MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2015

Dave Yost • Auditor of State

MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY

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INDEPENDENT AUDITOR'S REPORT

Medina City School District
Medina County
739 Weymouth Road
Medina, Ohio 44256

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Medina City School District, Medina County, Ohio, (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Medina City School District, Medina County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dave Yost
Auditor of State
Columbus, Ohio

February 16, 2016

The discussion and analysis of Medina City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- Governmental revenues totaled $95,087,882, a 9.69 percent increase over the prior fiscal year. The increase is primarily attributable to a 9.57 percent increase in property tax revenue over the prior fiscal year due to the passage of an emergency levy in November 2013.

- Governmental expenses totaled $79,390,773, a 0.16 percent increase from the prior fiscal year. Instructional expenses made up 59.6 percent of this total while support services accounted for 30.58 percent. Other expenses rounded out the remaining 9.82 percent.

- The School District's capital assets decreased by $2,235,267 from the prior fiscal year. This decrease was the result of disposals and depreciation expense outpacing new capital outlay.

- Outstanding certificates of participation and general obligation bonded debt decreased from $85,971,089 in fiscal year 2014 to $83,882,572 in fiscal year 2015.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The statement of net position and the statement of activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources except fiduciary funds using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in that net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and the willingness of the community to support the School District.

In the statement of net Position and the statement of activities, the School District is divided into two major activities:

- *Governmental Activities* – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and general administration.

- *Business-Type Activity* – This service is provided on a fee basis to recover all of the expenses of the goods or services provided. The School District's business-type activity is a transportation enterprise fund.

Reporting the School District's Most Significant Funds

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and bond retirement debt service fund.

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

Proprietary Funds The School District maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The School District uses an enterprise fund to account for monies received from outside districts for repair work done to their vehicles. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions.

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

The School District as a Whole

You may recall that the statement of net position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for fiscal years 2015 and 2014:

Table 1
Net Position

	Governmental Activities		Business-Type Activity		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and Other Assets	$111,859,815	$100,294,363	$49,174	$16,707	$111,908,989	$100,311,070
Capital Assets, Net	97,177,376	99,412,643	0	0	97,177,376	99,412,643
Total Assets	209,037,191	199,707,006	49,174	16,707	209,086,365	199,723,713
Deferred Outflows of Resources						
Deferred Charge on Refunding	5,056,235	2,267,482	0	0	5,056,235	2,267,482
Pension	7,059,980	5,481,083	0	0	7,059,980	5,481,083
Total Deferred Outflows of Resources	12,116,215	7,748,565	0	0	12,116,215	7,748,565
Liabilities						
Current and Other Liabilities	8,977,859	7,771,202	2,769	0	8,980,628	7,771,202
Long-Term Liabilities:						
Due Within One Year	5,255,543	5,179,057	0	0	5,255,543	5,179,057
Due in More than One Year:						
Net Pension Liability	93,179,680	110,741,175	0	0	93,179,680	110,741,175
Other Amounts	86,220,285	88,836,436	0	0	86,220,285	88,836,436
Total Liabilities	193,633,367	212,527,870	2,769	0	193,636,136	212,527,870
Deferred Inflows of Resources						
Property Taxes	48,090,359	48,077,553	0	0	48,090,359	48,077,553
Pension	16,882,423	0	0	0	16,882,423	0
Total Deferred Inflows of Resources	64,972,782	48,077,553	0	0	64,972,782	48,077,553
Net Position						
Net Investment in Capital Assets	18,303,294	15,766,687	0	0	18,303,294	15,766,687
Restricted:						
Capital Projects	3,518,141	3,133,532	0	0	3,518,141	3,133,532
Debt Service	5,499,337	6,575,066	0	0	5,499,337	6,575,066
Other Purposes	774,041	495,532	0	0	774,041	495,532
Unrestricted (Deficit)	(65,547,556)	(79,120,669)	46,405	16,707	(65,501,151)	(79,103,962)
Total Net Position	($37,452,743)	($53,149,852)	$46,405	$16,707	($37,406,338)	($53,133,145)

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from $52,110,240 to ($53,149,852).

Total governmental assets increased by over $9.3 million. The majority of this increase can be attributed to the increase in current and other assets of $11.5 million, which was partly offset by a decrease in capital assets. The increase in current and other assets was primarily due to a $10.6 million increase in cash and cash equivalents, which is primarily due to increases in property tax and intergovernmental revenues. These increases in property taxes and operating grants, contributions and interest revenues are due to the new 5.9 mil emergency levy that was approved in November 2013 and larger title VI-B and title I grants, respectively.

Total governmental liabilities decreased by almost $18.9 million. Current and other liabilities increased by about $1.2 million, primarily due to increases of over $0.6 million in accrued wages and benefits and $0.5 million in claims payable. Long-term liabilities decreased by about $20.1 million mainly due to decreases in the net pension liability and general obligation bonds outstanding.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled $84.9 million or 89.3 percent of the total revenue. General revenue increased by $6.7 million from the prior fiscal year. The increase in property tax revenue was the primary reason for this increase. The remaining amount of revenue received was in the form of program revenues, which equaled $10.2 million or only 10.7 percent of total revenue.

In order to further understand what makes up the changes in net position for the current fiscal year, the following tables gives further details regarding the results of activities for the current fiscal year.

Table 2 shows total revenues, expenses and changes in net position for fiscal years 2015 and 2014:

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for Services	$3,613,711	$3,358,551	$31,951	$7,442	$3,645,662	$3,365,993
Operating Grants, Contributions, and Interest	6,579,393	5,190,329	0	0	6,579,393	5,190,329
Total Program Revenues	10,193,104	8,548,880	31,951	7,442	10,225,055	8,556,322
General Revenue:						
Property Taxes	54,464,490	49,709,198	0	0	54,464,490	49,709,198
Grants and Entitlements, not Restricted	25,975,990	24,940,962	0	0	25,975,990	24,940,962
Grants and Entitlements, Restricted to Permanent Improvement	3,539,663	2,787,963	0	0	3,539,663	2,787,963
Unrestricted Contributions	21,274	375	0	0	21,274	375
Investment Earnings	251,596	46,121	0	0	251,596	46,121
Gain on Sale of Capital Assets	0	11,601	0	0	0	11,601
Miscellaneous	641,765	643,391	27,037	17,966	668,802	661,357
Total General Revenues	84,894,778	78,139,611	27,037	17,966	84,921,815	78,157,577
Total Revenues	95,087,882	86,688,491	58,988	25,408	95,146,870	86,713,899
Program Expenses						
Instruction:						
Regular	35,487,698	36,810,423	0	0	35,487,698	36,810,423
Special	11,417,454	10,011,676	0	0	11,417,454	10,011,676
Vocational	312,358	337,421	0	0	312,358	337,421
Student Intervention Services	96,383	88,390	0	0	96,383	88,390
Support Services:						
Pupils	4,306,464	3,694,102	0	0	4,306,464	3,694,102
Instructional Staff	2,049,631	840,854	0	0	2,049,631	840,854
Board of Education	127,008	106,543	0	0	127,008	106,543
Administration	5,246,150	5,103,235	0	0	5,246,150	5,103,235
Fiscal	1,456,640	1,511,799	0	0	1,456,640	1,511,799
Business	441,272	274,355	0	0	441,272	274,355
Operation and Maintenance of Plant	5,822,932	7,709,948	0	0	5,822,932	7,709,948
Pupil Transportation	4,463,159	2,588,617	0	0	4,463,159	2,588,617
Central	368,334	359,060	0	0	368,334	359,060
Operation of Non-Instructional Services	726,640	519,141	0	0	726,640	519,141
Food Service Operations	2,390,501	2,242,904	0	0	2,390,501	2,242,904
Extracurricular Activities	2,152,136	1,811,126	0	0	2,152,136	1,811,126
Interest and Fiscal Charges	2,526,013	5,252,160	0	0	2,526,013	5,252,160
Business-Type Activity	0	0	29,290	18,069	29,290	18,069
Total Program Expenses	79,390,773	79,261,754	29,290	18,069	79,420,063	79,279,823
Change in Net Position	15,697,109	7,426,737	29,698	7,339	15,726,807	7,434,076
Net Position Beginning of Year	(53,149,852)	N/A	16,707	9,368	(53,133,145)	
Net Position End of Year	($37,452,743)	($53,149,852)	$46,405	$16,707	($37,406,338)	($53,133,145)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of $5,481,083 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $3,922,465. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	$79,420,063
Pension expense under GASB 68	(3,922,465)
2015 contractually required contribution	6,180,434
Adjusted 2015 program expenses	81,678,032
Total 2014 program expenses under GASB 27	(79,279,823)
Increase in program expenses not related to pension	$2,398,209

Governmental Activities

The School District carefully tracks its revenues and expenses in order to avoid creating a deficit. Although the School District relies heavily upon local property taxes to support its operations, the School District relies upon and actively solicits and receives additional grant and entitlement funding to help offset some operating costs.

