



Dave Yost • Auditor of State

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

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MEDINA COUNTY**

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Dave Yost • Auditor of State

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, 2016, 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, 2016, 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.

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 7, 2017 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 7, 2017

Medina City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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, 2016. 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 2016 are as follows:

- Governmental revenues totaled \$94,618,944, a 0.49 percent decrease below the prior fiscal year. The decrease is primarily attributable to a 7.35 percent decrease in program revenues offset by property tax, unrestricted grant, and investment revenues over the prior fiscal year.
- Governmental expenses totaled \$82,024,748, a 3.32 percent increase from the prior fiscal year. Instructional expenses made up 60.99 percent of this total while support services accounted for 29.65 percent. Other expenses rounded out the remaining 9.36 percent.
- The School District's capital assets decreased by \$2,462,178 from the prior fiscal year. This decrease was the result of depreciation expense outpacing new capital outlay.
- Outstanding certificates of participation and general obligation bonded debt decreased from \$83,882,572 in fiscal year 2015 to \$78,951,385 in fiscal year 2016.

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 2016?" 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.

Medina City School District
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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 Activities* – These services are provided on a fee basis to recover all of the expenses of the goods or services provided. The School District's business-type activities are the transportation and System To Achieve Results for Students (STARS) enterprise funds.

Reporting the School District's Most Significant Funds

The analysis of the School District's major funds begins on page 10. 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 enterprise funds to account for monies received from outside districts for repair work done to their vehicles and for monies received for elementary school students who are paying for STARS testing supplies. 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.

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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 2016 and 2015:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and Other Assets	\$122,012,692	\$111,859,815	\$57,472	\$49,174	\$122,070,164	\$111,908,989
Capital Assets, Net	94,715,198	97,177,376	0	0	94,715,198	97,177,376
Total Assets	216,727,890	209,037,191	57,472	49,174	216,785,362	209,086,365
Deferred Outflows of Resources						
Deferred Charge on Refunding	4,697,070	5,056,235	0	0	4,697,070	5,056,235
Pension	13,969,060	7,059,980	0	0	13,969,060	7,059,980
Total Deferred Outflows of Resources	18,666,130	12,116,215	0	0	18,666,130	12,116,215
Liabilities						
Current and Other Liabilities	7,847,479	8,977,859	0	2,769	7,847,479	8,980,628
Long-Term Liabilities:						
Due Within One Year	5,289,025	5,255,543	0	0	5,289,025	5,255,543
Due in More than One Year:						
Net Pension Liability	109,567,227	93,179,680	0	0	109,567,227	93,179,680
Other Amounts	81,803,556	86,220,285	0	0	81,803,556	86,220,285
Total Liabilities	204,507,287	193,633,367	0	2,769	204,507,287	193,636,136
Deferred Inflows of Resources						
Property Taxes	48,581,601	48,090,359	0	0	48,581,601	48,090,359
Pension	7,163,679	16,882,423	0	0	7,163,679	16,882,423
Total Deferred Inflows of Resources	55,745,280	64,972,782	0	0	55,745,280	64,972,782
Net Position						
Net Investment in Capital Assets	20,588,102	18,303,294	0	0	20,588,102	18,303,294
Restricted:						
Capital Projects	4,717,896	3,518,141	0	0	4,717,896	3,518,141
Debt Service	5,214,880	5,499,337	0	0	5,214,880	5,499,337
Other Purposes	390,325	774,041	0	0	390,325	774,041
Unrestricted (Deficit)	(55,769,750)	(65,547,556)	57,472	46,405	(55,712,278)	(65,501,151)
Total Net Position	(\$24,858,547)	(\$37,452,743)	\$57,472	\$46,405	(\$24,801,075)	(\$37,406,338)

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." 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

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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.

GASB 68 requires the net pension liability to equal 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.

Total governmental assets increased by over \$7.7 million. The majority of this increase can be attributed to the increase in current and other assets of \$10.1 million, which was partly offset by a decrease in capital assets. The increase in current and other assets was primarily due to a \$9.5 million increase in cash and cash equivalents, which is due to revenues exceeding expenditures by the same amount that cash and cash equivalents increased.

Total governmental liabilities increased by \$10.9 million. Current and other liabilities decreased by about \$1.1 million, which was partly offset by an increase in accrued wages. Long-term liabilities increased by about \$12 million mainly due to increases in the net pension liability.

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The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$85.2 million or 90 percent of the total revenue. General revenue increased by \$0.3 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 \$9.4 million or only 10 percent of total revenue.

In order to further understand what makes up the changes in net position for the current fiscal year, the following table 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 2016 and 2015:

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for Services	\$3,538,244	\$3,613,711	\$28,324	\$31,951	\$3,566,568	\$3,645,662
Operating Grants, Contributions, and Interest	5,905,635	6,579,393	0	0	5,905,635	6,579,393
Capital Grants and Contributions	0	0	0	0	0	0
Total Program Revenues	9,443,879	10,193,104	28,324	31,951	9,472,203	10,225,055
General Revenue:						
Property Taxes	54,766,662	54,464,490	0	0	54,766,662	54,464,490
Grants and Entitlements, not Restricted	26,239,940	25,975,990	0	0	26,239,940	25,975,990
Grants and Entitlements, Restricted to Permanent Improvement	3,360,687	3,539,663	0	0	3,360,687	3,539,663
Unrestricted Contributions	20,025	21,274	0	0	20,025	21,274
Investment Earnings	475,588	251,596	0	0	475,588	251,596
Miscellaneous	312,163	641,765	16,863	27,037	329,026	668,802
Total General Revenues	85,175,065	84,894,778	16,863	27,037	85,191,928	84,921,815
Total Revenues	94,618,944	95,087,882	45,187	58,988	94,664,131	95,146,870
Program Expenses						
Instruction:						
Regular	37,599,916	35,487,698	0	0	37,599,916	35,487,698
Special	12,044,277	11,417,454	0	0	12,044,277	11,417,454
Vocational	323,985	312,358	0	0	323,985	312,358
Student Intervention Services	56,439	96,383	0	0	56,439	96,383
Support Services:						
Pupils	4,594,912	4,306,464	0	0	4,594,912	4,306,464
Instructional Staff	1,457,235	2,049,631	0	0	1,457,235	2,049,631
Board of Education	132,464	127,008	0	0	132,464	127,008
Administration	5,422,758	5,246,150	0	0	5,422,758	5,246,150
Fiscal	1,621,788	1,456,640	0	0	1,621,788	1,456,640
Business	448,355	441,272	0	0	448,355	441,272
Operation and Maintenance of Plant	7,033,606	5,822,932	0	0	7,033,606	5,822,932
Pupil Transportation	3,202,414	4,463,159	0	0	3,202,414	4,463,159
Central	406,607	368,334	0	0	406,607	368,334
Operation of Non-Instructional Services	671,283	726,640	0	0	671,283	726,640
Food Service Operations	2,298,487	2,390,501	0	0	2,298,487	2,390,501
Extracurricular Activities	1,885,115	2,152,136	0	0	1,885,115	2,152,136
Interest and Fiscal Charges	2,825,107	2,526,013	0	0	2,825,107	2,526,013
Business-Type Activities	0	0	34,120	29,290	34,120	29,290
Total Program Expenses	82,024,748	79,390,773	34,120	29,290	82,058,868	79,420,063
Change in Net Position	12,594,196	15,697,109	11,067	29,698	12,605,263	15,726,807
Net Position Beginning of Year	(37,452,743)	(53,149,852)	46,405	16,707	(37,406,338)	(53,133,145)
Net Position End of Year	(\$24,858,547)	(\$37,452,743)	\$57,472	\$46,405	(\$24,801,075)	(\$37,406,338)

