

# **Midview Local School District**

## **Basic Financial Statements**

**June 30, 2003**





**Auditor of State  
Betty Montgomery**

Board of Education  
Midview Local School District  
Grafton, Ohio

We have reviewed the Independent Auditor's Report of the Midview Local School District, Lorain County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Midview Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 8, 2004

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# Midview Local School District

For The Year Ended June 30, 2003

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## Independent Auditor's Report

Board of Education  
Midview Local School District  
Grafton, Ohio

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 Midview Local School District, Lorain County, Ohio, (the "District") as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 Midview Local School District, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and Interpretation No. 6 and changed its accounting for capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2003 on our consideration of the Midview Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Board of Education

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read "Cini & Associates PC".

Cleveland, Ohio  
November 17, 2003



Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2003  
Unaudited

Our discussion and analysis of the Midview Local School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets decreased \$1,431,699. Net assets of governmental activities decreased \$1,434,389, which represents a 9.25% decrease from 2002. Net assets of business-type activities increased 2,690 or 2.18% from 2002.
- General revenues accounted for \$20,958,407 in revenue or 89.41% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,570,987 or 10.92% of total revenues of \$23,532,520.
- The District had \$24,090,891 in expenses related to governmental activities; only \$1,726,391 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$20,926,985 were not adequate to provide for these programs resulting in a decrease to net assets from \$15,499,015 to \$14,064,626.
- The District had \$873,328 in expenses related to business-type activities; a total of \$876,018 was offset by program specific charges for services, grants and contributions. General revenues include interest earnings of \$13,744 and a transfer from Governmental Activities of \$17,678. Total revenues were adequate to provide for these programs by \$2,690 resulting in an increase to net assets from \$123,392 to \$126,082.
- The District's major governmental funds are the general fund and the capital improvement capital projects funds fund. The general fund had \$20,135,641 in revenues and other financing sources and \$20,701,244 in expenditures and other financing uses. The general fund's fund balance decreased \$565,603 from \$2,438,023 to \$1,872,420. The capital improvements capital projects fund had \$22,201,818 in revenues and other financing sources and \$2,651,562 in expenditures and other financing uses. The capital improvement capital projects fund's fund balance increased \$19,550,256 from \$1,551,614 to \$21,101,870.

Using these Basic Financial Statements

This basic financial statement report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

Midview Local School District  
Management's Discussion & Analysis  
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The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund, and along with the Permanent Improvement Capital Projects Fund are the only governmental funds reported as a major funds.

### **Reporting the District as a Whole**

#### *The Statement of Net Assets and Statement of Activities*

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the District.

In the Statement of Net Assets and the Statement of Activities, the District is divided into two distinct kinds of activities:

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

**Business-type Activities** - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's food service, uniform school supplies and the adult and community education operations are reported as business-type activities.

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

*Fund Financial Statements*

Our analysis of the District's major governmental funds begins on page 16. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's three types of funds, governmental, proprietary and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

*Governmental Funds*

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

*Proprietary Funds*

Proprietary funds use the accrual basis of accounting; the same as on the entity-wide statements, therefore the statements will essentially match the business-type activities portion of the entity-wide statements.

*Fiduciary Funds*

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 27. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available. The table below provides a summary of the District's net assets for 2003.

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Management's Discussion & Analysis  
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**The District as a Whole (continued)**

	Net Assets	
	Governmental Activities	Business-Type Activities
	<u>2003</u>	<u>2003</u>
Current Assets	\$ 36,231,269	\$ 184,931
Capital Assets	<u>12,954,547</u>	<u>89,408</u>
Total Assets	<u>49,185,816</u>	<u>274,339</u>
Current Liabilities	13,379,737	148,257
Long Term Liabilities	<u>21,741,453</u>	<u>-</u>
Total Liabilities	<u>35,121,190</u>	<u>148,257</u>
Net Assets:		
Invested in Capital		
Assets, net of debt	(7,983,283)	89,408
Unrestricted	<u>22,047,909</u>	<u>36,674</u>
Total Net Assets	<u>\$ 14,064,626</u>	<u>\$ 126,082</u>

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year. However, since this is the first year the District has prepared financial statements following GASB 34, revenue and expense comparisons to 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