As one can see, 59.6 percent of the School District's expenses are used towards instructional purposes. Additional supporting services for pupils, instructional staff and business operations encompass an additional 30.58 percent. The remaining amount of program expenses, 9.82 percent, is budgeted to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

The statement of activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Instruction:				
Regular	$35,487,698	($34,787,160)	$36,810,423	($36,160,583)
Special	11,417,454	(7,658,563)	10,011,676	(7,063,225)
Vocational	312,358	(278,186)	337,421	(329,229)
Student Intervention Services	96,383	(34,159)	88,390	(59,816)
Support Services:				
Pupils	4,306,464	(3,514,643)	3,694,102	(3,173,849)
Instructional Staff	2,049,631	(1,855,439)	840,854	(686,290)
Board of Education	127,008	(125,971)	106,543	(105,833)
Administration	5,246,150	(5,144,683)	5,103,235	(5,036,891)
Fiscal	1,456,640	(1,445,192)	1,511,799	(1,502,702)
Business	441,272	(436,872)	274,355	(272,457)
Operation and Maintenance of Plant	5,822,932	(5,592,518)	7,709,948	(7,672,061)
Pupil Transportation	4,463,159	(4,265,256)	2,588,617	(2,427,991)
Central	368,334	(346,181)	359,060	(338,784)
Operating of Non-Instructional Services	726,640	(67,314)	519,141	16,373
Food Service Operations	2,390,501	(320,693)	2,242,904	(121,378)
Extracurricular Activities	2,152,136	(798,826)	1,811,126	(525,998)
Interest and Fiscal Charges	2,526,013	(2,526,013)	5,252,160	(5,252,160)
Total Expenses	$79,390,773	($69,197,669)	$79,261,754	($70,712,874)

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 68.6 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs support 32.72 percent of expenses; grants and entitlements restricted to permanent improvement projects support 4.46 percent of expenses. Unrestricted contributions, investment earnings and other miscellaneous type revenues support 1.15 percent of activity costs. Program revenues only account for 12.84 percent of all governmental expenses.

Business-Type Activity

Business-type activity includes the transportation enterprise fund. Fiscal year 2011 was the first year for this fund. The purpose of this fund is to account for monies received from outside school districts for repair work done to their vehicles. The business-type net position at fiscal year-end was $46,405. Revenues consisted of charges for services for $31,951 and other miscellaneous revenues of $27,037.

School District's Funds

Information regarding the School District's major funds can be found beginning on page 20. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $94,880,648 and expenditures of $85,992,491. Property taxes increased by $4.9 million, primarily due to the new emergency levy.

The fiscal year-end fund balance for the general fund was $38,435,267 on a modified accrual basis. This is an increase of $10,420,810 from the prior fiscal year's ending balance. This increase was primarily due to increases in property taxes and intergovernmental revenue due to collections from the 2013 emergency levy and higher foundation revenue, respectively, which resulted in a larger ending cash balance.

The bond retirement fund saw a decrease of $675,074 in fund balance due to decreased property tax and intergovernmental revenues and higher expenditures due to increased debt service requirements, which were partially offset with an increase of transfers in of $1.2 million.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the School District, the general fund.

During the course of fiscal year 2015, the School District amended its general fund budget numerous times, none significant. The School District uses a site-based style of budgeting and has in place systems that are designed to tightly control expenditures but provide flexibility for site-based decision and management.

For the general fund, original and final budget basis revenue estimates totaled $71,671,768. The final budget basis expenditures estimate totaled $74,614,265, compared to original estimates of $72,714,559. The final budget is 2.61 percent higher than the original budget. Actual revenues were $7,281,022 higher than final budgeted revenues due to higher property tax and intergovernmental revenues. Actual expenditures were $6,127,701 lower than final budgeted expenditures due to lower than expected expenditures in every function, especially instruction and pupil transportation. The School District's general fund unencumbered balance totaled $39,337,698.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2015 values compared to 2014.

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

	Governmental Activities		
	2015	2014	Change
Land	$3,251,882	$3,251,882	$0
Construction in Progress	293,788	33,312	260,476
Land Improvements	1,483,773	1,784,284	(300,511)
Buildings and Improvements	89,238,669	92,399,669	(3,161,000)
Furniture and Equipment	481,250	499,366	(18,116)
Vehicles	2,428,014	1,444,130	983,884
Total Capital Assets	$97,177,376	$99,412,643	($2,235,267)

All capital assets, except land and construction in progress, are reported net of depreciation. For more information on capital assets refer to Note 9 of the basic financial statements.

Debt

The following Table 5 summarizes the School District's outstanding bonds and certificates of participation for fiscal years 2015 and 2014.

Table 5
Outstanding Debt at Year End

	Governmental Activities		
	2015	2014	Change
Certificates of Participation:			
2008 Certificates of Participation	$1,929,552	$25,174,939	($23,245,387)
2015 Refunding Certificates of Participation	25,452,160	0	25,452,160
General Obligation Bonds:			
2005 Refunding Bonds	4,496,031	6,852,061	(2,356,030)
2009 Refunding Bonds	5,182,044	6,361,913	(1,179,869)
2012 Refunding Bonds	2,460,000	2,730,000	(270,000)
2013 Refunding Bonds	44,362,785	44,852,176	(489,391)
Totals	$83,882,572	$85,971,089	($2,088,517)

The 2008 certificates of participation were issued for constructing, renovating, expanding, improving, and furnishing the various buildings within the School District. This debt was partially refunded by the 2015 refunding certificates of participation in fiscal year 2015.

The 2005 refunding bonds were issued to advance refund a portion of the 1999 various school improvement bonds. This debt will be fully repaid in fiscal year 2029.

The 2009 refunding bonds were issued to advance refund a portion of the 1998 refunding bonds. This debt will be fully repaid in fiscal year 2019.

The 2012 refunding bonds were issued to pay down the 2007 energy conservation note and the transportation facilities note. This debt will be fully repaid in fiscal year 2023.

The 2013 refunding bonds were issued to refund a portion of the 2005 refunding bonds. This debt will be fully repaid in fiscal year 2028.

The School District's overall legal debt margin was $59,677,215 with an unvoted debt margin of $1,173,293. The School District maintains an Aa2 bond rating. For more information on debt, refer to Note 11 of the basic financial statements.

In addition to the long-term debt, the School District's long-term obligations include a capital lease and compensated absences. Additional information for these items can be found in Notes 10 and 11, respectively.

School District Outlook

The Board of Education and administration closely monitor the School District's revenues and expenditures in accordance with its financial forecast and the School District Continuous Improvement Plan. The School District has set a goal of balancing the general fund long-range budget for fiscal year 2018.

The financial future of the School District is not without its challenges. These challenges are internal and external in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio reacts to the Governor's sponsored funding for school districts. The slow growth of the economy continues to have a negative impact on this goal. Reductions have been implemented in the past to maintain a positive unencumbered balance for future fiscal years. With the recent passage of the 5.9 mill five-year emergency levy, the School District has been able to continue current operations and add needed educational programing and transportation.

Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong. The School District has communicated to the community its reliance upon their tax support for the majority of its operations, and will continue to work diligently to plan expenditures, staying carefully within the School District's five-year forecast. The community also realizes the income generated by local levies remains relatively constant, therefore forcing the School District to come back to the voters from time to time to ask for additional support.

In May 2007, Medina County voters passed a countywide 30-year 0.5 percent sales tax to pay for school permanent improvements. The tax is allocated among the public schools within the county based upon their numbers of students. The allocation for Medina City School District for fiscal year 2015 was $2.7 million. Medina County is the only county in Ohio that has levied a sales tax for school districts.

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

Beginning in fiscal year 2012, the administration of Governor John Kasich proposed a move away from the Ohio Evidence Based Model to a new funding method; however, fiscal year 2012 and 2013 funding was based on a transitional approach, referred to as the Bridge formula. The Bridge formula divides the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding is then multiplied by the fiscal year ADM. The adequacy amount is offset by the school district share, which is equal to 21 mills of property taxes for fiscal year 2012. More recently, the State has implemented a new funding formula that targets funding based on economic factors called the Opportunity Grant formula. This formula also establishes spending requirements in such areas as "economic disadvantaged funding" and "special education funding". The School District has seen an increase in State funding due to the growth of the School District as compared to growth of the State. However, this growth will not be continuing as seen with recent projections from our State Organizations. These projections show decreasing revenue in fiscal years 2018 on out based upon the current funding formula.

The recent growth in State funding will help the School District's financial situation, but will not ever make up the loss of revenues from the elimination of tangible personal property tax and State funding of the prior fiscal years.

Regardless of funding levels, the School District's management will continue to carefully and prudently plan to provide effective and efficient programs and services to meet the needs of our students over the next several fiscal years.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact David Chambers, Treasurer, at Medina City School District, 739 Weymouth Road, Medina, Ohio 44256, or email at chambersd@mcsoh.org.

Basic Financial Statements

Medina City School District

Statement of Net Position

June 30, 2015

	Governmental Activities	Business-Type Activity	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	$55,778,803	$48,724	$55,827,527
Cash and Cash Equivalents With Fiscal Agents	42,761	0	42,761
Accounts Receivable	9,076	0	9,076
Intergovernmental Receivable	2,424,765	450	2,425,215
Inventory Held for Resale	69,551	0	69,551
Materials and Supplies Inventory	47,474	0	47,474
Property Taxes Receivable	53,487,385	0	53,487,385
Nondepreciable Capital Assets	3,545,670	0	3,545,670
Depreciable Capital Assets, Net	93,631,706	0	93,631,706
Total Assets	209,037,191	49,174	209,086,365
Deferred Outflows of Resources			
Deferred Charge on Refunding	5,056,235	0	5,056,235
Pension	7,059,980	0	7,059,980
Total Deferred Outflows of Resources	12,116,215	0	12,116,215
Liabilities			
Accounts Payable	434,864	2,769	437,633
Accrued Wages and Benefits	5,826,229	0	5,826,229
Matured Compensated Absences Payable	434,021	0	434,021
Intergovernmental Payable	1,158,518	0	1,158,518
Accrued Interest Payable	354,123	0	354,123
Claims Payable	770,104	0	770,104
Long-Term Liabilities:			
Due Within One Year	5,255,543	0	5,255,543
Due In More Than One Year:			
Net Pension Liability (See Note 22)	93,179,680	0	93,179,680
Other Amounts Due in More Than One Year	86,220,285	0	86,220,285
Total Liabilities	193,633,367	2,769	193,636,136
Deferred Inflows of Resources			
Property Taxes	48,090,359	0	48,090,359
Pension	16,882,423	0	16,882,423
Total Deferred Inflows of Resources	64,972,782	0	64,972,782
Net Position			
Net Investment in Capital Assets	18,303,294	0	18,303,294
Restricted for:			
Capital Projects	3,518,141	0	3,518,141
Debt Service	5,499,337	0	5,499,337
District Managed Student Activity	384,769		384,769
Other Purposes	389,272	0	389,272
Unrestricted (Deficit)	(65,547,556)	46,405	(65,501,151)
Total Net Position	($37,452,743)	$46,405	($37,406,338)