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For the Fiscal Year Ended June 30, 2016
Unaudited

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, 60.99 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 29.65 percent. The remaining amount of program expenses, 9.36 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 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Instruction:				
Regular	\$37,599,916	(\$36,923,817)	\$35,487,698	(\$34,787,160)
Special	12,044,277	(8,605,998)	11,417,454	(7,658,563)
Vocational	323,985	(310,139)	312,358	(278,186)
Student Intervention Services	56,439	(55,946)	96,383	(34,159)
Support Services:				
Pupils	4,594,912	(3,974,924)	4,306,464	(3,514,643)
Instructional Staff	1,457,235	(1,315,000)	2,049,631	(1,855,439)
Board of Education	132,464	(131,338)	127,008	(125,971)
Administration	5,422,758	(5,333,602)	5,246,150	(5,144,683)
Fiscal	1,621,788	(1,608,703)	1,456,640	(1,445,192)
Business	448,355	(444,501)	441,272	(436,872)
Operation and Maintenance of Plant	7,033,606	(6,879,806)	5,822,932	(5,592,518)
Pupil Transportation	3,202,414	(3,001,933)	4,463,159	(4,265,256)
Central	406,607	(382,911)	368,334	(346,181)
Operating of Non-Instructional Services	671,283	(35,862)	726,640	(67,314)
Food Service Operations	2,298,487	(126,874)	2,390,501	(320,693)
Extracurricular Activities	1,885,115	(624,408)	2,152,136	(798,826)
Interest and Fiscal Charges	2,825,107	(2,825,107)	2,526,013	(2,526,013)
Total Expenses	\$82,024,748	(\$72,580,869)	\$79,390,773	(\$69,197,669)

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 66.77 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs support 31.99 percent of expenses; grants and entitlements restricted to permanent improvement projects support 4.1 percent of expenses. Unrestricted contributions, investment earnings and other miscellaneous type revenues support 0.98 percent of activity costs. Program revenues only account for 11.51 percent of all governmental expenses.

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Business-Type Activities

Business-type activities include the transportation and STARS enterprise funds. Fiscal year 2011 and 2016 were the first years for these funds, respectively. The purpose of the transportation fund is to account for monies received from outside school districts for repair work done to their vehicles and the purpose of the STARS fund is to account for monies received for elementary school students who are paying for STARS testing supplies. The business-type net position at fiscal year-end was \$57,472. Revenues consisted of charges for services for \$28,324 and other miscellaneous revenues of \$16,863.

School District's Funds

Information regarding the School District's major funds can be found beginning on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$94,983,978 and expenditures of \$84,630,520. Property taxes increased by \$0.4 million.

The fiscal year-end fund balance for the general fund was \$48,287,638 on a modified accrual basis. This is an increase of \$9,852,371 from the prior fiscal year's ending balance. This increase was due to revenues outpacing expenditures overall with slight increases in property tax and interest and with decreases in instruction staff and pupil transportation support services expenditures.

The bond retirement fund saw a decrease of \$374,418 in fund balance, which was less of a decrease than the previous year. This was due to overall revenues slightly increasing, while expenditures decreased mainly due to less debt service requirements than in the previous year.

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 2016, 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 \$73,082,954 and \$79,785,954, respectively. The original budget basis expenditures estimate totaled \$71,818,511, compared to final estimates of \$71,360,632. Final budgeted expenditures were \$457,879 lower than the original budget. Actual revenues were \$736,755 lower than final budgeted revenues due to lower than expected revenues in every receipt type, especially property tax revenue. Actual expenditures were \$401,976 lower than final budgeted expenditures due to lower than expected expenditures in regular instruction and pupil transportation functions. The School District's general fund unencumbered balance totaled \$47,152,302.

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Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2016 values compared to 2015.

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

	Governmental Activities		
	2016	2015	Change
Land	\$3,251,882	\$3,251,882	\$0
Construction in Progress	0	293,788	(293,788)
Land Improvements	1,363,640	1,483,773	(120,133)
Buildings and Improvements	86,904,215	89,238,669	(2,334,454)
Furniture and Equipment	723,455	481,250	242,205
Vehicles	2,472,006	2,428,014	43,992
Total Capital Assets	\$94,715,198	\$97,177,376	(\$2,462,178)

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

Table 5 summarizes the School District's outstanding bonds and certificates of participation for fiscal years 2016 and 2015.

Table 5
 Outstanding Debt at Year End

	Governmental Activities		
	2016	2015	Change
<i>Certificates of Participation:</i>			
2008 Certificates of Participation	\$1,311,368	\$1,929,552	(\$618,184)
2015 Refunding Certificates of Participation	25,382,269	25,452,160	(69,891)
<i>General Obligation Bonds:</i>			
2005 Refunding Bonds	0	4,496,031	(4,496,031)
2009 Refunding Bonds	3,962,174	5,182,044	(1,219,870)
2012 Refunding Bonds	2,175,000	2,460,000	(285,000)
2013 Refunding Bonds	41,598,971	44,362,785	(2,763,814)
2016 Refunding Bonds	4,521,603	0	4,521,603
Totals	\$78,951,385	\$83,882,572	(\$4,931,187)

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.

Medina City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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 2016 refunding bonds were issued to refund the 2005 refunding bonds. This debt will be fully repaid in fiscal year 2028.

The School District's overall legal debt margin was \$64,893,258 with an unvoted debt margin of \$1,189,798. 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 begun seeking input for a new Strategic Plan with an eye on implementation in 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 programming 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 calendar year 2016 was \$3.1 million. Medina County is the only county in Ohio that has levied a sales tax for school districts.

Medina City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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@medinabees.org.

Basic Financial Statements

Medina City School District

Statement of Net Position

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$65,333,487	\$57,472	\$65,390,959
Cash and Cash Equivalents With Fiscal Agents	63,008	0	63,008
Accrued Interest Receivable	69,064	0	69,064
Accounts Receivable	52,363	0	52,363
Intergovernmental Receivable	2,221,336	0	2,221,336
Inventory Held for Resale	62,174	0	62,174
Materials and Supplies Inventory	47,042	0	47,042
Property Taxes Receivable	54,164,218	0	54,164,218
Nondepreciable Capital Assets	3,251,882	0	3,251,882
Depreciable Capital Assets, Net	91,463,316	0	91,463,316
<i>Total Assets</i>	<u>216,727,890</u>	<u>57,472</u>	<u>216,785,362</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	4,697,070	0	4,697,070
Pension	13,969,060	0	13,969,060
<i>Total Deferred Outflows of Resources</i>	<u>18,666,130</u>	<u>0</u>	<u>18,666,130</u>
Liabilities			
Accounts Payable	607,794	0	607,794
Accrued Wages and Benefits	5,686,255	0	5,686,255
Intergovernmental Payable	899,321	0	899,321
Accrued Interest Payable	254,663	0	254,663
Claims Payable	399,446	0	399,446
Long-Term Liabilities:			
Due Within One Year	5,289,025	0	5,289,025
Due In More Than One Year:			
Net Pension Liability (See Note 22)	109,567,227	0	109,567,227
Other Amounts Due in More Than One Year	81,803,556	0	81,803,556
<i>Total Liabilities</i>	<u>204,507,287</u>	<u>0</u>	<u>204,507,287</u>
Deferred Inflows of Resources			
Property Taxes	48,581,601	0	48,581,601
Pension	7,163,679	0	7,163,679
<i>Total Deferred Inflows of Resources</i>	<u>55,745,280</u>	<u>0</u>	<u>55,745,280</u>
Net Position			
Net Investment in Capital Assets	20,588,102	0	20,588,102
Restricted for:			
Capital Projects	4,717,896	0	4,717,896
Debt Service	5,214,880	0	5,214,880
Other Purposes	390,325	0	390,325
Unrestricted (Deficit)	<u>(55,769,750)</u>	<u>57,472</u>	<u>(55,712,278)</u>
<i>Total Net Position</i>	<u>(\$24,858,547)</u>	<u>\$57,472</u>	<u>(\$24,801,075)</u>

