. Budgetary Process (continued)

Appropriations

The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statement of budgetary comparison represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary controls, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as reservations of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements (Note 15) for proprietary funds.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Monies for all governmental and proprietary funds, except trust fund investments, are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 2001, investments included repurchase agreements, certificates of deposit, State Treasury Asset Reserve of Ohio (STAR Ohio), U.S. Treasurer Notes, Federal Home Loan Bank, mutual funds, and common stock. Except for nonparticipating investment contracts, investments are reported at fair value which is based upon quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the fiscal year 2001. 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 share price which is the price the investment could be sold for on June 30, 2001.

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

D. Cash and Cash Equivalents (continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the fiscal year 2001 amounted to \$1,774,938.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies for consumption. The cost of inventory items is recorded as expenditures in governmental fund types when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents restricted in use by legal requirements. Restricted assets include amounts required by statute to be set aside by the School District. See Note 2 L for additional information regarding set-asides.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair values as of the date received. The District maintains a capitalization threshold of one thousand dollars. The District does not possess any infrastructure.

Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over a period of five to forty years, depending upon the classification of the asset. Improvements to enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

The Food Service Enterprise Fund reports contributed capital for fixed assets contributed by the General Fund. There were no changes in contributed capital during fiscal year 2001.

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- School Bus Purchase
- State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

- Venture Capital
- Local Professional Development
- Gifted Program
- Educational Management Information System
- School Net
- Data Communication
- Test/Instructional Material Subsidy
- Learn and Serve America
- Goals 2000
- Eisenhower Math/Science
- Auxiliary Services
- Title VI-B
- Title I
- Title VI
- Emergency Immigrant Education Assistance
- Drug Free Schools
- EHA Preschool
- Medina County Drug Abuse Commission (MCDAC)

Capital Project Funds

- School Net Plus
- One Net

Reimbursable Grants

General Fund

- Driver Education Reimbursement

Proprietary Funds

- National School Lunch Program
- Food Distribution Program

Grants and entitlements amounted to 30 percent of the District's governmental fund revenue during the 2001 fiscal year.

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

I. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No.16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt retirement fund must be created and used for the payment of tax anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the activity of the District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers or advances.

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

L. Fund Balance Reserves

The District is required to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by 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 District had qualifying disbursements during the year that exceeded the required set-asides and the reserve balance. Extra amounts spent on textbooks and instructional materials may be used to reduce set-aside requirements for future years.

The State rescinded the requirement to set-aside for budgetary stabilization. The Budget Stabilization Reserve at July 1, 2000 included a \$229,687 refund from the Bureau of Workers' Compensation. That portion remains restricted to be used for any of the following: to offset a budget deficit, school facilities, textbooks, or instructional materials, purchase of school buses, or professional development of teachers. The remaining \$1,917,027 of the Budget Stabilization Reserve reverted back to General Fund Unreserved Fund Balance. The Bureau of Workers' Compensation (BWC) Funds appear as a Fund Balance – Reserved for BWC on the Governmental Balance Sheet.

During the fiscal year ended June 30, 2001 the reserve activity was as follows:

	Textbook Instructional Material Reserve	Capital Improvement Maintenance Reserve	Budget Stabilization Reserve	Total
Balance July 1, 2000	\$(1,031,871)	\$0	\$2,146,714	\$1,114,843
Required set-aside	1,290,597	1,290,597	0	2,581,194
Qualifying Expenditures	<u>(2,195,565)</u>	<u>(24,784,704)</u>	<u>0</u>	<u>(26,980,269)</u>
Balance June 30, 2001	<u>(1,936,839)</u>	<u>0</u>	<u>0</u>	<u>(1,936,839)</u>
Balance Carried Forward to FY2002	<u><u>\$(1,936,839)</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>(\$1,936,839)</u></u>

M. Estimates

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

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

N. Total Memorandum Only Columns

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 - Budgetary Basis of Accounting

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

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Similar Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$2,066,984	(\$7,180)	\$1,560,924	(\$22,200,614)	(\$502)
Net Adjustment for Revenue Accruals	(484)	(41,661)	185,333	(185,767)	0
Net Adjustment for Expenditures Accruals	(105,080)	(37,074)	(185,700)	2,406,195	800
Adjustment for Encumbrances	<u>(2,299,640)</u>	<u>(107,767)</u>	<u>(\$108,176)</u>	<u>(49,164,801)</u>	<u>(2,600)</u>
Budget Basis	<u>(\$128,060)</u>	<u>(\$193,682)</u>	<u>\$1,452,381</u>	<u>(\$69,144,987)</u>	<u>(\$2,302)</u>

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 4 - Deposits and Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion is displayed on the Combined Balance Sheet - All Fund Types and Account Groups

Deposits and investments are restricted by provisions of the Ohio Revised Code. Statutes require the classification of 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 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 are 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 that 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.