See accompanying notes to the basic financial statements

Medina City School District

Statement of Activities

For the Fiscal Year Ended June 30, 2015

		Program Revenues	
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest
Governmental Activities			
Instruction:			
Regular	$35,487,698	$541,754	$158,784
Special	11,417,454	82,788	3,676,103
Vocational	312,358	2,296	31,876
Student Intervention Services	96,383	356	61,868
Support Services:			
Pupils	4,306,464	30,610	761,211
Instructional Staff	2,049,631	14,368	179,824
Board of Education	127,008	1,037	0
Administration	5,246,150	47,764	53,703
Fiscal	1,456,640	11,448	0
Business	441,272	3,773	627
Operation and Maintenance of Plant	5,822,932	167,767	62,647
Pupil Transportation	4,463,159	25,164	172,739
Central	368,334	3,043	19,110
Operation of Non-Instructional Services	726,640	2,347	656,979
Food Service Operations	2,390,501	1,358,806	711,002
Extracurricular Activities	2,152,136	1,320,390	32,920
Interest and Fiscal Charges	2,526,013	0	0
Total Governmental Activities	79,390,773	3,613,711	6,579,393
Business-Type Activity			
Transportation Enterprise	29,290	31,951	0
Total	$79,420,063	$3,645,662	$6,579,393

General Revenues

Property Taxes Levied for:

General Purposes

Debt Service

Grants and Entitlements not Restricted to Specific Programs

Grants Provided for Permanent Improvement Projects

Unrestricted Contributions

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year - Restated (See Note 3)

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activity	Total
($34,787,160)	$0	($34,787,160)
(7,658,563)	0	(7,658,563)
(278,186)	0	(278,186)
(34,159)	0	(34,159)
(3,514,643)	0	(3,514,643)
(1,855,439)	0	(1,855,439)
(125,971)	0	(125,971)
(5,144,683)	0	(5,144,683)
(1,445,192)	0	(1,445,192)
(436,872)	0	(436,872)
(5,592,518)	0	(5,592,518)
(4,265,256)	0	(4,265,256)
(346,181)	0	(346,181)
(67,314)	0	(67,314)
(320,693)	0	(320,693)
(798,826)	0	(798,826)
(2,526,013)	0	(2,526,013)
(69,197,669)	0	(69,197,669)
0	2,661	2,661
(69,197,669)	2,661	(69,195,008)
49,511,151	0	49,511,151
4,953,339	0	4,953,339
25,975,990	0	25,975,990
3,539,663	0	3,539,663
21,274	0	21,274
251,596	0	251,596
641,765	27,037	668,802
84,894,778	27,037	84,921,815
15,697,109	29,698	15,726,807
(53,149,852)	16,707	(53,133,145)
($37,452,743)	$46,405	($37,406,338)

Medina City School District
Balance Sheet
Governmental Funds
June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$41,007,339	$5,413,622	$2,977,406	$49,398,367
Cash and Cash Equivalents With Fiscal Agent	34,834	0	7,927	42,761
Property Taxes Receivable	48,612,139	4,875,246	0	53,487,385
Accounts Receivable	6,412	2,664	0	9,076
Interfund Receivable	338,247	0	0	338,247
Intergovernmental Receivable	142,443	0	2,237,905	2,380,348
Inventory Held for Resale	0	0	69,551	69,551
Materials and Supplies Inventory	38,939	0	8,535	47,474
Total Assets	$90,180,353	$10,291,532	$5,301,324	$105,773,209
Liabilities				
Accounts Payable	$252,531	$1,250	$181,034	$434,815
Accrued Wages and Benefits	5,440,918	0	332,122	5,773,040
Matured Compensated Absences Payable	418,958	0	15,063	434,021
Intergovernmental Payable	1,034,700	0	115,956	1,150,656
Interfund Payable	0	0	240,247	240,247
Total Liabilities	7,147,107	1,250	884,422	8,032,779
Deferred Inflows of Resources				
Property Taxes	43,693,089	4,397,270	0	48,090,359
Unavailable Revenue	904,890	87,606	1,573,611	2,566,107
Total Deferred Inflows of Resources	44,597,979	4,484,876	1,573,611	50,656,466
Fund Balances				
Nonspendable	38,939	0	8,535	47,474
Restricted	0	5,805,406	3,442,320	9,247,726
Assigned	1,126,056	0	0	1,126,056
Unassigned (Deficit)	37,270,272	0	(607,564)	36,662,708
Total Fund Balances	38,435,267	5,805,406	2,843,291	47,083,964
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$90,180,353	$10,291,532	$5,301,324	$105,773,209

See accompanying notes to the basic financial statements

Medina City School District

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances		$47,083,964
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		97,177,376
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	992,496	
Intergovernmental	1,053,549	
County Levied Sales Tax	520,062	
Total		2,566,107
Deferred outflows of resources represent deferred charges on refundings, which are not reported in the funds.		5,056,235
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(354,123)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Certificates of Participation	(27,381,712)	
General Obligation Bonds	(56,500,860)	
Capital Leases	(241,939)	
Compensated Absences	(7,351,317)	
Total		(91,475,828)
Internal service funds are used by management to charge the costs of self insurance and other operations to individual funds. The assets and liabilities of the internal service funds are included in the statement of net position:		
Net Position	5,431,359	
Compensated Absences	64,290	
Total		5,495,649
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	7,059,980	
Net Pension Liability	(93,179,680)	
Deferred Inflows - Pension	(16,882,423)	
Total		(103,002,123)
Net Position of Governmental Activities		($37,452,743)

See accompanying notes to the basic financial statements

Medina City School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	$49,652,499	$4,968,040	$0	$54,620,539
Intergovernmental	28,261,848	659,114	6,723,899	35,644,861
Interest	250,317	0	1,648	251,965
Tuition and Fees	804,585	0	0	804,585
Charges for Services	20,572	0	1,478,375	1,498,947
Extracurricular Activities	622,492	0	579,053	1,201,545
Contributions and Donations	84,791	0	23,016	107,807
Rentals	108,634	0	0	108,634
Miscellaneous	488,298	3,005	150,462	641,765
Total Revenues	80,294,036	5,630,159	8,956,453	94,880,648
Expenditures				
Current:				
Instruction:				
Regular	35,528,720	0	210,720	35,739,440
Special	10,218,573	0	1,409,959	11,628,532
Vocational	284,574	0	0	284,574
Student Intervention Services	44,104	0	53,412	97,516
Support Services:				
Pupils	3,740,979	0	638,538	4,379,517
Instructional Staff	1,608,196	0	148,940	1,757,136
Board of Education	128,501	0	0	128,501
Administration	5,212,121	0	15,453	5,227,574
Fiscal	1,394,021	75,725	0	1,469,746
Business	453,953	0	0	453,953
Operation and Maintenance of Plant	5,965,927	0	829,097	6,795,024
Pupil Transportation	3,128,308	0	1,352,167	4,480,475
Central	350,080	0	18,000	368,080
Operation of Non-Instructional Services	62,885	0	692,936	755,821
Food Service Operations	0	0	2,311,642	2,311,642
Extracurricular Activities	1,206,255	0	752,098	1,958,353
Capital Outlay	7,363	0	847	8,210
Debt Service:				
Principal Retirement	75,368	4,405,000	0	4,480,368
Interest and Fiscal Charges	10,136	2,806,119	0	2,816,255
Bond Issuance Costs	0	276,118	0	276,118
Refunded Bonds Redeemed	0	575,656	0	575,656
Total Expenditures	69,420,064	8,138,618	8,433,809	85,992,491
Excess of Revenues Over (Under) Expenditures	10,873,972	(2,508,459)	522,644	8,888,157
Other Financing Sources (Uses)				
Refunding Bonds Issued	0	24,445,000	0	24,445,000
Premium on Refunding Bonds Issued	0	1,012,326	0	1,012,326
Payment to Refunded Bond Escrow Agent	0	(25,181,208)	0	(25,181,208)
Transfers In	1,364	1,557,267	148,302	1,706,933
Transfers Out	(454,526)	0	(1,249,411)	(1,703,937)
Total Other Financing Sources (Uses)	(453,162)	1,833,385	(1,101,109)	279,114
Net Change in Fund Balances	10,420,810	(675,074)	(578,465)	9,167,271
Fund Balances Beginning of Year	28,014,457	6,480,480	3,421,756	37,916,693
Fund Balances End of Year	$38,435,267	$5,805,406	$2,843,291	$47,083,964

See accompanying notes to the basic financial statements

Medina City School District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds		$9,167,271
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Outlay	2,278,656	
Current Year Depreciation	(3,891,094)	
Total		(1,612,438)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(622,829)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	(156,049)	
Intergovernmental	607,072	
County Levied Sales Tax	(243,789)	
Total		207,234
Repayment of bond, certificates of participation, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		30,237,232
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Accrued Interest	117,510	
Annual Accretion	(79,623)	
Amortization of Bond and Certificates of Participation Premiums	568,263	
Amortization of Deferred Charge on Refunding	(315,908)	
Total		290,242
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		375,780
Internal service funds used by management are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental expenses:		
Change in Net Position	871,205	
Change in Compensated Absences	(17,231)	
Total		853,974
Other financing sources in the governmental funds increase long-term liabilities in the statement of net position:		
Refunding Bonds Issued	(24,445,000)	
Premium on Refunding Bonds Issued	(1,012,326)	
Total		(25,457,326)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		6,180,434
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(3,922,465)
Change in Net Position of Governmental Activities		$15,697,109