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	Governmental Activities 2003	Business-Type Activities 2003	
Revenues			
Program Revenues			
Charges for Services	\$297,758	\$844,596	
Operating Grants	1,428,633	0	
Total Program Revenues	<u>1,726,391</u>	<u>844,596</u>	
General Revenues			
Property Taxes	9,496,528	0	
Grants and Entitlements	11,195,969	0	
Investment Earnings	143,159	0	
Gain on Sale of Capital Assets	3,126	0	
Miscellaneous	109,007	13,744	
Transfers	(17,678)	17,678	
Total General Revenues	<u>20,930,111</u>	<u>31,422</u>	
Total Revenues	<u>22,656,502</u>	<u>876,018</u>	
Expenses			
Program Expenses			
Instruction			
Regular	10,437,713		
Special	1,691,456		
Vocational	114,622		
Adult/Continuing	2,247		
Other	10,316		
Support Services			
Pupil	1,616,955		
Instructional Staff	523,170		
Board of Education	501,645		
Administration	2,186,346		
Fiscal	518,584		
Business	639,174		
Operation & Maintenance	2,314,589		
Pupil Transportation	1,630,290		
Central	49,066		
Operations of Non-Instructional Services	2,773		
Extracurricular Activities	634,224		
Facilities Acquisition and Construction	681,282		
Interest and Fiscal Charges	536,439		
Food Service	-	791,977	
Uniform School Supplies	-	58,007	
Adult and Comm Education	-	23,344	
Total Expenses	<u>24,090,891</u>	<u>873,328</u>	
Change in Net Assets	<u>\$ (1,434,389)</u>	<u>\$ 2,690</u>	

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*Governmental Activities*

Net assets of the District's governmental activities decreased by \$1,434,389. Total governmental expenses of \$24,090,891 was primarily offset by program revenues of \$1,726,391 and general revenues of \$20,926,985. Program revenues supported 7.17% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 91.33% of total governmental revenue. Property taxes support 39.42% of total expenses while grants and entitlements supported 46.47% of total expenses. Between these two revenue items, 85.89% of total governmental expenditures were funded.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2003. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Governmental Activities	
	Total Cost of Services 2003	Net Cost of Services 2003
Program Expenses		
Instruction:		
Regular	\$ 10,437,713	\$ 10,111,233
Special	1,691,456	874,330
Vocational	114,622	71,084
Adult/ Continuing	2,247	2,247
Other	10,316	10,316
Support Services:		
Pupil	1,616,955	1,611,153
Instructional Staff	523,170	440,591
Board of Education	501,645	501,645
Administration	2,186,346	2,179,383
Fiscal	518,584	506,044
Business	639,174	621,674
Operation & Maintenance	2,314,589	2,311,749
Pupil Transportation	1,630,290	1,495,925
Central Services	49,066	49,066
Operation of Non-Instructional Services	2,773	2,773
Extracurricular Activities	634,224	357,566
Facilities Acquisition and Construction	681,282	681,282
Interest and Fiscal Charges	536,439	536,439
Total Expenses	\$ 24,090,891	\$ 22,364,500

The dependence upon tax revenues during fiscal year 2003 for governmental activities is apparent, as 90.31% of 2003 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support was 92.83% in 2003. The District's taxpayers, as a whole, is by far the primary support for District's students.

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*Business-Type Activities*

Business-type activities include food service operation, uniform supplies and adult and community education. These programs had revenues of \$876,018 and expenses of \$873,328 for fiscal year 2003. The food service operations had expenses of \$791,977 and revenues of \$756,416. This resulted in a decrease to net assets for the fiscal year of \$35,561. The uniform supplies operations had expenses of \$58,007 and revenues of \$59,855. This resulted in a increase to net assets for the fiscal year of \$1,848. The adult and community education operations had expenses of \$23,344 and revenues of \$59,747. This resulted in an increase to net assets for the fiscal year of \$36,403. Management assesses the performance of each of these funds to ensure that they are run efficiently.

**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$22,676,065, which is above last year's total of \$4,497,420. The fund balance at June 30, 2002 has been restated for the reclassifications of funds and the implementation of new accounting standards (See Note 3.A. to the basic financial statements). In addition, the Capital Improvement fund had an increase of revenue of \$20,335,000 due to the certificate of participation received for the construction of three new schools. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2003 and 2002.