Inactive 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 State Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily; and that the term of the agreement must not exceed 30 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) of (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 Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed 180 days from the purchase date in any amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 4 - Deposits and Investments (continued)

The District has received various donations in the form of stocks and mutual funds to be used in providing scholarships to students, and are accounted for in the nonexpendable trust fund. As reflected within the trust agreements, these funds must remain in stocks or mutual funds, and therefore are exempt from the above requirements.

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 5 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 upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

By statute, 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 money deposited with the institution.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At year end, the carrying amount of the District's deposits was \$45,136,116 and the bank balance was \$48,250,181.

1. \$300,000 was covered by federal depository insurance; and
2. \$47,950,181 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 4 - Deposits and Investments (continued)

Investments	1	2	3	Carrying Amount	Fair Value
Repurchase Agreements	\$0	\$0	\$2,940,000	\$2,940,000	\$2,940,000
Tenneco Stock	1,190			1,190	1,190
Newport News Shipbuilding Inc.	1,696			1,696	1,696
Elpaso Natural Gas Co.	4,305			4,305	4,305
Pactiv Corp.	4,795			4,795	4,795
Scudder Funds		256,041		256,041	256,041
T. Rowe Price Funds		255,001		255,001	255,001
Investment in State Treasurer's Investment Pool				35,480,117	35,480,117
Total Investments	<u>\$11,986</u>	<u>\$511,042</u>	<u>\$2,940,000</u>	<u>\$38,943,145</u>	<u>\$38,943,145</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of pooled cash and cash equivalents and investments on the Combined Balance Sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$36,067,275	\$48,011,986
Investments of the Cash Management Pool:		
Repurchase Agreements	(2,940,000)	2,940,000
Scudder	(256,041)	256,041
T. Rowe Price	(255,001)	255,001
Certificate of Deposit	48,000,000	(48,000,000)
Star Ohio	(35,480,117)	35,480,117
GASB Statement No. 3	<u>\$45,136,116</u>	<u>\$38,943,145</u>

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 5 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property which is located within the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and real property at 35 percent of true value. Tangible personal property taxes are levied after April 1, on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

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

The District receives property taxes from Medina 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, 2001 are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001 was \$1,079,218 in the general fund, \$247,714 in the bond retirement debt service fund, and \$13,574 in the permanent improvement capital projects fund.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second Half Collections		2001 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$676,758,270	85.20%	\$723,829,260	85.30%
Public Utilities Personal	31,038,640	4.41%	30,381,650	3.58%
Tangible Personal Property	80,558,278	10.39%	94,351,158	11.12%
Total	\$788,355,188	100.00%	\$848,562,068	100.00%
Tax rate per \$1,000 of assessed valuation	\$85.84		\$85.29	

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 6 - Fixed Assets

A summary of the changes in the general fixed assets during fiscal year 2001 is as follows:

	Balance 7/1/00	Additions	Retirements	Balance 6/30/01
Land	\$2,758,887	\$271,595	\$0	\$3,030,482
Buildings	34,375,792	12,193,273	0	46,569,065
Construction In Progress	326,857	27,850,151	(11,852,343)	16,324,665
Furniture and Equipment	5,146,314	1,425,825	(17,000)	6,555,139
Vehicles	3,810,050	944,812	(657,281)	4,097,581
Total	\$46,417,900	\$42,685,656	(\$12,526,624)	\$76,576,932

A summary of enterprise fund fixed assets as of June 30, 2001, is as follows:

	Enterprise
Furniture and Equipment	\$261,247
Less: Accumulated Depreciation	(204,852)
Net Fixed Assets	\$56,395

Construction of a new elementary building and an addition to the high school started in fiscal year ending June 30, 2000.

Note 7 - Operating Leases

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the District's account groups.

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2001.

Fiscal Year Ending June 30,	Amounts
2002	\$107,059
2003	103,710
2004	35,862
2005	8,656
Total Minimum payments required	\$255,287

The District had no capital leases outstanding at June 30, 2001.