See accompanying notes to the basic financial statements

Medina City School District

Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$45,866,102	$45,707,782	$49,084,309	$3,376,527
Intergovernmental	24,412,109	24,383,284	28,254,206	3,870,922
Interest	145,137	166,778	182,687	15,909
Tuition and Fees	464,820	534,126	530,626	(3,500)
Charges for Services	17,903	20,572	20,572	0
Extracurricular Activities	372,784	428,367	433,732	5,365
Contributions and Donations	17,840	20,500	21,274	774
Rentals	32,436	37,272	39,866	2,594
Miscellaneous	342,637	373,087	385,518	12,431
Total Revenues	71,671,768	71,671,768	78,952,790	7,281,022
Expenditures				
Current:				
Instruction:				
Regular	50,802,735	38,146,813	34,693,575	3,453,238
Special	4,368,868	10,124,218	10,124,218	0
Vocational	265,895	321,424	269,564	51,860
Student Intervention Services	45,176	47,176	47,176	0
Support Services:				
Pupils	1,822,332	3,879,385	3,711,015	168,370
Instructional Staff	1,136,653	1,655,454	1,579,605	75,849
Board of Education	101,773	144,017	132,219	11,798
Administration	4,109,371	5,069,099	5,023,842	45,257
Fiscal	1,188,335	1,493,405	1,405,784	87,621
Business	1,393,243	587,865	562,472	25,393
Operation and Maintenance of Plant	4,118,505	6,380,501	6,259,942	120,559
Pupil Transportation	2,112,696	5,123,212	3,137,022	1,986,190
Central	430,671	420,742	342,723	78,019
Extracurricular Activities	650,210	1,191,688	1,190,044	1,644
Capital Outlay	168,096	29,266	7,363	21,903
Total Expenditures	72,714,559	74,614,265	68,486,564	6,127,701
Excess of Revenues Over (Under) Expenditures	(1,042,791)	(2,942,497)	10,466,226	13,408,723
Other Financing Sources (Uses)				
Advances In	0	0	50,000	50,000
Advances Out	0	(98,000)	(98,000)	0
Transfers Out	(479,363)	(481,657)	(456,820)	24,837
Total Other Financing Sources (Uses)	(479,363)	(579,657)	(504,820)	74,837
Net Change in Fund Balance	(1,522,154)	(3,522,154)	9,961,406	13,483,560
Fund Balance Beginning of Year	28,432,803	28,432,803	28,432,803	0
Prior Year Encumbrances Appropriated	943,489	943,489	943,489	0
Fund Balance End of Year	$27,854,138	$25,854,138	$39,337,698	$13,483,560

See accompanying notes to the basic financial statements

Medina City School District

Statement of Net Position
Proprietary Funds
June 30, 2015

	Transportation Enterprise Fund	Governmental Activities - Internal Service Funds
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	$48,724	$6,380,436
Intergovernmental Receivable	450	44,417
Total Assets	49,174	6,424,853
Liabilities		
Current Liabilities:		
Accounts Payable	$2,769	$49
Accrued Wages	0	53,189
Interfund Payable	0	98,000
Intergovernmental Payable	0	7,862
Compensated Absences Payable	0	4,878
Claims Payable	0	770,104
Total Current Liabilities	2,769	934,082
Long-Term Liability:		
Compensated Absences Payable (net of current portion)	0	59,412
Total Liabilities	2,769	993,494
Net Position		
Unrestricted	$46,405	$5,431,359

See accompanying notes to the basic financial statements

Medina City School District

Statement of Revenues,
Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Transportation Enterprise Fund	Governmental Activities - Internal Service Funds
Operating Revenues		
Tuition and Fees	$0	$1,103,939
Charges for Services	31,951	8,544,582
Miscellaneous	27,037	51,288
Total Operating Revenues	58,988	9,699,809
Operating Expenses		
Salaries	0	493,446
Fringe Benefits	0	175,098
Purchased Services	0	1,521,622
Materials and Supplies	15,474	15,002
Claims	0	6,620,440
Other	13,816	0
Total Operating Expenses	29,290	8,825,608
Income before Transfers	29,698	874,201
Transfers In	0	99,166
Transfers Out	0	(102,162)
Change in Net Position	29,698	871,205
Net Position Beginning of Year	16,707	4,560,154
Net Position End of Year	$46,405	$5,431,359

See accompanying notes to the basic financial statements

Medina City School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Transportation Enterprise Fund	Governmental Activities - Internal Service Funds
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	$31,951	$1,109,747
Cash Received from Interfund Services Provided	0	8,544,582
Cash Received from Other Sources	26,587	51,288
Cash Payments for Employee Services and Benefits	0	(696,831)
Cash Payments for Goods and Services	(12,705)	(1,577,764)
Cash Payments for Claims	0	(6,119,278)
Cash Payments for Other Uses	(13,816)	0
Total Cash Flows from Operating Activities	32,017	1,311,744
Cash Flows from Non-Operating Activities		
Advances In	0	22,000
Advances Out	0	(50,000)
Transfers In	0	99,166
Transfers Out	0	(102,162)
Total Cash Flows from Non-Operating Activities	0	(30,996)
Net Increase in Cash and Cash Equivalents	32,017	1,280,748
Cash and Cash Equivalents Beginning of Year	16,707	5,099,688
Cash and Cash Equivalents End of Year	$48,724	$6,380,436
Reconciliation of Operating Income to Cash Flows from Operating Activities		
Operating Income	$29,698	$874,201
Adjustments		
(Increase) Decrease in Intergovernmental Receivable	(450)	5,808
Increase (Decrease) in Liabilities:		
Accounts Payable	2,769	(8,370)
Accrued Wages	0	(11,196)
Intergovernmental Payable	0	140
Compensated Absences Payable	0	(17,231)
Claims Payable	0	468,392
Total Adjustments	2,319	437,543
Cash Flows from Operating Activities	$32,017	$1,311,744

See accompanying notes to the basic financial statements

Medina City School District

Statement of Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust Funds	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	$37,954	$341,280
Investments in Segregated Accounts	646,799	0
Accounts Receivable	0	6,089
Total Assets	684,753	$347,369
Liabilities		
Accounts Payable	0	$6,089
Undistributed Monies	0	19,115
Due to Students	0	322,165
Total Liabilities	0	$347,369
Net Position		
Held in Trust for Scholarships:		
Nonexpendable	610,003	
Expendable	74,750	
Total Net Position	$684,753	

See accompanying notes to the basic financial statements

Medina City School District

Statement of Changes in Net Position

Private Purpose Trust Funds

For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust Funds
Additions	
Interest	$357
Contributions and Donations	15,500
Loss on Sale of Investments	(21,352)
Miscellaneous	4,137
Total Additions	(1,358)
Deductions	
Scholarships Awarded	74,750
Change in Net Position	(76,108)
Net Position Beginning of Year	760,861
Net Position End of Year	$684,753

See accompanying notes to the basic financial statements

Note 1 – Description of the School District and Reporting Entity

Medina City School District (the School 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 five member Board form of government whose members are elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District is located in Medina County and encompasses most of the City of Medina and portions of surrounding townships. The School District currently operates seven elementary schools, two middle schools and one comprehensive high school, which are staffed by 32 administrators, 8 psychologists, 2 administrative secretaries, 417.33 certificated full-time equivalent teaching personnel and 254.75 full-time-equivalent classified employees, who provide services to 7,069 students and other community members.

Reporting Entity

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

Non-public Schools - Within the School District boundaries, The Nurtury, St. Francis Xavier, Kids Country, Small Wonders Preschool, 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 non-public schools by the Treasurer of the School District, as directed by the non-public schools. These transactions are reported in a special revenue fund and as a governmental activity of the School District.

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

The School District participates in two jointly governed organizations, which are the Medina County Career Center and the Ohio Schools Council. These organizations are addressed in Note 15 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial principles. The more significant of the School District's accounting policies are described as follows.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type.

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

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

Fund Accounting

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

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

The following are the School District's major governmental funds:

> ***General Fund*** The general fund is the general operating fund of the School District and is used to account for and report all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Bond Retirement Fund*** The bond retirement fund is used to account for and report the accumulation of property tax revenues restricted for the payment of general obligation bonds and certificates of participation issued for high school and elementary school additions and the construction of a new recreation center.

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

Proprietary Fund Type Proprietary funds reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service.

> ***Enterprise Fund*** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's enterprise fund is used to account for monies received from outside school districts for repair work done to their vehicles.
>
> ***Internal Service Funds*** The internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's three internal service funds are a self insurance fund that accounts for health and prescription claims, a workers' compensation self insurance fund that accounts for workers' compensation claims, and a rotary fund that accounts for operations that provide goods and services to other governmental units on a cost-reimbursement basis.

Fiduciary Funds Types Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has two private purpose trust funds which are both used to account for college scholarships. The School District's agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. The agency funds reflect resources that belong to the student bodies of the various schools and the sales and other revenue generated by a community performing arts group.

Measurement Focus

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

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

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

The private purpose trust funds are reported using the economic resources measurement focus.

Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 22.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 22).

Expenditures/Expenses On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled except for certain investments for the private purpose trust funds. Individual fund integrity is maintained through the School District records. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

The School District has a carryover cash balance with the Medina County Educational Service Center. The balance in this account is presented on the statement of fund net position as “cash and cash equivalents with fiscal agents.”

The School District has segregated bank accounts for monies held in private purpose trust funds. These interest bearing investment accounts are reported as “investments in segregated accounts” on the statement of fiduciary net position.