	<u>Fund Balance</u> <u>June 30, 2003</u>	<u>Fund Balance</u> <u>June 30, 2002</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 1,872,420	\$ 2,438,023	\$ (565,603)
Capital Improvement	21,101,870	1,551,614	19,550,256
Other Governmental	<u>(298,225)</u>	<u>507,783</u>	<u>(806,008)</u>
Total	\$ <u>22,676,065</u>	\$ <u>4,497,420</u>	\$ <u>18,178,645</u>

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*General Fund*

The District's general fund balance decreased by \$565,603, due to a decrease in tax revenue and lower interest earnings during 2003. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2003</u> <u>Amount</u>	<u>2002</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 8,179,389	\$ 8,220,152	\$ (.50)%
Interest Earnings	71,202	192,871	(63.08)
Intergovernmental	11,728,033	11,332,663	3.48
Other Revenue	<u>155,598</u>	<u>642,366</u>	(75.78)
Total	<u>\$ 20,134,222</u>	<u>\$ 20,388,052</u>	

The property tax revenue is down \$40,763 due to reduction in the personal property tax base and the county treasurer's certifying greater than the usual percentage of taxes available for advance at June 30, which affects the accrual method of accounting in this comparison. The District anticipates tax collections will be larger in fiscal year 2004 than in fiscal year 2003.

Intergovernmental revenue increased \$395,370 or 3.48% from the prior year. This increase is attributed to an increase in the number of grants the District received in 2003. The decrease in investment income is due to drastic cuts in interest rates by the Federal Reserve Bank throughout the year. All other revenue remained comparable to 2002.

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2003</u> <u>Amount</u>	<u>2002</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures by Object</u>			
Instruction	\$ 11,092,049	\$ 10,667,672	\$ 3.98%
Support Services	8,645,849	8,305,969	4.09
Facilities Acquisition and Construction	167,345	48,118	247.78
Extracurricular Activities	<u>413,840</u>	<u>347,659</u>	19.04
Total	<u>\$ 20,319,083</u>	<u>\$ 19,369,418</u>	

The most significant increase was in the area of facilities acquisition and construction. This increase is due to the acquisition of property for the construction of three new elementary schools, paid from the general fund. Although there were land purchases in the previous fiscal years, the purchases were paid from the capital improvement capital projects fund and not the general fund.

**General Fund Budget Information**

The District's budget is prepared in accordance with Ohio law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.



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The District amended its revenue estimates to reflect greater than originally anticipated revenues from taxes, interest and state sources. The final budget for expenditures decreased by \$4,563,734 over the original budget was due to reductions in several areas. The first area was in regular and special education instructional cost. Original plans called for increase enrollment, which would require additional teachers. The enrollment did not increase at the level projected. The plans to replace laptop computers that the teachers use in the classrooms put on hold. Support services for pupil services were reduced by not hiring additional bus drivers, aides, and intervention tutors. Some of the plans to purchase educational supplies and equipment were dropped. Administrative cost was reduced in the areas of capital improvements and equipment purchases. The last significant area of reduction from the original budget is in business, operation and management cost. Plans for capital improvement like parking lots, roof, improvement of sport fields, and others were dropped due to a loss of projected revenues.

The District utilizes the five-year forecast as the original document from which to form the operating budget. After updating of the forecast for changes in revenue and expenditure assumptions the operating budget begins at the school level. Each school in the district receives an allocation augmented with resources for daily operation in the specific buildings. The site and department budgets are reviewed periodically to ensure management becomes aware of any significant variations during the year.

### **Capital Assets**

The District has \$13,043,955 invested in capital assets net of depreciation, with \$12,954,547 attributed to governmental activities. Acquisitions for governmental activities totaled \$1,087,821 and depreciation was \$853,961. The majority of the acquisitions were for furniture, equipment replacement, and building improvements throughout the District. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 9).

In FY03, the School District entered into a lease agreement with the Lorain County Port Authority for three new schools. The lease is an annual lease subject to renewal for 28 years through December 30, 2030.

### **Debt**

At June 30, 2003, the District had \$20,335,000 in an outstanding certificate of participation. The District paid \$90,000 in principal on bonds outstanding payable during the fiscal year. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements (Note 15).