See accompanying notes to the basic financial statements

Medina City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions, and Interest
Governmental Activities			
Instruction:			
Regular	\$37,599,916	\$524,517	\$151,582
Special	12,044,277	88,842	3,349,437
Vocational	323,985	2,325	11,521
Student Intervention Services	56,439	493	0
Support Services:			
Pupils	4,594,912	32,797	587,191
Instructional Staff	1,457,235	8,597	133,638
Board of Education	132,464	1,126	0
Administration	5,422,758	43,361	45,795
Fiscal	1,621,788	13,085	0
Business	448,355	3,854	0
Operation and Maintenance of Plant	7,033,606	119,119	34,681
Pupil Transportation	3,202,414	25,808	174,673
Central	406,607	3,277	20,419
Operation of Non-Instructional Services	671,283	126	635,295
Food Service Operations	2,298,487	1,423,818	747,795
Extracurricular Activities	1,885,115	1,247,099	13,608
Interest and Fiscal Charges	2,825,107	0	0
<i>Total Governmental Activities</i>	<u>82,024,748</u>	<u>3,538,244</u>	<u>5,905,635</u>
Business-Type Activities			
Transportation Enterprise	23,250	10,719	0
STARS Enterprise	10,870	17,605	0
<i>Total Business-Type Activities</i>	<u>34,120</u>	<u>28,324</u>	<u>0</u>
<i>Total</i>	<u>\$82,058,868</u>	<u>\$3,566,568</u>	<u>\$5,905,635</u>

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

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 Activities	Total
(\$36,923,817)	\$0	(\$36,923,817)
(8,605,998)	0	(8,605,998)
(310,139)	0	(310,139)
(55,946)	0	(55,946)
(3,974,924)	0	(3,974,924)
(1,315,000)	0	(1,315,000)
(131,338)	0	(131,338)
(5,333,602)	0	(5,333,602)
(1,608,703)	0	(1,608,703)
(444,501)	0	(444,501)
(6,879,806)	0	(6,879,806)
(3,001,933)	0	(3,001,933)
(382,911)	0	(382,911)
(35,862)	0	(35,862)
(126,874)	0	(126,874)
(624,408)	0	(624,408)
(2,825,107)	0	(2,825,107)
<u>(72,580,869)</u>	<u>0</u>	<u>(72,580,869)</u>
0	(12,531)	(12,531)
0	6,735	6,735
<u>0</u>	<u>(5,796)</u>	<u>(5,796)</u>
<u>(72,580,869)</u>	<u>(5,796)</u>	<u>(72,586,665)</u>
49,777,089	0	49,777,089
4,989,573	0	4,989,573
26,239,940	0	26,239,940
3,360,687	0	3,360,687
20,025	0	20,025
475,588	0	475,588
312,163	16,863	329,026
<u>85,175,065</u>	<u>16,863</u>	<u>85,191,928</u>
12,594,196	11,067	12,605,263
<u>(37,452,743)</u>	<u>46,405</u>	<u>(37,406,338)</u>
<u>(\$24,858,547)</u>	<u>\$57,472</u>	<u>(\$24,801,075)</u>

Medina City School District

Balance Sheet

Governmental Funds

June 30, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$49,574,829	\$5,002,498	\$4,158,138	\$58,735,465
Cash and Cash Equivalents With Fiscal Agent	56,268	0	6,740	63,008
Accrued Interest Receivable	69,064	0	0	69,064
Property Taxes Receivable	49,231,513	4,932,705	0	54,164,218
Accounts Receivable	42,240	0	0	42,240
Interfund Receivable	612,680	0	0	612,680
Intergovernmental Receivable	58,483	0	2,152,839	2,211,322
Inventory Held for Resale	0	0	62,174	62,174
Materials and Supplies Inventory	38,034	0	9,008	47,042
<i>Total Assets</i>	<u>\$99,683,111</u>	<u>\$9,935,203</u>	<u>\$6,388,899</u>	<u>\$116,007,213</u>
Liabilities				
Accounts Payable	\$460,796	\$0	\$142,756	\$603,552
Accrued Wages and Benefits	5,269,473	0	342,557	5,612,030
Intergovernmental Payable	842,691	0	47,986	890,677
Interfund Payable	0	0	586,680	586,680
<i>Total Liabilities</i>	<u>6,572,960</u>	<u>0</u>	<u>1,119,979</u>	<u>7,692,939</u>
Deferred Inflows of Resources				
Property Taxes	44,142,309	4,439,292	0	48,581,601
Unavailable Revenue	680,204	64,923	1,455,946	2,201,073
<i>Total Deferred Inflows of Resources</i>	<u>44,822,513</u>	<u>4,504,215</u>	<u>1,455,946</u>	<u>50,782,674</u>
Fund Balances				
Nonspendable	38,034	0	9,008	47,042
Restricted	0	5,430,988	4,389,756	9,820,744
Assigned	1,670,777	0	0	1,670,777
Unassigned (Deficit)	46,578,827	0	(585,790)	45,993,037
<i>Total Fund Balances</i>	<u>48,287,638</u>	<u>5,430,988</u>	<u>3,812,974</u>	<u>57,531,600</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$99,683,111</u>	<u>\$9,935,203</u>	<u>\$6,388,899</u>	<u>\$116,007,213</u>

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, 2016*

Total Governmental Fund Balances		\$57,531,600
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		94,715,198
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	745,127	
Intergovernmental	655,108	
County Levied Sales Tax	800,838	
Total		2,201,073
Deferred outflows of resources represent deferred charges on refundings, which are not reported in the funds.		4,697,070
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(254,663)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Certificates of Participation	(26,693,637)	
General Obligation Bonds	(52,257,748)	
Capital Leases	(163,991)	
Compensated Absences	(7,977,205)	
Total		(87,092,581)
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	6,015,987	
Compensated Absences	89,615	
Total		6,105,602
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	13,969,060	
Net Pension Liability	(109,567,227)	
Deferred Inflows - Pension	(7,163,679)	
Total		(102,761,846)
<i>Net Position of Governmental Activities</i>		<u><u>(\$24,858,547)</u></u>