During fiscal year 2015, investments were limited to federal home loan mortgage corporation bonds, federal home loan bank bonds, federal national mortgage association bonds, United States Treasury Notes, STAR Ohio, mutual funds, and a repurchase agreement. Mutual funds are reported at fair values based on current share price. Repurchase agreements are reported at cost.

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 net asset value per share, which is the price the investment could be sold for on June 30, 2015.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during the fiscal year 2015 amounted to $250,317, which included $181,737 assigned from other School District funds.

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

Inventory

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

Capital Assets

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

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

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

Description	Estimated Lives
Land Improvements	40 Years
Buildings and Improvements	40 Years
Furniture and Equipment	5 Years
Vehicles	10 Years

Interfund Balances

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

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 employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have resigned or retired will be paid. The non-current portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

Fund Balances

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. State Statute authorizes the Treasurer to assign fund balances for purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for public school support and to cover a gap between estimated revenue and appropriations in fiscal year 2016's budget.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes included resources which will be used for special education.

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for all proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as nonoperating.

Estimates

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

Internal Activity

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

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

Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District's Treasurer. The amounts reported in the budgetary statement as the original and final budgeted amounts reflect the amounts in the amended certificate in effect when the original and final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for the funds that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed during the year, including all supplemental appropriations.

Bond Premiums

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

Deferred Charge on Refunding

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

Note 3 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement-No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

	Governmental Activities
Net Position June 30, 2014	$52,110,240
Adjustments:	
Net Pension Liability	(110,741,175)
Deferred Outflow - Payments Subsequent to Measurement Date	5,481,083
Restated Net Position July 1, 2014	($53,149,852)

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 4 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursement and encumbrances. The statement of revenues, expenditures and changes in fund balance – budget (non-GAAP basis) and actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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

2. Investments are reported at cost (budget basis) rather than fair value (GAAP basis).

3. Unrecorded Cash represents amounts received but not included as revenue on the budget basis. These amounts are included as revenue on the GAAP basis.

4. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

5. Advances In and Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

6. Budgetary revenues and expenditures of the uniform school supply and public school support funds are reclassified to the general fund for GAAP reporting.

7. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed, or assigned fund balance (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund:

Net Change in Fund Balance

	General
GAAP Basis	$10,420,810
Net Adjustment for Revenue Accruals	(1,912,440)
Beginning Fair Value Adjustment for Investments	23,214
Ending Fair Value Adjustment for Investments	(90,844)
Beginning Unrecorded Cash	150
Net Adjustment for Expenditure Accruals	834,696
Advances In	50,000
Advances Out	(98,000)
Perspective Differences:	
Uniform School Supply	620,243
Public School Support	763,049
Adjustment for Encumbrances	(649,472)
Budget Basis	$9,961,406

Note 5 – Legal Compliance and Accountability

Legal Compliance

The School District had negative cash balances in the following funds, indicating that revenue from other sources were used to pay obligations of these funds:

Fund	Negative Cash Balances
Special Revenue Funds:	
Alternative Schools	$1,998
Title VI-B	113,553
EDA Preschool Special Education	366
Reducing Class Size	47,130
Miscellaneous Federal Grants	1,200

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

Accountability

The following funds had deficit fund balances at June 30, 2015:

Fund	Negative Fund Balances
Special Revenue Funds:	
Food Service	$107,187
Alternative Schools	8,934
Title VI-B	263,469
Title I	150,416
Preschool Grant	5,267
Reducing Class Size	62,556
Miscellaneous Federal Grants	1,200

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

Note 6 – Deposits and Investments

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

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

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

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

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

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

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above;

4. Bonds and other obligations of the State of Ohio;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);

7. The State Treasurer's investment pool (STAR Ohio); and

8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year-end, $2,973,619 of the School District's bank balance of $29,782,359 was uninsured and uncollateralized. At June 30, 2015, the carrying amount of all School District deposits was $29,645,484. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2015, the School District had the following investments:

		Investment Maturities (in Years)			
Investment	Fair Value	Less than 1	1-2	2-3	3-5
Federal Home Loan Mortgage Corporation Bonds	$7,177,904	$0	$1,203,150	$5,974,754	$0
Federal Home Loan Bank Bonds	3,765,729	0	3,765,729	0	0
Federal National Mortgage Association Bonds	9,053,011	0	0	4,782,594	4,270,417
United States Treasury Notes	2,208,736	0	2,208,736	0	0
STAR Ohio	3,979,072	3,979,072	0	0	0
Mutual Funds	656,385	656,385	0	0	0
Repurchase Agreement	410,000	410,000	0	0	0
Total Portfolio	$27,250,837	$5,045,457	$7,177,615	$10,757,348	$4,270,417

Interest Rate Risk The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District and that investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements shall not exceed thirty days.

Credit Risk The Federal Home Loan Mortgage Corporation Bonds, Federal Home Loan Bank Bonds, and Federal National Mortgage Association Bonds carry a rating of AAA by Standard & Poor’s. The United States Treasury Notes carry a rating of AA+ by Standard & Poor’s. STAR Ohio carries a credit rating of AAAm by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement is exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2015:

Investment	Percentage of Investments	
Federal Home Loan Mortgage Corporation Bonds	26.34	%
Federal Home Loan Bank Bonds	13.82	
Federal National Mortgage Association Bonds	33.22	
United States Treasury Notes	8.11	

Note 7 – Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014, and are collected in calendar year 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Medina County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes, which are measurable as of June 30, 2015, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2015, was $4,014,160 in the general fund and $390,370 in the bond retirement debt service fund. The amount available as an advance at June 30, 2014, was $3,445,969 in the general fund and $362,155 in the bond retirement debt service fund. The difference was in the timing and collection by the County Auditor.

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

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	$1,134,573,870	97.67%	$1,144,451,350	97.54%
Public Utility Personal Property	27,095,360	2.33	28,875,400	2.46
Total	$1,161,669,230	100.00%	$1,173,326,750	100.00%
Tax rate per $1,000 of Assessed Valuation	$93.33		$93.33	

Note 8 – Receivables

Receivables at June 30, 2015, consisted of taxes, accounts (rent and student fees), interfund, and intergovernmental grants and disbursements. The School District receives a portion of a 0.5 percent sales tax levied by the County. The sales tax is allocated to the public schools based on a student count and is recorded as an intergovernmental revenue. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivable	Amounts
Governmental Funds:	
County Levied Sales Tax	$1,179,366
Title VI-B Grant	597,255
Title I Grant	350,289
Reducing Class Size Grant	83,372
State Teachers Retirement System Refund	74,058
City of Medina	63,750
Preschool Grant	11,973
Alternative Education Grant	10,660
School Foundation	7,642
Other	1,983
Total Governmental	2,380,348
Internal Service Fund:	
Outside School Districts	44,417
Enterprise Fund:	
Medina County ESC	450
Total	$2,425,215

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 7/1/14	Additions	Deletions	Balance 6/30/15
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$3,251,882	$0	$0	$3,251,882
Construction in Progress	33,312	426,170	(165,694)	293,788
Total Capital Assets, not being depreciated	3,285,194	426,170	(165,694)	3,545,670
Capital Assets, being depreciated:				
Land Improvements	2,925,089	0	(60,763)	2,864,326
Buildings and Improvements	137,408,054	165,694	(481,346)	137,092,402
Furniture and Equipment	2,197,521	411,900	0	2,609,421
Vehicles	4,679,017	1,440,586	(928,390)	5,191,213
Total Capital Assets, being depreciated	147,209,681	2,018,180	(1,470,499)	147,757,362
Less Accumulated Depreciation:				
Land Improvements	(1,140,805)	(239,748)	0	(1,380,553)
Buildings and Improvements	(45,008,385)	(2,845,348)	0	(47,853,733)
Furniture and Equipment	(1,698,155)	(430,016)	0	(2,128,171)
Vehicles	(3,234,887)	(375,982)	847,670	(2,763,199)
Total Accumulated Depreciation	(51,082,232)	(3,891,094) *	847,670	(54,125,656)
Total Capital Assets, being depreciated, net	96,127,449	(1,872,914)	(622,829)	93,631,706
Governmental Activities Capital Assets, Net	$99,412,643	($1,446,744)	($788,523)	$97,177,376

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$1,931,413
Special	290,800
Vocational	34,838
Support Services:	
Pupils	100,994
Instructional Staff	334,204
Administration	199,687
Business	892
Operation and Maintenance of Plant	533,788
Pupil Transportation	80,272
Food Service Operations	149,506
Operation of Non-Instructional Services	2,716
Extracurricular Activities	231,984
Total Depreciation Expense	$3,891,094

Note 10 – Capital Lease

In 2013, the School District entered into a new capital lease for copiers that replaced the two existing leases that were held by the School District. The assets acquired through the capital lease were capitalized at the present value of the minimum lease payments at the time the lease was entered into.