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 8 - Long-Term Obligations

The changes in the District's long-term obligations during fiscal year 2001, were as follows:

	Outstanding 7/1/00	Additions	Reductions	Outstanding 6/30/01
1992 Various School Improvement	\$3,280,390	\$0	\$355,542	\$2,924,848
1998 3.6 - 15.7% Refunding Bonds	10,574,701	0	150,000	10,424,701
1999 Various School Improvement Bonds	77,649,923	0	0	77,649,923
Total General Obligation Bonds	91,505,014	0	505,542	90,999,472
Compensated Absences	4,511,831	284,813	0	4,796,644
Intergovernmental Payable	353,891	27,177	0	381,068
Totals	<u>\$96,370,735</u>	<u>\$311,990</u>	<u>\$505,542</u>	<u>\$96,177,184</u>

General Obligation bonds will be paid from property taxes. Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents pension obligations paid outside the available period and will be paid from the fund from which the person is paid.

Notes Payable

A summary of the note activity for the year ended June 30, 2001, follows:

	Outstanding 7/1/00	Additions	Reductions	Outstanding 6/30/01
1992 6.0% Energy Conservation Note - Permanent Improvement	\$345,000	\$0	\$165,000	\$180,000

This note will be retired during fiscal year 2002.

Principal and interest requirements to retire general obligation and note payable debt outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2002	\$2,054,556	\$4,749,072	\$6,803,628
2003	2,255,243	4,535,187	6,790,430
2004	2,479,867	4,486,228	6,966,095
2005	2,738,112	4,420,362	7,158,474
2006	3,010,293	4,340,770	7,351,063
2007-2011	14,739,240	25,316,701	40,055,941
2012-2016	15,377,161	15,642,411	31,019,572
2017-2021	17,775,000	10,229,791	28,004,791
2022-2026	17,720,000	5,841,151	23,561,151
2027-2029	13,030,000	1,049,213	14,079,213
Total	<u>\$91,179,472</u>	<u>\$80,610,886</u>	<u>\$171,790,358</u>

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 9 - Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2001, the District contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>
Wausau Insurance Companies	Education Liability (a)	\$1,000
	Fleet Insurance	\$50/\$250
Crum & Forster Insurance Company	Property	\$1,000
	Inland Marine	\$250
Ohio Casualty	Crime	\$1,000/\$250
CNA Insurance	Boiler & Machinery	\$1,000

(1) includes errors and omissions, directors and officers, general liability, professional liability, products completed operations, premises-operations, and inventory.

Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

For the fiscal year 2001, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefits of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP 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 GRP. 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 GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control, and actuarial services to the GRP.

Note 10 - Pension and Retirement Plans

State Teachers Retirement System of Ohio

Plan Description: The Medina City School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits, health care benefits and death benefits to plan members and beneficiaries. State statute assigns the authority to establish and amend benefit provisions to the STRS Ohio Board of Trustees. The State Teachers Retirement System of Ohio issues a publicly available financial report that includes financial statements and required supplementary information for STRS Ohio. That report may be obtained by writing to State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215.

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 10 - Pension and Retirement Plans (continued)

State Teachers Retirement System of Ohio (continued)

Funding Policy: Plan members are required to contribute 9.3% of their annual covered salary and Medina City School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and Medina City School District are established and may be amended by the STRS Ohio Board of Trustees. The District's contributions to STRS

Ohio for the years ended June 30, 2001, 2000, and 1999 were \$5,964,402, \$5,703,545, and \$5,417,468, respectively. The full amount has been contributed for 2000 and 1999. For 2001, 91% has been contributed.

School Employees Retirement System

Plan Description: The Medina City School District also contributes to the School Employees Retirement Plan (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. State statute assigns the authority to establish and amend benefit provisions to the SERS Board of Trustees. The School Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to School Employees Retirement Systems, 45 North Fourth Street, Columbus, Ohio 43215.

Funding Policy: Plan members are required to contribute 9.0% of their annual covered salary and Medina City School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and Medina City School District are established and may be amended, up to statutory maximum amounts, by the SERS Board of Trustees. The District's contributions to SERS for the years ended June 30, 2001, 2000, and 1999 were \$1,582,350, \$1,617,913, and \$1,566,341, respectively. The full amount has been contributed for 2000 and 1999. For 2001, 73% has been contributed.