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, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$50,001,775	\$5,012,256	\$0	\$55,014,031
Intergovernmental	27,765,986	662,434	7,109,084	35,537,504
Interest	472,038	0	3,550	475,588
Tuition and Fees	791,874	0	0	791,874
Charges for Services	19,515	0	1,489,852	1,509,367
Extracurricular Activities	637,438	0	500,364	1,137,802
Contributions and Donations	94,773	0	11,675	106,448
Rentals	99,201	0	0	99,201
Miscellaneous	129,050	4,048	179,065	312,163
<i>Total Revenues</i>	<u>80,011,650</u>	<u>5,678,738</u>	<u>9,293,590</u>	<u>94,983,978</u>
Expenditures				
Current:				
Instruction:				
Regular	35,729,711	0	235,867	35,965,578
Special	10,398,790	0	1,444,418	11,843,208
Vocational	271,950	0	0	271,950
Student Intervention Services	58,010	0	0	58,010
Support Services:				
Pupils	3,847,075	0	641,837	4,488,912
Instructional Staff	1,051,383	0	135,941	1,187,324
Board of Education	132,608	0	0	132,608
Administration	5,196,332	0	2,593	5,198,925
Fiscal	1,540,960	89,681	0	1,630,641
Business	454,529	0	0	454,529
Operation and Maintenance of Plant	6,249,452	0	668,890	6,918,342
Pupil Transportation	3,011,977	0	386,000	3,397,977
Central	387,668	0	19,800	407,468
Operation of Non-Instructional Services	60,620	0	615,640	676,260
Food Service Operations	0	0	2,169,323	2,169,323
Extracurricular Activities	1,195,979	0	601,781	1,797,760
Capital Outlay	0	0	268,812	268,812
Debt Service:				
Principal Retirement	77,948	4,625,000	0	4,702,948
Interest and Fiscal Charges	7,556	2,958,211	0	2,965,767
Bond Issuance Costs	0	94,178	0	94,178
<i>Total Expenditures</i>	<u>69,672,548</u>	<u>7,767,070</u>	<u>7,190,902</u>	<u>84,630,520</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>10,339,102</u>	<u>(2,088,332)</u>	<u>2,102,688</u>	<u>10,353,458</u>
Other Financing Sources (Uses)				
Refunding Bonds Issued	0	4,220,000	0	4,220,000
Premium on Refunding Bonds Issued	0	301,603	0	301,603
Payment to Refunded Bond Escrow Agent	0	(4,427,425)	0	(4,427,425)
Transfers In	0	1,619,736	138,000	1,757,736
Transfers Out	(486,731)	0	(1,271,005)	(1,757,736)
<i>Total Other Financing Sources (Uses)</i>	<u>(486,731)</u>	<u>1,713,914</u>	<u>(1,133,005)</u>	<u>94,178</u>
<i>Net Change in Fund Balances</i>	9,852,371	(374,418)	969,683	10,447,636
<i>Fund Balances Beginning of Year</i>	<u>38,435,267</u>	<u>5,805,406</u>	<u>2,843,291</u>	<u>47,083,964</u>
<i>Fund Balances End of Year</i>	<u>\$48,287,638</u>	<u>\$5,430,988</u>	<u>\$3,812,974</u>	<u>\$57,531,600</u>

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, 2016*

Net Change in Fund Balances - Total Governmental Funds \$10,447,636

*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	948,789	
Current Year Depreciation	(3,410,967)	
Total		(2,462,178)

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

Delinquent Property Taxes	(247,369)	
Intergovernmental	(398,441)	
County Levied Sales Tax	280,776	
Total		(365,034)

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. 9,130,373

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	99,460	
Annual Accretion	(110,200)	
Amortization of Bond and Certificates of Participation Premiums	441,959	
Amortization of Deferred Charge on Refunding	(290,559)	
Total		140,660

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. (625,888)

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	584,628	
Change in Compensated Absences	25,325	
Total		609,953

Other financing sources in the governmental funds increase long-term liabilities in the statement of net position:

Refunding Bonds Issued	(4,220,000)	
Premium on Refunding Bonds Issued	(301,603)	
Total		(4,521,603)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 6,375,611

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (6,135,334)

Change in Net Position of Governmental Activities \$12,594,196

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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$45,832,237	\$50,154,965	\$49,606,935	(\$548,030)
Intergovernmental	25,735,738	27,965,609	27,773,628	(191,981)
Interest	392,436	394,147	424,578	30,431
Tuition and Fees	527,892	574,231	571,128	(3,103)
Charges for Services	18,038	19,739	19,515	(224)
Extracurricular Activities	432,239	469,100	467,640	(1,460)
Contributions and Donations	18,509	20,255	20,025	(230)
Rentals	24,892	26,967	26,931	(36)
Miscellaneous	100,973	160,941	138,819	(22,122)
<i>Total Revenues</i>	<u>73,082,954</u>	<u>79,785,954</u>	<u>79,049,199</u>	<u>(736,755)</u>
Expenditures				
Current:				
Instruction:				
Regular	36,947,166	41,355,175	35,857,656	5,497,519
Special	9,802,665	8,298,721	10,553,501	(2,254,780)
Vocational	311,580	267,852	292,684	(24,832)
Student Intervention Services	58,342	64,929	61,960	2,969
Support Services:				
Pupils	3,906,246	3,186,087	3,986,333	(800,246)
Instructional Staff	1,250,246	912,621	1,140,400	(227,779)
Board of Education	156,401	154,674	143,890	10,784
Administration	4,764,126	4,069,361	5,309,565	(1,240,204)
Fiscal	1,689,338	1,339,533	1,568,963	(229,430)
Business	666,656	635,471	617,780	17,691
Operation and Maintenance of Plant	6,728,296	5,429,462	6,548,160	(1,118,698)
Pupil Transportation	4,272,946	4,637,048	3,209,861	1,427,187
Central	411,354	370,546	390,168	(19,622)
Operation of Non-Instructional Services	2,500	7,400	14,826	(7,426)
Extracurricular Activities	850,649	631,752	1,262,909	(631,157)
<i>Total Expenditures</i>	<u>71,818,511</u>	<u>71,360,632</u>	<u>70,958,656</u>	<u>401,976</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,264,443</u>	<u>8,425,322</u>	<u>8,090,543</u>	<u>(334,779)</u>
Other Financing Sources (Uses)				
Advances In	0	0	148,000	148,000
Advances Out	0	(586,680)	(586,680)	0
Transfers Out	(486,731)	(486,731)	(486,731)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(486,731)</u>	<u>(1,073,411)</u>	<u>(925,411)</u>	<u>148,000</u>
<i>Net Change in Fund Balance</i>	<u>777,712</u>	<u>7,351,911</u>	<u>7,165,132</u>	<u>(186,779)</u>
<i>Fund Balance Beginning of Year</i>	<u>39,337,698</u>	<u>39,337,698</u>	<u>39,337,698</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>649,472</u>	<u>649,472</u>	<u>649,472</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$40,764,882</u>	<u>\$47,339,081</u>	<u>\$47,152,302</u>	<u>(\$186,779)</u>

See accompanying notes to the basic financial statements

Medina City School District
Statement of Fund Net Position
Proprietary Funds
June 30, 2016

	Business Type Activities - Non-Major <u>Enterprise Funds</u>	Governmental Activities - Internal Service <u>Funds</u>
Assets		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$57,472	\$6,598,022
Receivables:		
Accounts Receivable	0	10,123
Intergovernmental Receivable	0	10,014
<i>Total Assets</i>	<u>57,472</u>	<u>6,618,159</u>
Liabilities		
<i>Current Liabilities:</i>		
Accounts Payable	\$0	\$4,242
Accrued Wages	0	74,225
Interfund Payable	0	26,000
Intergovernmental Payable	0	8,644
Compensated Absences Payable	0	3,872
Claims Payable	0	399,446
<i>Total Current Liabilities</i>	<u>0</u>	<u>516,429</u>
<i>Long-Term Liability:</i>		
Compensated Absences Payable (net of current portion)	0	85,743
<i>Total Liabilities</i>	<u>0</u>	<u>602,172</u>
Net Position		
Unrestricted	<u>\$57,472</u>	<u>\$6,015,987</u>