The assets acquired through the capital lease are as follows:

	Governmental Activities
Asset:	
Equipment	$345,539
Less: Accumulated depreciation	(143,975)
Total	$201,564

The lease provides for minimum, annual lease payments as follows:

	Governmental Activities
2016	$85,504
2017	85,504
2018	85,504
Total Minimum Lease Payment	256,512
Less: Amount Representing Interest	(14,573)
Present Value of Minimum Lease Payment	$241,939

Note 11 – Long-Term Obligations

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Certificates of Participation:			
2008 Certificates of Participation	3.25% - 5.25%	$25,000,000	December 1, 2037
2015 Refunding Certificates of Participation	4.125 - 5.25	24,445,000	December 1, 2037
General Obligation Bonds:			
2005 Refunding	3 - 5	59,239,818	December 1, 2028
2009 Refunding	3 - 5	8,485,000	December 1, 2018
2012 Refunding	2.75	3,220,000	October 1, 2022
2013 Refunding	3 - 5	40,699,552	December 1, 2027

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

	Principal Outstanding 7/1/14	Additions	Reductions	Principal Outstanding 6/30/15	Amount Due in One Year
Certificates of Participation:					
2008 Certificates of Participation:					
Serial Certificates	$7,940,000	$0	($6,050,000)	$1,890,000	$605,000
Term Certificates	16,935,000	0	(16,935,000)	0	0
Premium	299,939	0	(260,387)	39,552	0
2015 Refunding Certificates of Participation:					
Serial Certificates	0	13,810,000	0	13,810,000	25,000
Term Certificates	0	10,635,000	0	10,635,000	0
Premium	0	1,012,326	(5,166)	1,007,160	0
Total Certificates of Participation	25,174,939	25,457,326	(23,250,553)	27,381,712	630,000
General Obligation Bonds:					
2005 Refunding Bonds:					
Serial Bonds	6,520,000	0	(2,190,000)	4,330,000	0
Premium	332,061	0	(166,030)	166,031	0
2009 Refunding Bonds:					
Serial Bonds	6,205,000	0	(1,145,000)	5,060,000	1,185,000
Premium	156,913	0	(34,869)	122,044	0
2012 Refunding Bonds:					
Term Bonds	2,730,000	0	(270,000)	2,460,000	285,000
2013 Refunding Bonds:					
Serial Bonds	24,880,000	0	(220,000)	24,660,000	2,525,000
Term Bonds	15,080,000	0	0	15,080,000	0
Capital Appreciation Bonds	134,552	0	0	134,552	0
Accretion on Capital Appreciation Bonds	75,019	79,623	0	154,642	0
Premium	4,682,605	0	(349,014)	4,333,591	0
Total General Obligation Bonds	60,796,150	79,623	(4,374,913)	56,500,860	3,995,000
Other Long-Term Obligations:					
Net Pension Liability:					
STRS	92,305,578	0	(14,815,580)	77,489,998	0
SERS	18,435,597	0	(2,745,915)	15,689,682	0
Total Net Pension Liability	110,741,175	0	(17,561,495)	93,179,680	0
Capital Lease	317,307	0	(75,368)	241,939	77,948
Compensated Absences	7,727,097	322,909	(698,689)	7,351,317	552,595
Total Other Long-Term Obligations	118,785,579	322,909	(18,335,552)	100,772,936	630,543
Total Governmental Activities Long-Term Liabilities	$204,756,668	$25,859,858	($45,961,018)	$184,655,508	$5,255,543

In 2008, the School District issued $25,000,000 in Certificates of Participation (COPs) for the purpose of constructing, renovating, expanding, improving, and furnishing various buildings throughout the School District. The COPs issuance included a premium of $382,339. The COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The COPs have been designated to be "qualified tax exempt obligations" within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the Medina City Schools Foundation and then subleased back to the School District. The initial term of the lease expires on June 30, 2008, and renewals are subject to appropriations by the Board. Upon the appropriation of sufficient funds to pay base rent during each renewal period and certification of sufficiency of those appropriations, the lease will be renewed by the Board for successive renewal periods, each of one year or less, through December 1, 2037. The base rent includes an interest component ranging from 3.25 percent to 5.25 percent. The School District has the option to purchase the Project on any Lease Payment Date by paying $100 plus the amount necessary to defease the Indenture.

In 2015, the School District issued $24,445,000 in refunding Certificates of Participation (COPs). The COPs were issued for the purpose of refunding a portion of the 2008 COPs to take advantage of lower interest rates. The COPs were issued for a 23 year period with final maturity at December 1, 2037. The proceeds of the new COPs were placed in an irrevocable trust to provide for all future debt service payments on the old COPs. Accordingly, the trust account assets and liabilities for the defeased COPs are not included in the School District's financial statements. On June 30, 2015, $22,405,000 of the defeased bonds are still outstanding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of $1,808,406, but incurred an accounting loss of $3,104,661 (difference between amount paid to bond escrow agent and the refunding amount), which is shown in the following table:

	2008 Certificates of Participation
Serial Certificates	$5,470,000
Term Certificates	16,935,000
Premium on Bonds	247,203
Total 2008 Refunding Bonds Outstanding	22,652,203
Amount Paid to Refunded Bond Escrow Agent	(25,756,864)
2015 Refunding Accounting Loss	($3,104,661)

An analysis of the principal refunding follows:

	2008 Certificates of Participation
Outstanding at June 30, 2014	$24,875,000
Amount Refunded	(580,000)
Principal Payment	(22,405,000)
Outstanding Principal at June 30, 2015	$1,890,000

Optional Redemption The certificates maturing after December 1, 2024 are subject to prior redemption at the option of the Trustee, under the direction of the Board, either in whole or in part, in such order as the Trustee shall determine, under the direction of the Board, on any date on or after December 1, 2024, at 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption The 2015 refunding COPs maturing on December 1, 2032, 2034, and 2037, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

	Issue		
Year	$2,775,000	$2,975,000	$4,885,000
2031	$1,365,000	$0	$0
2033	0	1,460,000	0
2035	0	0	1,570,000
2036	0	0	1,625,000
	$1,365,000	$1,460,000	$3,195,000
Stated Maturity	*12/1/2032*	*12/1/2034*	*12/1/2037*

The remaining principal amount of the term bonds ($1,410,000, $1,515,000 and $1,690,000) will mature at the stated maturity.

In 2005, the School District issued $59,239,818 in voted general obligation bonds which included serial and capital appreciation bonds in the amount of $55,995,000 and $3,244,818, respectively. The general obligation bonds remain outstanding at June 30, 2015. The general obligation bonds were issued for the purpose of refunding a portion of the 1999 school building construction bonds to take advantage of lower interest rates. The bonds were issued for a twenty-five year period with final maturity at December 1, 2028. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2015, $46,875,000 of the defeased bonds are still outstanding.

In 2009, the School District issued $8,485,000 in general obligation bonds to refund a portion of the 1998 refunding bonds. The bonds were issued for a ten year period with a final maturity at December 1, 2018. The bonds will be retired from the debt service fund. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2015, $5,225,000 of the defeased bonds are still outstanding.

In 2012, the School District issued $3,220,000 in general obligation bonds for the purpose of retiring the 2007 long-term energy conservation note and the short-term transportation facility note issues, in order to take advantage of lower interest rates. The 2012 refunding bonds are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on October 1 of the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2015	$285,000
2016	285,000
2017	290,000
2018	305,000
2019	310,000
2020	315,000
2021	330,000

The remaining principal amount of the bonds ($340,000) will mature at stated maturity on October 1, 2022.

The bonds are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any date on or after May 1, 2020, at redemption prices equal to the following percentages of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption:

Redemption Period	Redemption Price
May 1, 2020 through April 30, 2021	100.5%
May 1, 2021 and thereafter	100.0

In 2013, the School District issued $40,699,552 in general obligation bonds for the purpose of refunding a portion of the 2005 refunding bond issue in order to take advantage of lower interest rates. The bonds were issued for a fifteen year period with a final maturity at December 1, 2027. The bonds will be retired from the debt service fund. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2015, $40,700,000 of the defeased bonds are still outstanding.

The 2013 refunding bonds are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2024	$3,600,000
2025	3,705,000
2026	3,825,000

The remaining principal amount of the bonds ($3,950,000) will mature at stated maturity on December 1, 2027.

The bonds are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any date on or after December 1, 2023, at a redemption price equal to 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The general obligation bonds issued included serial, term and capital appreciation (deep discount) bonds in the amounts of $25,485,000, 15,080,000 and $134,552, respectively. At June 30, 2015, $825,000 of the serial bonds had been retired by the School District through annual debt service payments. The full amount of the term and capital appreciation bonds remained outstanding at June 30, 2015. The term bonds will be repaid through annual debt service payments during fiscal years 2025 through 2028. The capital appreciation bonds were originally sold at a discount of $1,520,448, which is being accreted annual until the point of maturity of the capital appreciation bonds, which will be repaid during fiscal year 2021.

All general obligation bonds will be paid from property taxes. The School District pays obligations related to employee compensation from the fund benefitting from their service. The capital lease will be paid from the general fund. The compensated absences liability will be paid from the general fund, the food service, auxiliary service, alternative schools, miscellaneous State grants, title VI-B, title I, preschool grant, and reducing class size special revenue funds, and the rotary internal service fund.

The School District's overall debt margin was $59,677,215 with an unvoted debt margin of $1,173,293 at June 30, 2015. Principal and interest requirements to retire outstanding long-term obligations at June 30, 2015, are as follows:

	Certificates of Participation					
	Serial		Term		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2016	$630,000	$2,204,994	$0	$0	$630,000	$2,204,994
2017	740,000	2,148,899	0	0	740,000	2,148,899
2018	770,000	2,119,825	0	0	770,000	2,119,825
2019	800,000	937,687	0	0	800,000	937,687
2020	830,000	905,088	0	0	830,000	905,088
2021-2025	4,730,000	3,911,862	0	0	4,730,000	3,911,862
2026-2030	5,885,000	2,761,389	0	0	5,885,000	2,761,389
2031-2035	1,315,000	410,738	5,750,000	1,143,999	7,065,000	1,554,737
2036-2038	0	0	4,885,000	279,281	4,885,000	279,281
Total	$15,700,000	$15,400,482	$10,635,000	$1,423,280	$26,335,000	$16,823,762

	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2016	$3,710,000	$1,799,686	$285,000	$63,731	$0	$0
2017	3,840,000	1,676,537	285,000	55,894	0	0
2018	3,965,000	1,542,236	290,000	47,987	0	0
2019	4,110,000	1,397,487	305,000	39,806	0	0
2020	2,900,000	1,191,986	310,000	31,350	0	0
2021-2025	11,195,000	3,505,446	4,585,000	528,556	134,552	1,520,448
2026-2028	4,330,000	97,419	11,480,000	779,019	0	0
Total	$34,050,000	$11,210,797	$17,540,000	$1,546,343	$134,552	$1,520,448

Note 12 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Twelve month classified employees and administrators earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to twelve month classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers 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 315 days for teachers and 315 days for classified staff and administrators. Upon retirement, certified and classified employees with at least five years of experience with the School District, receive payment for up to a maximum of eighty days computed according to negotiated agreements.