The new certificate of participation has increased the debt service to ensure resources can be preserved as long as possible. The five-year forecast of the general fund and the five-year capital plan is utilized by management as a tool to manage resources effectively.

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**Current Financial Related Activities**

The first challenge facing the District is based in the local economy. The District has experienced significant growth over the last 15 years. If the growth patterns in student population change so additional students enter the District than currently anticipated, adjustments will have to be made to the financial models upon which assumptions have been made. Also, an economic slowdown could result in revenue forecasts having to be revised downward. Either of these scenarios could cause the District to scale down the educational program offerings or seek additional resources.

The last challenge facing the District is the future of state funding. On September 6, 2001 the Ohio Supreme Court found the Ohio School Funding system to be constitutional pending some modifications by the legislature. The District is unable to determine what effect, if any, this decision will have on future funding from the State. Additionally, the current State education budget has projected an increase in funding for the District, but the State is facing a deficit and uncertainty exists as to maintaining this increase into the future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Floyd Parsson, Treasurer, Midview Local School District, 1010 Vivian Drive, Grafton, Ohio 44044 or by calling (440) 926-3785.

# Midview Local School District

## Statement of Net Assets

June 30, 2003

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	
<u>Assets</u>			
Cash and Cash Equivalents	\$ 5,556,229	\$ 130,160	\$ 5,686,389
Cash with fiscal agent	198,093	-	198,093
Taxes Receivable	11,419,746	-	11,419,746
Accounts Receivable	2,779	1,313	4,092
Intergovernmental Receivable	519,113	23,923	543,036
Materials and Supplies Inventory	98,430	29,535	127,965
Prepaid Items	54,840	-	54,840
Restricted Assets:			
Cash and Cash Equivalents	1,348,863	-	1,348,863
Investments	17,033,176	-	17,033,176
Capital Assets:			
Nondepreciable Capital Assets	1,922,219	-	1,922,219
Depreciable Capital Assets	<u>11,032,328</u>	<u>89,408</u>	<u>11,121,736</u>
Total Assets	<u>49,185,816</u>	<u>274,339</u>	<u>49,460,155</u>
<u>Liabilities</u>			
Accounts Payable	292,546	503	293,049
Accrued Wages and Benefits	2,212,820	61,279	2,274,099
Compensated Absences	64,821	31,313	96,134
Deferred Revenue	9,729,189	15,217	9,744,406
Accrued Pension	468,118	39,945	508,063
Matured Bonds Payable	2,700	-	2,700
Accrued Interest Payable	195,363	-	195,363
Claims Payable	414,180	-	414,180
Long-Term Liabilities:			
Due Within One Year	528,045	-	528,045
Due In More Than One Year	<u>21,213,408</u>	<u>-</u>	<u>21,213,408</u>
Total Liabilities	<u>35,121,190</u>	<u>148,257</u>	<u>35,269,447</u>
<u>Net Assets</u>			
Invested In Capital Assets, Net of Related Debt	(7,983,283)	89,408	(7,893,875)
Restricted For:			
Capital Projects	19,487,154	-	19,487,154
Unrestricted	<u>2,560,755</u>	<u>36,674</u>	<u>2,597,429</u>
Total Net Assets	<u>\$ 14,064,626</u>	<u>\$ 126,082</u>	<u>\$ 14,190,708</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements

# Midview Local School District

## Statement of Activities

For The Fiscal Year Ended June 30, 2003

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<u>Government Activities</u>			
Instruction:			
Regular Instruction	\$ 10,437,713	\$ 21,100	\$ 305,380
Special Instruction	1,691,456	-	817,126
Vocational Instruction	114,622	-	43,538
Adult/Continuing	2,247	-	-
Other Instruction	10,316	-	-
Support Services:			
Pupil	1,616,955	-	5,802
Instructional Staff	523,170	-	82,579
Board of Education	501,645	-	-
Administration	2,186,346	-	6,963
Fiscal	518,584	-	12,540
Business	639,174	-	17,500
Operation & Maintenance	2,314,589	-	2,840
Pupil Transportation	1,630,290	-	134,365
Central Services	49,066	-	-
Operation of Non-instructional Services	2,773	-	-
Extracurricular Activities	634,224	276,658	-
Facilities Acquisition and Construction	681,282	-	-
Interest and Fiscal Charges	536,439	-	-
Total Governmental Activities	<u>24,090,891</u>	<u>297,758</u>	<u>1,428,633</u>
<u>Business-Type Activities</u>			
Food Service	791,977	756,416	-
Uniform School Supplies	58,007	55,655	-
Adult and Community Education	<u>23,344</u>	<u>32,525</u>	<u>-</u>
Total Business-Type Activities	<u>873,328</u>	<u>844,596</u>	<u>-</u>
Totals	\$ <u>24,964,219</u>	\$ <u>1,142,354</u>	\$ <u>1,428,633</u>