Note 11 - Post Employment Benefits

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio, and to retired non-certified employees and their dependents through the School Employees Retirement System.

State Teachers Retirement System of Ohio (STRS Ohio)

The State Teachers Retirement System of Ohio (STRS Ohio) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio fund shall be included in the employer contribution rate, currently 14% of covered payroll.

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 11 - Post Employment Benefits (continued)

State Teachers Retirement System of Ohio (STRS Ohio) (continued)

The Board currently allocates employer contributions equal to the Health Care Reserve Fund from which payments for health care benefits are paid. For the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. The District's actual contributions for the 2001 fiscal year were \$1,984,082. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001, will be 4.5% of covered payroll. For the year ended June 30, 2000, the net health care costs paid by STRS were \$283,137. There were 99,011 eligible benefit recipients statewide. June 30, 2000 is the latest date for which information is available.

School Employees Retirement System (SERS)

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2000, the allocation rate was 8.45%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay was established as \$12,400. The surcharge rate, added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. Health care benefits are financed on a pay-as-you-go basis.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million.

At June 30, 2000, the Retirement System's net assets available for payment of health care benefits was \$252.3 million, at cost. The number of participants currently receiving health care benefits is approximately 50,000 statewide. The District's actual contributions for the 2001 fiscal \$1,570,711, and \$1,462,211, respectively. The full amount has been contributed for 1999 and 1998. For 2001, 75 percent has been contributed with the remainder being reported as a fund liability and within the General Long Term Obligations Account Group.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 12 - Other Employee Benefits

A. *Compensated Absences*

The criteria for determining vacation, personal, and sick leave benefits are derived from negotiated agreements and State laws. Employees may earn up to a maximum of four days of personal leave per year. Personal leave may not be accumulated. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred eighty (180) days. Sick leave is computed using the termination method. Upon retirement, certified and classified employees with at least five years' experience with the District, receive payment for up to a maximum of eighty days computed according to negotiated agreements.

Administrative employees receive one hundred percent of sick leave days accumulated for the first forty days and fifty percent of sick leave days accumulated from the next eighty days up to a maximum of eighty days. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

B. *Insurance*

The District provides life insurance and accidental death and dismemberment insurance to most employees through commercial life insurance companies. The District has elected to provide employee medical/surgical, and prescription benefits through QualChoice, a medical care program sponsored by University Hospitals of Cleveland. Dental benefits are provided by the District through Coresource, Inc. The School Board pays the cost of insurance coverage for all employees.

Note 13 - School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

1. A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
2. Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 26, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and re-determine any issue upon such reconsideration.

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 13 - School Funding Decision (continued)

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

Note 14 - Contingencies

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

B. Litigation

The District is party to legal proceedings. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

Note 15 - Segment Information for Enterprise Funds

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2001.

	Food Service	Uniform School Supplies	Total
Operating Revenues	\$1,146,276	\$168,155	\$1,314,431
Operating Expenses Before Depreciation:			
Depreciation Expense	1,309,293	159,398	1,468,691
Operating Income (Loss)	(176,304)	8,757	(167,547)
Donated Commodities	102,068	0	102,068
Operating Grants	148,990	0	148,990
Interest Income	18,245	0	18,245
Net Income	92,999	8,757	101,756
Net Working Capital	357,600	81,529	439,129
Total Assets	609,749	81,529	691,278
Total Equity	413,995	81,529	495,524
Encumbrances at 6/30/01	\$664	\$22,635	\$23,299

Note 16 - Jointly Governed Organizations

Medina County Career Center - The Medina County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each participating school district's elected board, which possesses its own budgeting and taxing authority. Accordingly, the Medina County Career Center is not part of the District and its operations are not included as part of the reporting entity. Financial information can be obtained by contacting the Treasurer at the Medina County Career Center, 1101 West Liberty Street, Medina, Ohio 44256.

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 2001
(Continued)

Note 16 - Jointly Governed Organizations (continued)

Ohio School's Council - The Ohio School's Council (OSC) is a jointly governed organization comprised of seventy-two school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as media center, gas consumption, food service, and insurance. Each member provides operating resources to OSC via a monthly administrative fee and an actual usage charge, except for insurance. The OSC assembly consists of a superintendent or designated representative from each participating school district and the fiscal agent. OSC is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Ohio Schools' Council at 8001 Brecksville Road, Brecksville, Ohio 44141.