Administrators earn sick leave at the rate of one and one-fourth days per month. Upon termination, administrative employees are eligible to receive payment for one hundred percent of sick leave days accumulated for the first forty days and fifty percent of sick leave days accumulated for the next one hundred twenty days up to a maximum of one hundred days. An employee receiving such payment must meet the retirement provisions set by STRS Ohio or SERS with a minimum of 5 years of service in the School District or upon disability retirement or death with no minimum years of service to the School District.

Employees may earn up to a maximum of four days of personal leave per year. Personal leave may not be accumulated. Unused personal leave becomes sick leave at July 1.

Health Insurance Benefits

The School Board and the teachers and classified staff share the cost of insurance coverage. Administrators contribute twenty percent to the total cost to the School Board for family and single coverage. In addition to paying a co-pay for office visits and prescriptions, teachers and classified staff contribute a fixed amount to the cost of the monthly premiums, as well as deductibles and co-insurance, for their insurance coverage as per the following table:

Effective Date	Employees	Single Contributions	Family Contributions
July 1, 2014	Teachers	$128.91	$313.00
July 1, 2014	Support Staff Level 1	80.57	199.56
July 1, 2014	Support Staff Level 2	96.68	239.47
July 1, 2014	Administrators	128.91	319.30

Life Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through commercial life insurance companies.

Note 13 – Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2015, the School District contracted with several companies for various types of insurance as follows:

Company	Type of Coverage	Coverage Amount
Netherlands Insurance Company	Property	$246,029,405
	Inland Marine	4,013,150
	Flood and Earthquake	2,000,000
	Crime	150,000
	General Liability	3,000,000
	Employee Benefits Liability	4,000,000
	Employer's Liability	3,000,000
	School Leaders Professional Liability	2,100,000
	Sexual Misconduct and Molestation	2,300,000
	Law Enforcement	2,000,000
	Violent Event Response	2,040,000
	Data Compromise	50,000
Travelers Insurance Company	Boiler and Machinery	50,000,000
Ohio Casualty Group	Fleet	2,000,000
	Umbrella Policy	10,010,000

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

Insurance Benefits

The School District offers comprehensive major medical and prescription drug benefits for all eligible employees and their dependents through a self insurance internal service fund. The School District is self insured with Medical Mutual and Gallagher Benefit Services serving as an insurance consultant. A specific excess loss coverage (stop-loss) insurance policy covers claims in excess of $150,000 per employee, per year. The claims liability of $767,301 reported in the internal service fund at June 30, 2015, is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustments expense and does not include other allocated or unallocated claim adjustment expenses. Management's expectation is the claims liabilities will be paid within one year.

Changes in the fund's claim liability amount in fiscal years 2014 and 2015 were:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2014	$284,394	$6,264,538	$6,294,412	$254,520
2015	254,520	6,585,431	6,072,650	767,301

Workers' Compensation

On February 1, 2013, the School District was approved for self-insured status by the Bureau of Workers' Compensation and began to administer its own workers' compensation program (the program). The School District has established a workers' compensation internal service fund to account for assets set aside for claim settlements and related liabilities associated with the program. Liabilities of the fund are reported when an employee injury has occurred, it is probable that a claim will be filed under the program, and the amount of the claim can be reasonably estimated. The School District utilizes the services of Sheakley Unicomp, the third party administrator, to review, process, and pay employee claims. The School District also maintains excess insurance coverage which would pay the portion of claims that exceed $400,000 per occurrence for all employees.

The workers' compensation claims liability at June 30, 2015 was $2,803. The claims liability reported in the workers' compensation internal service fund at June 30, 2015, is based on the requirements of GASB statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount for fiscal years 2014 and 2015 were as follows:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2014	$0	$145,688	$131,266	$14,422
2015	14,422	35,009	46,628	2,803

Note 14 – Contingencies

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district; therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

Litigation

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

Note 15 – Jointly Governed Organizations

Medina County Career Center

The Medina County Career Center (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. The Center's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. Accordingly, the Center is not part of the School District and its operations are not included as part of the reporting entity. The Center offers vocational education for several school districts including Medina City School District. During fiscal year 2015, $1,056 was paid for services by the Medina City School District to the Center. Financial information can be obtained by contacting the Treasurer, Aaron Butts, at the Medina County Career Center, 1101 West Liberty Street, Medina, Ohio 44256.

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 200 members. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Council's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2015, the School District paid $6,008 to the Council. Financial information can be obtained by William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the Council's natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Compass Energy has been selected as the supplier and program manager for the period from April 1, 2013 through March 31, 2016. There are currently 151 participants in the program, including the Medina City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Note 16 – Recreation Center Joint Operating Agreement

On July 9, 2002 the School District entered into a joint operating agreement and lease agreement with the City of Medina for the Medina Recreation Center (the Recreation Center).

Under the terms of these agreements, the Recreation Center will be owned by the School District and the City will be granted a leasehold interest in the Recreation Center for a term commencing on the date the facilities are opened for public use and expiring on June 30, 2052, with an option to renew for an indefinite number of additional five year terms.

In addition to the initial rent payment, the City is also required to pay annual rent of $1 each year, and 47.5 percent of the Recreation Center's operating expenses which will be initially paid by the School District and invoiced to the City on a monthly basis. The City and the School District will also each be required to contribute $100,000 a year, for the term of the lease, to separate capital improvement funds which may be spent for upkeep of the facilities through mutual agreement of both parties upon the recommendation of an Advisory Committee. However, no contributions to the capital improvement funds are required by either party for the first two years of operations and contributions of only 30 percent, 60 percent, and 90 percent are required for the third, fourth and fifth years, respectively.

The Recreation Center's Advisory Committee will consist of eight members, two of which will be appointed by the School District and two by the City and four by election by appointed officials. The Advisory Committee members may serve for an unlimited number of three year terms, and will be responsible for advising the City and School District regarding scheduling, operating expenses and day-to-day operations of the Recreation Center, as well as use of the Capital Improvement Funds.

The Recreation Center is accounted for as an undivided interest for the School District. The School District and the City each report 50 percent of the completed building and each reports their respective shares of the operating costs.

Note 17 – Set-Asides

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

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

	Capital Improvement
Set-aside Balances as of June 30, 2014	$0
Current Year Set-aside Requirement	1,186,289
Qualifying Disbursements	(5,099,969)
Totals	($3,913,680)
Set-aside Balance Carried Forward to Future Fiscal Years	$0
Set-aside Balance as of June 30, 2015	$0

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

Note 18 – Donor Restricted Endowments

The School District's scholarship endowment fund includes donor restricted endowments. Endowments, in the amount of $610,003, represent the principal portion. The amount of interest on donor restricted investments that is available for expenditures by the School District is $36,795 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise.

Note 19 – Interfund Transactions

Interfund Balances

As of June 30, 2015, the general fund had a $338,247 interfund receivable and the following funds had the corresponding interfund payables:

Interfund Payable	Interfund Receivable General Fund
Special Revenue Funds:	
Food Service	$76,000
Alternative Schools	1,998
Title VI-B	113,553
Preschool Grant	366
Reducing Class Size	47,130
Miscellaneous Federal Grants	1,200
Total Special Revenue	240,247
Internal Service Fund:	
Rotary	98,000
Total	$338,247

The interfund receivable and payables are due to the general fund covering deficit cash balances in these funds and moving unrestricted balances to support programs accounted for in other funds.

Interfund Transfers

The School District had the following transfers during fiscal year 2015:

	Transfers From				
Transfers To	General Fund	Other Governmental Funds	Rotary Internal Service Fund	Health Self Insurance Fund	Total
Governmental Funds:					
General Fund	$0	$1,364	$0	$0	$1,364
Bond Retirement Fund	309,220	1,248,047	0	0	1,557,267
Other Governmental Funds	145,306	0	2,996	0	148,302
	454,526	1,249,411	2,996	0	1,706,933
Internal Service Fund:					
Workers' Compensation Self Insurance Fund	0	0	0	99,166	99,166
Total	$454,526	$1,249,411	$2,996	$99,166	$1,806,099

Transfers from the general fund of $309,220 and $145,306 to the bond retirement and other governmental funds were to pay a portion of outstanding debt and to pay for recreation center permanent improvements, respectively. The transfer from the rotary internal service fund to other governmental funds was for the consolidation of food service funds.

Note 20 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	$649,472
Other Governmental Funds	756,834
Transportation Enterprise Fund	7,295
Internal Service Funds	119,021
Total	$1,532,622

Note 21 – Fund Balances

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

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
Nonspendable:				
Inventory	$38,939	$0	$8,535	$47,474
Restricted for:				
Debt Service	0	5,805,406	0	5,805,406
Capital Projects	0	0	2,998,079	2,998,079
Other Purposes	0	0	444,241	444,241
Total Restricted	0	5,805,406	3,442,320	9,247,726
Assigned to:				
Purchases on Order:				
Instruction	108,762	0	0	108,762
Support Services	243,993	0	0	243,993
Public School Support	773,301	0	0	773,301
Total Assigned	1,126,056	0	0	1,126,056
Unassigned (Deficit)	37,270,272	0	(607,564)	36,662,708
Total Fund Balances	$38,435,267	$5,805,406	$2,843,291	$47,083,964

Note 22 – Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was $4,872,166 for fiscal year 2015. Of this amount $671,297 is reported as an intergovernmental payable.