See accompanying notes to the basic financial statements

Medina City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2016*

	Business Type Activities - Non-Major Enterprise Funds	Governmental Activities - Internal Service Funds
Operating Revenues		
Tuition and Fees	\$0	\$958,924
Charges for Services	28,324	8,571,761
Miscellaneous	16,863	11,823
<i>Total Operating Revenues</i>	<u>45,187</u>	<u>9,542,508</u>
Operating Expenses		
Salaries	0	552,040
Fringe Benefits	0	231,826
Purchased Services	0	1,640,104
Materials and Supplies	19,934	484
Claims	0	6,529,362
Other	14,186	4,064
<i>Total Operating Expenses</i>	<u>34,120</u>	<u>8,957,880</u>
<i>Change in Net Position</i>	11,067	584,628
<i>Net Position Beginning of Year</i>	<u>46,405</u>	<u>5,431,359</u>
<i>Net Position End of Year</i>	<u><u>\$57,472</u></u>	<u><u>\$6,015,987</u></u>

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, 2016

	Business Type Activities - Non-Major Enterprise Funds	Governmental Activities - Internal Service Funds
<i>Increase in Cash and Cash Equivalents</i>		
Cash Flows from Operating Activities		
Cash Received from Customers	\$28,324	\$993,327
Cash Received from Interfund Services Provided	0	8,561,638
Cash Received from Other Sources	17,313	11,823
Cash Payments for Employee Services and Benefits	0	(732,489)
Cash Payments for Goods and Services	(22,703)	(1,644,693)
Cash Payments for Claims	0	(6,900,020)
Cash Payments for Other Uses	(14,186)	0
<i>Total Cash Flows from Operating Activities</i>	8,748	289,586
Cash Flows from Non-Operating Activities		
Advances Out	0	(72,000)
<i>Net Increase in Cash and Cash Equivalents</i>	8,748	217,586
<i>Cash and Cash Equivalents Beginning of Year</i>	48,724	6,380,436
<i>Cash and Cash Equivalents End of Year</i>	\$57,472	\$6,598,022
<i>Reconciliation of Operating Income to Cash Flows from Operating Activities</i>		
<i>Operating Income</i>	\$11,067	\$584,628
Adjustments		
(Increase) Decrease in Assets:		
Accounts Receivable	0	(10,123)
Intergovernmental Receivable	450	34,403
Increase (Decrease) in Liabilities:		
Accounts Payable	(2,769)	4,193
Accrued Wages	0	21,036
Intergovernmental Payable	0	782
Compensated Absences Payable	0	25,325
Claims Payable	0	(370,658)
<i>Total Adjustments</i>	(2,319)	(295,042)
<i>Cash Flows from Operating Activities</i>	\$8,748	\$289,586

See accompanying notes to the basic financial statements

Medina City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose Trust Funds	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$36,776	\$364,207
Investments in Segregated Accounts	586,944	0
<i>Total Assets</i>	623,720	\$364,207
Liabilities		
Undistributed Monies	0	23,054
Due to Students	0	341,153
<i>Total Liabilities</i>	0	\$364,207
Net Position		
Held in Trust for Scholarships:		
Nonexpendable	569,095	
Expendable	54,625	
<i>Total Net Position</i>	\$623,720	

See accompanying notes to the basic financial statements

Medina City School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust Funds
Additions	
Interest	\$27,526
Contributions and Donations	16,000
Loss on Sale of Investments	(49,934)
<i>Total Additions</i>	<i>(6,408)</i>
Deductions	
Scholarships Awarded	54,625
<i>Change in Net Position</i>	<i>(61,033)</i>
<i>Net Position Beginning of Year</i>	<i>684,753</i>
<i>Net Position End of Year</i>	<i>\$623,720</i>

See accompanying notes to the basic financial statements

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 33 administrators, 7 psychologists, 1 administrative secretaries, 441.16 certificated full-time equivalent teaching personnel and 305.02 full-time-equivalent classified employees, who provide services to 7,004 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.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 activities 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.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 funds are used to account for monies received from outside school districts for repair work done to their vehicles and for monies received for elementary school students who are paying for STARS testing supplies.

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.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2016, but which were levied to finance fiscal year 2017 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. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 19. 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.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 2016, investments were limited to federal home loan mortgage corporation bonds, federal home loan bank bonds, federal national mortgage association bonds, 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 (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2016 amounted to \$472,038, which included \$117,184 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.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/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 acquisition 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:

<u>Description</u>	<u>Estimated Lives</u>
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.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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.

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.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 received 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.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 3 – Changes in Accounting Principles

For fiscal year 2016, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” GASB Statement No. 79, “Certain External Investment Pools and Pool Participants,” and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies – in the context of the current governmental financial reporting environment – the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the School District’s financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The School Districts participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The School District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

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

Medina City School District
Notes to the Basic Financial Statements
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4. Advances In and Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Budgetary revenues and expenditures of the uniform school supply and public school support funds are reclassified to the general fund for GAAP reporting.
6. 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	\$9,852,371
Net Adjustment for Revenue Accruals	(1,555,424)
Beginning Fair Value Adjustment for Investments	90,844
Ending Fair Value Adjustment for Investments	(69,240)
Net Adjustment for Expenditure Accruals	(698,569)
Advances In	148,000
Advances Out	(586,678)
Perspective Differences:	
Uniform School Supply	522,602
Public School Support	706,389
Adjustment for Encumbrances	(1,245,163)
Budget Basis	\$7,165,132

Note 5 –Accountability

Accountability

The following funds had deficit fund balances at June 30, 2016:

Fund	Negative Fund Balances
<i>Special Revenue Funds:</i>	
Food Service	\$105,059
Auxiliary Services	213,035
Title VI-B	146,920
Title I	76,897
Preschool Grant	3,403
Reducing Class Size	31,468

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.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, and Government National Mortgage 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.

Medina City School District
Notes to the Basic Financial Statements
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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, \$3,043,966 of the School District's bank balance of \$23,381,289 was uninsured and uncollateralized. At June 30, 2016, the carrying amount of all School District deposits was \$23,138,018. 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, 2016, the School District had the following investments:

Measurement/Investment	Investment Maturities (in Years)				
	Measurement Amount	Less than 1	1-2	2-3	3-5
Net Asset Value Per Share:					
STAR Ohio	\$17,750,655	\$17,750,655	\$0	\$0	\$0
Fair Value:					
Federal Home Loan Mortgage Corporation Bonds	8,586,777	0	0	2,238,870	6,347,907
Federal Home Loan Bank Bonds	6,305,630	6,305,630	0	0	0
Federal National Mortgage Association Bonds	7,568,535	0	3,711,172	2,501,875	1,355,488
Mutual Funds	632,279	632,279	0	0	0
Cost:					
Repurchase Agreement - FNMA	2,460,000	2,460,000	0	0	0
Total Portfolio	\$43,303,876	\$27,148,564	\$3,711,172	\$4,740,745	\$7,703,395

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2016. All of the School District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

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.