Note 17 - Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Program - The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 18 - Defeased Debt

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is considered defeased and therefore removed as a liability from the Districts General Long Term Obligation Account Group. As of June 30, 2001, the amount of defeased debt outstanding but removed from the General Long Term Obligation Account Group amounted to \$10,574,701.

Note 19 – Contractual Commitments

As of June 30, 2001, the District had contractual commitments for the following projects:

Project	Contractual Commitment	Expended	Balance 06/30/01
Blake Elementary	\$9,906,277	\$8,776,823	\$1,129,454
Medina Senior High	22,426,530	20,231,319	2,195,211
Total	<u>\$32,332,807</u>	<u>\$29,008,142</u>	<u>\$3,324,665</u>

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MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$104,221		\$96,648
National School Lunch Program	44388 LL-P4	10.555	\$164,492		\$142,848	
Total U.S. Department of Agriculture - Child Nutrition Cluster			164,492	104,221	142,848	96,648
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed through the Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	044388 C1-S1-00	84.010	14,921		61,368	
	044388 C1-S1-01		310,806		277,981	
Total Title I Grants to Local Educational Agencies			325,727		339,349	
Special Education Cluster:						
Special Education Grants to States	044388 6B-SF 00 P	84.027	41,983		87,287	
	044388 6B-SF 01 P		501,423		428,173	
Total Special Education Grants to States			543,406		515,460	
Special Education Preschool Grants	044388 PG-S1-00P	84.173	3,177		7,666	
	404388 PG-S1-01P		29,215		25,571	
Total Special Education Preschool Grants			32,392		33,237	
Total Special Education Cluster			575,798		548,697	
Fund for the Improvement of Post-Secondary Education	044388 E1-S1 00	84.116	(264)			
Safe and Drug Free Schools and Communities	044388 DR-S1-00	84.186			1,405	
	044388 DR-S1 00		26,988		25,352	
Total Drug Free Schools and Communities			26,988		26,757	
Capital Expenses Grant	044388-CX-S1--00	84.216	(37)			
Continuous Improvement Grant	044388 G2-S2 00	84.276			76,261	
	044388 G2-S2 01		26,000		21,039	
Total Continuous Improvement Grant			26,000		97,300	
Eisenhower Professional Development Grant	044388 MS-S1-99	84.281			8,111	
	044388 MS-S1-00				82	
	044388 MS-S1 01		19,808		16,908	
Total Eisenhower Professional Development Grant			19,808		25,101	
Innovative Education Program Strategies	044388 C2-S1-99	84.298	(33)		3,981	
	044388 C2-S1-00		3,519		6,466	
	044388 C2-S1 01		35,086		22,928	
Total Innovative Education Program Strategies			38,572		33,375	
Technology Literacy Challenge Fund Grant	044388 TF-VM 00	84.318	4,613		4,613	
Title VI-R Class-Size Reduction Grant	044388-CR-S1-00	84.340			7,832	
	044388-CR-S1-01		75,923		64,033	
Total Title VI-R Class-Size Reduction Grant			75,923		71,865	
Learn and Serve America School and Community Based Grant	044388 SV S199C	94.004	(27)			
Total U.S. Department of Education			1,093,101		1,147,057	
Totals			\$1,257,593	\$104,221	\$1,289,905	\$96,648

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

**MEDINA CITY SCHOOL DISTRICT
MEDINA OF COUNTY**

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) summarizes the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the United States Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Medina City School District
Medina County
120 West Washington Street
Medina, Ohio 44256

To the Board of Education:

We have audited the general purpose financial statements of the Medina City School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 26, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 26, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 26, 2001.

Medina City School District
Medina County
Report of Independent Accountants on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

December 26, 2001



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

Medina City School District
Medina County
120 West Washington Street
Medina, Ohio 44256

To the Board of Education:

Compliance

We have audited the compliance of Medina City School District, Medina County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 26, 2001.

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

Jim Petro
Auditor of State

December 26, 2001

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: National School Lunch Program #10.555 Food Distribution Program #10.550 Title I Grants to States #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
GAGAS
JUNE 30, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2000-10952-001	The District did not file the required report with the Nationally Recognized Municipal Security Information Repositories contrary to 17 CFR Section 240.15c2-12	Yes	N/A



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MEDINA CITY SCHOOL DISTRICT

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 12, 2002**