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

Benefit	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was $1,308,268 for fiscal year 2015. Of this amount, $135,919 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	$77,489,998	$15,689,682	$93,179,680
Proportion of the Net Pension Liability	0.31858130%	0.31001500%	
Pension Expense	$3,005,270	$917,195	$3,922,465

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	STRS	SERS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$746,010	$133,536	$879,546
School District contributions subsequent to the measurement date	4,872,166	1,308,268	6,180,434
Total Deferred Outflows of Resources	$5,618,176	$1,441,804	$7,059,980
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$14,335,943	$2,546,480	$16,882,423

$6,180,434 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS	SERS	Total
Fiscal Year Ended June 30:			
2016	($3,397,483)	($602,899)	($4,000,382)
2017	(3,397,483)	(602,899)	(4,000,382)
2018	(3,397,483)	(602,899)	(4,000,382)
2019	(3,397,484)	(604,247)	(4,001,731)
Total	($13,589,933)	($2,412,944)	($16,002,877)

Actuarial Assumptions – STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	$110,935,380	$77,489,998	$49,206,459

Actuarial Assumptions – SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented as follows:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	$22,384,514	$15,689,682	$10,058,750

Note 23 – Postemployment Benefits

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were $0, $317,379, and $323,543 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

School Employees Retirement System

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was $20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was $169,308.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were $77,667, $12,177 and $13,782, respectively. For fiscal year 2015, 89.11 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

Note 24 – Subsequent Event

On October 22, 2015, the School District refunded $4,330,000 of the 2005 general obligation refunding bonds. The new refunding bonds have a par value of $4,220,000 with an interest rate of 4 percent and a maturity date of December 1, 2028.

Required Supplementary Information

Medina City School District

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net Pension Liability

State Teachers Retirement System of Ohio

Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.31858130%	0.31858130%
School District's Proportionate Share of the Net Pension Liability	$77,489,998	$92,305,578
School District's Covered-Employee Payroll	$32,545,515	$35,417,154
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	238.10%	260.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date, which is the prior fiscal year end.

Medina City School District

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.31001500%	0.31001500%
School District's Proportionate Share of the Net Pension Liability	$15,689,682	$18,435,597
School District's Covered-Employee Payroll	$9,019,954	$8,613,473
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	173.94%	214.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date, which is the prior fiscal year end.

Medina City School District

Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2015	2014	2013	2012
Contractually Required Contribution	$4,872,166	$4,230,917	$4,604,230	$4,614,434
Contributions in Relation to the Contractually Required Contribution	(4,872,166)	(4,230,917)	(4,604,230)	(4,614,434)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered-Employee Payroll	$34,801,186	$32,545,515	$35,417,154	$35,495,646
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007	2006
$4,592,028	$4,967,991	$4,721,205	$4,498,548	$4,222,044	$4,367,652
(4,592,028)	(4,967,991)	(4,721,205)	(4,498,548)	(4,222,044)	(4,367,652)
$0	$0	$0	$0	$0	$0
$35,323,292	$38,215,315	$36,316,962	$34,604,215	$32,477,262	$33,597,323
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Medina City School District

Required Supplementary Information

Schedule of School District Contributions

School Employees Retirement System of Ohio

Last Ten Fiscal Years

	2015	2014	2013	2012
Contractually Required Contribution	$1,308,268	$1,250,166	$1,192,105	$1,180,570
Contributions in Relation to the Contractually Required Contribution	(1,308,268)	(1,250,166)	(1,192,105)	(1,180,570)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered-Employee Payroll	$9,926,164	$9,019,954	$8,613,473	$8,777,472
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

2011	2010	2009	2008	2007	2006
$1,115,769	$1,347,293	$954,436	$920,813	$889,595	$948,125
(1,115,769)	(1,347,293)	(954,436)	(920,813)	(889,595)	(948,125)
$0	$0	$0	$0	$0	$0
$8,876,444	$9,950,462	$9,699,549	$9,376,910	$8,329,541	$8,961,484
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through the Ohio Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	$ 189,578	$ 172,558
		1,088,861	1,205,106
		24,627	16,199
		21,591	21,591
Total Special Education Grants to States		1,324,657	1,415,454
Special Education - Preschool Grants	84.173	4,785	4,319
		28,452	28,819
Total Special Education Preschool Grants		33,237	33,138
Total Special Education Cluster		1,357,894	1,448,592
Title I Grants to Local Educational Agencies	84.010	152,029	146,821
		469,911	436,515
Total Title I Grants to Local Educational Agencies		621,940	583,336
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	26,727	26,445
		18,696	28,021
Total - Title I State Agency Program for Neglected and Delinquent Children and Youth		45,423	54,466
English Language Acquisition State Grants	84.365	1,189	1,189
		10,814	10,814
Total English Language Acquisition State Grants		12,003	12,003
Improving Teacher Quality State Grants	84.367	70,858	78,645
		78,967	126,098
Total Improving Teacher Quality State Grants		149,825	204,743
ARRA - State Fiscal Stabilization (SFSF) Race-to-the-Top Incentive Grants, Recovery Act	84.395		566
Total U.S. Department of Education		2,187,085	2,303,706
U.S. DEPARTMENT OF AGRICULTURE			
Nutrition Cluster:			
School Breakfast Program	10.553	83,468	83,468
National School Lunch Program	10.555	528,801	528,801
Non-cash Contributions		148,721	148,721
Total National School Lunch Program		677,522	677,522
Total Nutrition Cluster		760,990	760,990
Team Nutrition Grants	10.574		1,200
Total U.S. Department of Agriculture		760,990	762,190
Totals		$2,948,075	$3,065,896

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

MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

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

Medina City School District
Medina County
739 Weymouth Road
Medina, Ohio 44256

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Medina City School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 16, 2016, wherein we noted the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2015-002 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

District's Response to Findings

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

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

February 16, 2016

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

Medina City School District
Medina County
739 Weymouth Road
Medina, Ohio 44256

To the Board of Education:

Report on Compliance for* Each *Major Federal Program

We have audited the Medina City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Medina City School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Medina City School District, Medina County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

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Report on Internal Control Over Compliance

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

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

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

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

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

February 16, 2016

MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	• Title I Grants to Local Educational Agencies, CFDA 84.010; • Improving Teacher Quality State Grants, CFDA 84.367; • Special Educational Cluster, CFDA 84.027 and 84.173.
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

FINDING NUMBER 2015-001

Noncompliance Finding

Finding for Recovery - Repaid Under Audit

The collective bargaining agreement between the District and the Ohio Association of Public School Employees Local 4, AFL-CIO and Local #305, Section 22.03 Retirement/Severance states, "the total annual salary for each employee shall be the salary otherwise payable under their contracts."

Due to a clerical error, the District paid Anna Rickett, school secretary, a higher per diem rate than stated on her Board-approved salary notice which resulted in an $828 overpayment to her upon her retirement.

In accordance with the above facts, and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public money illegally expended is hereby issued against Anna Rickett in the amount of $828 and in favor of Medina City School District's general fund. Anna Rickett is responsible for the amount received in overpayment.

On January 20, 2016, the District was reimbursed in full by Anna Rickett.

The District should implement procedures to ensure individuals are compensated based upon the correct pay rates in accordance with the appropriate salary schedule, employment contract, and/or collective bargaining agreement.

Officials' Response: The District is in agreement Ms. Rickett was paid in error upon retiring from the district. This error was brought to the attention of my office during the audit and was fully reimbursed.

The District did not have a procedure to verify dates, rates, or salary schedule placement with the Treasurer or Assistant Treasurer prior to payment. With the turnover in the payroll department during 2015, verification by the Treasurer or Assistant Treasurer and Director of Human Resources is now a procedure for all payouts of district personnel.

FINDING NUMBER 2015-002

Significant Deficiency - Capital Asset Accounting

Medina City School District Board Policy #7455 - Accounting System for Fixed Assets requires the District to maintain a fixed asset accounting system. The fixed asset system shall maintain sufficient information to permit the preparation of year-end financial statements in accordance with generally-accepted accounting principles and control and accountability. Additionally, information maintained for each fixed assets should include description, asset classification, location, purchase price, date of purchase, estimated useful life, estimated salvage value, and accumulated depreciation. The District's capitalization threshold is $7,000.

Our testing revealed the District's capital assets included various items below the District's capitalization threshold of $7,000. Additionally, certain items included in the District's capital asset system did not include a useful life and therefore were not properly being depreciated. The client subsequently revised their capital assets to only include items meeting the capitalization threshold and assigned useful lives to all assets. These revisions resulted in a net decrease to capital assets of $2,014,902 which was adjusted to the financial statements by management.

FINDING NUMBER 2015-002 (Continued)

Failure to maintain a capital assets system in accordance with the District's policy significantly increases the risk of material financial statement errors.

The District should ensure only assets meeting the District's capitalization criteria are reported as capital assets. Estimated useful lives should also be maintained in the District's system to help ensure proper reporting of accumulated depreciation. Management should also periodically review the capital asset master listing to ensure all items are recorded in the proper period and at proper amounts.

Officials' Response: The District agrees the capital assets of the district were not being properly accounted for nor depreciated in prior audits. This is one reason the District has hired Sandy Downey as a Financial Secretary. All capital expenditures have been entered into the inventory system. The reporting was a matter of identifying the correct assets and providing a useful life. The district identified errors during the audit and corrections were made to provide the most accurate capital asset report to date. We will continue to track all capital expenditures into the future and maintain vigilance with our reporting.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2014-001	**Questioned Costs/Material Weakness – Title I Grant:** Title I grant monies were paid to a teacher who did not provide Title I services.	Yes	Finding No Longer Valid

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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
MARCH 17, 2016

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