Medina City School District
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Credit Risk The Federal Home Loan Mortgage Corporation Bonds, Federal Home Loan Bank Bonds, and Federal National Mortgage Association Bonds 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, 2016:

Measurement/Investment	Measurement Amount	Percent of Total Investments
Net Asset Value Per Share:		
STAR Ohio	\$17,750,655	N/A
Fair Value:		
Federal Home Loan Mortgage Corporation Bonds	8,586,777	19.83 %
Federal National Mortgage Association Bonds	7,568,535	17.48
Federal Home Loan Bank Bonds	6,305,630	14.56
Mutual Funds	632,279	N/A
Cost:		
Repurchase Agreement	2,460,000	5.68
Total Portfolio	<u>\$43,303,876</u>	

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 and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015, and are collected in calendar year 2016 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, 2016, are available to finance fiscal year 2016 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, 2016, 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, 2016, was \$4,409,000 in the general fund and \$428,490 in the bond retirement debt service fund. 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 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 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$1,144,451,350	97.54 %	\$1,158,607,080	97.38 %
Public Utility Personal Property	28,875,400	2.46	31,217,950	2.62
Total	\$1,173,326,750	100.00 %	\$1,189,825,030	100.00 %
Tax rate per \$1,000 of Assessed Valuation	\$93.33		\$93.33	

Medina City School District
Notes to the Basic Financial Statements
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Note 8 – Receivables

Receivables at June 30, 2016, consisted of taxes, accounts (rent and other), 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
<i>Governmental Funds:</i>	
County Levied Sales Tax	\$1,493,000
Title VI-B Grant	329,854
Title I Grant	273,135
Other	60,964
Reducing Class Size Grant	29,742
Preschool Grant	18,880
Alternative Schools Grant	3,497
Rent	2,250
Total Governmental	2,211,322
 <i>Internal Service Fund:</i>	
Outside School Districts	10,014
Total	\$2,221,336

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance 7/1/15	Additions	Deletions	Balance 6/30/16
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$3,251,882	\$0	\$0	\$3,251,882
Construction in Progress	293,788	431,776	(725,564)	0
<i>Total Capital Assets, not being depreciated</i>	\$3,545,670	\$431,776	(725,564)	\$3,251,882

(continued)

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

	Balance 7/1/15	Additions	Deletions	Balance 6/30/16
<i>Capital Assets, being depreciated:</i>				
Land Improvements	\$2,864,326	\$0	\$0	\$2,864,326
Buildings and Improvements	137,092,402	341,212	0	137,433,614
Furniture and Equipment	2,609,421	505,865	0	3,115,286
Vehicles	5,191,213	395,500	(479,317)	5,107,396
<i>Total Capital Assets, being depreciated</i>	<u>147,757,362</u>	<u>1,242,577</u>	<u>(479,317)</u>	<u>148,520,622</u>
Less Accumulated Depreciation:				
Land Improvements	(1,380,553)	(120,133)	0	(1,500,686)
Buildings and Improvements	(47,853,733)	(2,675,666)	0	(50,529,399)
Furniture and Equipment	(2,128,171)	(263,660)	0	(2,391,831)
Vehicles	(2,763,199)	(351,508)	479,317	(2,635,390)
Total Accumulated Depreciation	<u>(54,125,656)</u>	<u>(3,410,967)*</u>	<u>479,317</u>	<u>(57,057,306)</u>
Total Capital Assets, being depreciated, net	<u>93,631,706</u>	<u>(2,168,390)</u>	<u>0</u>	<u>91,463,316</u>
Governmental Activities Capital Assets, Net	<u>\$97,177,376</u>	<u>(\$1,736,614)</u>	<u>(\$725,564)</u>	<u>\$94,715,198</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,595,140
Special	257,446
Vocational	51,437
Support Services:	
Pupils	108,193
Instructional Staff	290,068
Administration	205,263
Business	2,317
Operation and Maintenance of Plant	546,631
Pupil Transportation	104,493
Food Service Operations	144,382
Operation of Non-Instructional Services	4,287
Extracurricular Activities	101,310
Total Depreciation Expense	<u>\$3,410,967</u>

Note 10 – Capital Lease

In fiscal year 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.

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For the Fiscal Year Ended June 30, 2016

The assets acquired through the capital lease are as follows:

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

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

	Governmental Activities
2017	\$85,504
2018	85,504
Total Minimum Lease Payment	171,008
Less: Amount Representing Interest	(7,017)
Present Value of Minimum Lease Payment	\$163,991

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	Issue Amount	Date of Maturity
<i>Certificates of Participation:</i>			
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
<i>General Obligation Bonds:</i>			
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
2016 Refunding	4	4,220,000	December 1, 2028

Medina City School District
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For the Fiscal Year Ended June 30, 2016

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

	Principal Outstanding 7/1/15	Additions	Reductions	Principal Outstanding 6/30/16	Amount Due in One Year
Certificates of Participation:					
2008 Certificates of Participation:					
Serial Certificates	\$1,890,000	\$0	(\$605,000)	\$1,285,000	\$630,000
Premium	39,552	0	(13,184)	26,368	0
2015 Refunding Certificates of Participation:					
Serial Certificates	13,810,000	0	(25,000)	13,785,000	110,000
Term Certificates	10,635,000	0	0	10,635,000	0
Premium	1,007,160	0	(44,891)	962,269	0
Total Certificates of Participation	27,381,712	0	(688,075)	26,693,637	740,000
General Obligation Bonds:					
2005 Refunding Bonds:					
Serial Bonds	4,330,000	0	(4,330,000)	0	0
Premium	166,031	0	(166,031)	0	0
2009 Refunding Bonds:					
Serial Bonds	5,060,000	0	(1,185,000)	3,875,000	1,235,000
Premium	122,044	0	(34,870)	87,174	0
2012 Refunding Bonds:					
Term Bonds	2,460,000	0	(285,000)	2,175,000	285,000
2013 Refunding Bonds:					
Serial Bonds	24,660,000	0	(2,525,000)	22,135,000	2,605,000
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	154,642	110,200	0	264,842	0
Premium	4,333,591	0	(349,014)	3,984,577	0
2016 Refunding Bonds:					
Serial Bonds	0	4,220,000	0	4,220,000	0
Premium	0	301,603	0	301,603	0
Total General Obligation Bonds	56,500,860	4,631,803	(8,874,915)	52,257,748	4,125,000
Other Long-Term Obligations:					
Net Pension Liability:					
STRS	77,489,998	13,609,698	0	91,099,696	0
SERS	15,689,682	2,777,849	0	18,467,531	0
Total Net Pension Liability	93,179,680	16,387,547	0	109,567,227	0
Capital Lease	241,939	0	(77,948)	163,991	80,616
Compensated Absences	7,351,317	1,178,482	(552,594)	7,977,205	343,409
Total Other Long-Term Obligations	100,772,936	17,566,029	(630,542)	117,708,423	424,025
Total Governmental Activities					
Long-Term Liabilities	<u>\$184,655,508</u>	<u>\$22,197,832</u>	<u>(\$10,193,532)</u>	<u>\$196,659,808</u>	<u>\$5,289,025</u>

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

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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, 2016, \$22,405,000 of the defeased bonds are still outstanding.

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:

Year	Issue		
	\$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
<i>Stated Maturity</i>	<i>12/1/2032</i>	<i>12/1/2034</i>	<i>12/1/2037</i>

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 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, 2016, \$44,510,000 of the defeased bonds are still outstanding.

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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, \$4,015,000 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:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
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:

<u>Redemption Period</u>	<u>Redemption Price</u>
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, 2016, \$38,400,000 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:

Medina City School District
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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, 2016, \$2,525,000 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, 2016. 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.

In 2016, the School District issued \$4,220,000 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 twelve year period with a final maturity at December 1, 2028. 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, 2016, \$4,330,000 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 \$38,965 and incurred an accounting gain of \$68,606 (difference between amount paid to bond escrow agent and the refunding amount), which is shown in the following table:

	2005
	Refunding
	Bonds
Serial Bonds	\$4,330,000
Premium on Bonds	166,031
Total 2016 General Obligation Bonds	4,496,031
Amount Paid to Refunded Bond Escrow Agent	(4,427,425)
2016 Refunding Accounting Gain	\$68,606

Medina City School District
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An analysis of the principal refunding follows:

	2005 Refunding Bonds
Outstanding at June 30, 2015	\$4,330,000
Amount Refunded	(4,330,000)
Outstanding Principal at June 30, 2016	\$0

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, 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 \$64,893,258 with an unvoted debt margin of \$1,189,798 at June 30, 2016. Principal and interest requirements to retire outstanding long-term obligations at June 30, 2016, are as follows:

Fiscal Year	Certificates of Participation			
	Serial		Term	
	Principal	Interest	Principal	Interest
2017	\$740,000	\$2,148,899	\$0	\$0
2018	770,000	2,119,825	0	0
2019	800,000	937,687	0	0
2020	830,000	905,088	0	0
2021	865,000	871,187	0	0
2022-2026	4,955,000	3,679,513	0	0
2027-2031	6,110,000	2,533,289	0	0
2032-2036	0	0	7,320,000	1,297,749
2037-2038	0	0	3,315,000	125,531
Total	\$15,070,000	\$13,195,488	\$10,635,000	\$1,423,280

Fiscal Year	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
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	1,390,000	1,046,987	315,000	22,757	134,552	1,520,448
2022-2026	9,805,000	2,458,459	7,975,000	886,475	0	0
2027-2028	4,220,000	168,800	7,775,000	398,343	0	0
Total	\$30,230,000	\$9,482,492	\$17,255,000	\$1,482,612	\$134,552	\$1,520,448

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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. Only five days of vacation can be carried over to the next year. 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 staff 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. Classified staff with the School District, receive payment for up to a maximum of eighty-five 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 the conclusion of the contract year.

Health Insurance Benefits

The School Board and the teachers and classified staff share the cost of insurance coverage. Administrators and teachers contribute twenty percent to the total cost to the School Board for family and single coverage as well as paying a co-insurance and deductibles for health, dental, and prescriptions. Classified staff contribute a lower percentage to the cost of the monthly premiums, as well as deductibles and co-insurance, for their insurance coverage as per the following table:

<u>Effective Date</u>	<u>Employees</u>	<u>Single Contributions</u>	<u>Family Contributions</u>
July 1, 2015	Teachers	\$129.38	\$320.34
July 1, 2015	Support Staff Level 1	80.87	200.22
July 1, 2015	Support Staff Level 2	97.05	240.26
July 1, 2015	Administrators	129.38	320.34

Life Insurance Benefits

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

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 2016, the School District contracted with several companies for various types of insurance as follows:

Company	Type of Coverage	Coverage Amount
Netherlands Insurance Company	Property	\$247,148,977
	Inland Marine	4,013,150
	Flood and Earthquake	2,000,000
	Crime	425,000
	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 \$398,696 reported in the internal service fund at June 30, 2016, 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.

Medina City School District
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For the Fiscal Year Ended June 30, 2016

Changes in the fund's claim liability amount in fiscal years 2015 and 2016 were:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2015	\$254,520	\$6,585,431	\$6,072,650	\$767,301
2016	767,301	6,485,194	6,853,799	398,696

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 \$500,000 per occurrence for all employees.

The workers' compensation claims liability at June 30, 2016 was \$750. The claims liability reported in the workers' compensation internal service fund at June 30, 2016, 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 2015 and 2016 were as follows:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2015	\$14,422	\$35,009	\$46,628	\$2,803
2016	2,803	44,168	46,221	750

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, 2016, if applicable, cannot be determined at this time.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2016 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 2016, \$400 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 2016, the School District paid \$5,853 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.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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.

Medina City School District
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	Capital Improvement
Set-aside Balances as of June 30, 2015	\$0
Current Year Set-aside Requirement	1,181,453
Qualifying Disbursements	(3,479,959)
Totals	(\$2,298,506)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2016	\$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 \$569,095, represent the principal portion. The amount of interest on donor restricted investments that is available for expenditures by the School District is \$17,849 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, 2016, the general fund had a \$612,680 interfund receivable and the following funds had the corresponding interfund payables:

	Interfund Receivable
Interfund Payable	General Fund
<i>Special Revenue Funds:</i>	
Food Service	\$100,455
Auxilliary Services	254,659
Title VI-B	131,023
Title I	81,550
Preschool Grant	1,919
Reducing Class Size	17,074
Total Special Revenue	586,680
<i>Internal Service Fund:</i>	
Rotary	26,000
Total	\$612,680

Medina City School District
Notes to the Basic Financial Statements
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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 2016:

	Transfers From		
Transfers To	General Fund	Other Governmental Funds	Total
<i>Governmental Funds:</i>			
Bond Retirement Fund	\$348,731	\$1,271,005	\$1,619,736
Other Governmental Funds	138,000	0	138,000
Total	\$486,731	\$1,271,005	\$1,757,736

Transfers from the general fund of \$348,731 and \$138,000 to the bond retirement and other governmental funds were to pay a portion of outstanding debt and to pay for permanent improvements projects, respectively. The transfer from other governmental funds to the bond retirement fund was to pay a portion of outstanding debt.

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	\$1,245,163
Other Governmental Funds	502,084
Transportation Enterprise Fund	209
Internal Service Funds	33,848
Total	\$1,781,304

Medina City School District
Notes to the Basic Financial Statements
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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
<u>Nonspendable:</u>				
Inventory	\$38,034	\$0	\$9,008	\$47,042
<u>Restricted for:</u>				
Debt Service	0	5,430,988	0	5,430,988
Capital Projects	0	0	3,917,058	3,917,058
Other Purposes	0	0	472,698	472,698
Total Restricted	0	5,430,988	4,389,756	9,820,744
<u>Assigned to:</u>				
Purchases on Order:				
Instruction	222,424	0	0	222,424
Support Services	625,324	0	0	625,324
Public School Support	823,029	0	0	823,029
Total Assigned	1,670,777	0	0	1,670,777
Unassigned (Deficit)	46,578,827	0	(585,790)	45,993,037
Total Fund Balances	<u>\$48,287,638</u>	<u>\$5,430,988</u>	<u>\$3,812,974</u>	<u>\$57,531,600</u>

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.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 Street, 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.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$4,941,871 for fiscal year 2016. Of this amount \$656,879 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.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$1,433,740 for fiscal year 2016. Of this amount, \$139,197 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, 2015, 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:

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.31858130%	0.31001500%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.32962857%</u>	<u>0.32364560%</u>	
Change in Proportionate Share	<u>0.01104727%</u>	<u>0.01363060%</u>	
Proportionate Share of the Net			
Pension Liability	\$91,099,696	\$18,467,531	\$109,567,227
Pension Expense	\$4,766,907	\$1,368,427	\$6,135,334

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$4,152,996	\$297,361	\$4,450,357
Change in proportionate Share and difference between School District contributions and proportionate share of contributions	2,523,818	619,274	3,143,092
School District contributions subsequent to the measurement date	<u>4,941,871</u>	<u>1,433,740</u>	<u>6,375,611</u>
Total Deferred Outflows of Resources	<u>\$11,618,685</u>	<u>\$2,350,375</u>	<u>\$13,969,060</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$6,551,790</u>	<u>\$611,889</u>	<u>\$7,163,679</u>

\$6,375,611 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 ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
2017	(\$847,568)	(\$24,358)	(\$871,926)
2018	(847,568)	(24,358)	(871,926)
2019	(847,568)	(25,767)	(873,335)
2020	<u>2,667,728</u>	<u>379,229</u>	<u>3,046,957</u>
Total	<u>\$125,024</u>	<u>\$304,746</u>	<u>\$429,770</u>

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Actuarial Assumptions – STRS

The total pension liability in the June 30, 2015, 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, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS’ investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	10 Year Expected Nominal 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	<u>100.00 %</u>	

*10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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	\$126,544,349	\$91,099,696	\$61,125,956

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, 2015, are presented below:

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.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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	<u>100.00 %</u>	

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	\$25,607,830	\$18,467,531	\$12,454,812

Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 2016, 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, 2016, 2015, and 2014 were \$0, \$0, and \$317,379, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

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 2016, no allocation 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 2016, this amount was \$23,000. 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 2016, the School District's surcharge obligation was \$168,646.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$168,646, \$246,975, and \$165,097 respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

Note 24 – Subsequent Event

On August 1, 2016, the Board of Education approved a four year lease purchase of 19 buses for the School District. This lease purchase is with De Lage Landen Public Finance. There will be annual payments of \$391,773 until July 20, 2019.

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 Three Fiscal Years (1) **

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.32962857%	0.31858130%	0.31858130%
School District's Proportionate Share of the Net Pension Liability	\$91,099,696	\$77,489,998	\$92,305,578
School District's Covered Payroll	\$34,801,186	\$32,545,515	\$35,417,154
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	261.77%	238.10%	260.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

* Amounts presented for each fiscal year were determined 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 Three Fiscal Years (1) **

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.32364560%	0.31001500%	0.31001500%
School District's Proportionate Share of the Net Pension Liability	\$18,467,531	\$15,689,682	\$18,435,597
School District's Covered Payroll	\$9,926,164	\$9,019,954	\$8,613,473
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	186.05%	173.94%	214.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

* Amounts presented for each fiscal year were determined 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

	2016	2015	2014	2013
Contractually Required Contribution	\$4,941,871	\$4,872,166	\$4,230,917	\$4,604,230
Contributions in Relation to the Contractually Required Contribution	<u>(4,941,871)</u>	<u>(4,872,166)</u>	<u>(4,230,917)</u>	<u>(4,604,230)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$35,299,079	\$34,801,186	\$32,545,515	\$35,417,154
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
\$4,614,434	\$4,592,028	\$4,967,991	\$4,721,205	\$4,498,548	\$4,222,044
(4,614,434)	(4,592,028)	(4,967,991)	(4,721,205)	(4,498,548)	(4,222,044)
\$0	\$0	\$0	\$0	\$0	\$0
\$35,495,646	\$35,323,292	\$38,215,315	\$36,316,962	\$34,604,215	\$32,477,262
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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,433,740	\$1,308,268	\$1,250,166	\$1,192,105
Contributions in Relation to the Contractually Required Contribution	<u>(1,433,740)</u>	<u>(1,308,268)</u>	<u>(1,250,166)</u>	<u>(1,192,105)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$10,241,000	\$9,926,164	\$9,019,954	\$8,613,473
Contributions as a Percentage of Covered Payroll	14.00%	13.18%	13.86%	13.84%

2012	2011	2010	2009	2008	2007
\$1,180,570	\$1,115,769	\$1,347,293	\$954,436	\$920,813	\$889,595
(1,180,570)	(1,115,769)	(1,347,293)	(954,436)	(920,813)	(889,595)
\$0	\$0	\$0	\$0	\$0	\$0
\$8,777,472	\$8,876,444	\$9,950,462	\$9,699,549	\$9,376,910	\$8,329,541
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed through the Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027	\$ 314,941 1,308,535 11,318	\$ 198,696 1,323,879 11,318
Total Special Education Grants to States		1,634,794	1,533,893
Special Education - Preschool Grants	84.173	4,524 20,221	4,156 20,312
Total Special Education Preschool Grants		24,745	24,468
Total Special Education Cluster		1,659,539	1,558,361
Title I Grants to Local Educational Agencies	84.010	151,555 489,883 26,406 25,646	184,951 488,067 17,081 30,142
Total - Title I Grants to States		693,490	720,241
<i>Passed Through Cuyahoga County ESC</i>			
English Language Acquisition State Grants	84.365	9,003	9,003
Improving Teacher Quality State Grants	84.367	71,931 117,502	24,799 125,466
Total Improving Teacher Quality State Grants		189,433	150,265
Total U.S. Department of Education		2,551,465	2,437,870
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Nutrition Cluster:			
School Breakfast Program	10.553	96,659	96,659
National School Lunch Program	10.555	571,722 144,455	571,722 144,455
Total National School Lunch Program		716,177	716,177
Total Nutrition Cluster		812,836	812,836
Team Nutrition Grants	10.574	1,200	
Total U.S. Department of Agriculture		814,036	812,836
Totals		\$3,365,501	\$3,250,706

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
2 CFR 200.510(b)(6)
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) includes the federal award activity of the Medina City School District, Medina County, Ohio, (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Receipts and expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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 E – 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.



Dave Yost • Auditor of State

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

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, 2016, 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 7, 2017.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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
Auditor of State
Columbus, Ohio

February 7, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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) *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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 7, 2017

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(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 2 CFR §200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	<ul style="list-style-type: none"> • Title I Grants to Local Educational Agencies, CFDA 84.010; • Special Education Cluster, CFDA 84.027 and 84.173.
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2016-001

Material Weakness - Bank Reconciliation

A necessary step in the internal control over financial reporting is to reconcile the bank balance to the accounting record's each month. Bank reconciliation means accounting for the differences between the balance of the bank statement(s) and cash and investment balances according to the District's accounting records at a specific point in time. An additional important internal control is to ensure the transactions from any subsidiary accounting system is periodically reconciled to the primary accounting system and ending balances.

The District's Fifth Third Securities account had a Money Market Account that was not included on the District's monthly bank reconciliations in FY 2016. The District carried a \$10,000,000 cost basis balance on their reconciliations; however the bank statement as of June 30, 2016 showed a \$9,970,000 cost basis for the Fifth Third Securities account and a Money Market account balance of \$21,924. As a result, at June 30, 2016 the District had an unreconciled book over bank difference of \$8,076. The difference was subsequently determined to be a portion of the principal investment received back by the District and erroneously recorded as investment income.

Failure to perform accurate subsidiary accounting system and bank reconciliations, as well as excluding bank accounts from the financial statements could result in financial statement errors and increases risk of theft or loss of public funds.

The District should ensure all bank accounts are included on year-end bank reconciliations and balances should be reported on the financial statements. Additionally, the District should ensure all bank accounts are properly reconciled to the USAS accounting system each month. Any variances should be investigated and adjusted by the District.

Official's Response: See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
June 30, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	<p>The District has given new instructions to Fifth Third Bank to keep all principle but redeem only interest earnings. This should result in maintaining a \$9,970,000 cost basis for all issues, whether this be in issues or in the Money Market fund.</p> <p>Also, the District will reflect the Money Market Fund on all future reconciliations and enter a reduction of \$30,000 to investment income earned for the current year as the Money Market was down to \$-0- ending December 2016.</p>	<p>January 27, 2017</p> <p>January 31, 2017</p>	<p>David M. Chambers/ Jeanne Blankenship</p> <p>David M. Chambers/ Jeanne Blankenship</p>

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**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Finding for Recovery - Due to a clerical error, the District paid an employee a higher per diem rate than stated on her Board-approved salary notice which resulted in an \$828 overpayment upon retirement.	Corrective action taken and finding was fully corrected prior to 2014-2015 audit completion.	Repayment made in January 2016. Treasurer and Assistant Treasurer review severance payment reports prior to any payment being created and sent to an individual.
2015-002	The District's capital asset listing included various items below the District's capitalization threshold.	Corrective action taken and finding was fully corrected prior to 2014-2015 audit completion.	Adjustments to District capitalized assets were made to 2014-2015 audit.

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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 7, 2017**