### General Revenues and Transfers

Property and other Local Taxes Levied for:  
 General Purpose  
 Debt Service  
 Capital Projects  
 Grants and Entitlements not Restricted to  
 Specific Programs  
 Investment Earnings  
 Miscellaneous  
 Transfers

Total General Revenues

### Special Items

Gain on Sale of Capital Assets

Total General Revenues and Special Items

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

The Accompanying Notes are an Integral Part of these Basic Financial Statements

Primary Government		
Governmental Activities	Business - Type Activities	Total
\$ (10,111,233)	\$ -	\$ (10,111,233)
(874,330)	-	(874,330)
(71,084)	-	(71,084)
(2,247)	-	(2,247)
(10,316)	-	(10,316)
(1,611,153)	-	(1,611,153)
(440,591)	-	(440,591)
(501,645)	-	(501,645)
(2,179,383)	-	(2,179,383)
(506,044)	-	(506,044)
(621,674)	-	(621,674)
(2,311,749)	-	(2,311,749)
(1,495,925)	-	(1,495,925)
(49,066)	-	(49,066)
(2,773)	-	(2,773)
(357,566)	-	(357,566)
(681,282)	-	(681,282)
(536,439)	-	(536,439)
<u>(22,364,500)</u>	<u>-</u>	<u>(22,364,500)</u>
-	(35,561)	(35,561)
-	(2,352)	(2,352)
-	9,181	9,181
<u>-</u>	<u>(28,732)</u>	<u>(28,732)</u>
<u>(22,364,500)</u>	<u>(28,732)</u>	<u>(22,393,232)</u>
8,261,782	-	8,261,782
2,823	-	2,823
1,231,923	-	1,231,923
11,195,969	-	11,195,969
143,159	-	143,159
109,007	13,744	122,751
(17,678)	17,678	-
20,926,985	31,422	20,958,407
3,126	-	3,126
<u>20,930,111</u>	<u>31,422</u>	<u>20,961,533</u>
(1,434,389)	2,690	(1,431,699)
<u>15,499,015</u>	<u>123,392</u>	<u>15,622,407</u>
\$ <u>14,064,626</u>	\$ <u>126,082</u>	\$ <u>14,190,708</u>

# Midview Local School District

## Balance Sheet – Governmental Funds

June 30, 2003

<u>Assets</u>	<u>General</u>	<u>Capital Improvement</u>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 2,639,762	\$ 2,638,463
Cash with fiscal agent	-	-
Receivables:		
Taxes Receivable	9,865,956	1,553,790
Accounts	920	459
Intergovernmental	1,130	-
Interfund	458,069	-
Materials and Supplies Inventory	98,430	-
Prepaid Items	53,193	1,647
Restricted Assets:		
Cash and Cash Equivalents	-	1,348,863
Investments	-	17,033,176
Total Assets	<u>\$ 13,117,460</u>	<u>\$ 22,576,398</u>
 <b>Liabilities and Fund Equity</b>		
<b>Liabilities:</b>		
Accounts Payable	\$ 124,425	\$ 127,916
Accrued Wages and Benefits	2,123,835	5,987
Accrued Compensated Absences	64,821	-
Interfund Payable	-	-
Deferred Revenue	8,646,441	1,335,568
Accrued Pension and Surcharges	285,518	5,057
Matured Bonds Payable	-	-
Total Liabilities	<u>11,245,040</u>	<u>1,474,528</u>
 <b>Fund Equity:</b>		
Reserve for Prepaid Items	53,193	1,647
Reserve for Encumbrances	238,531	395,567
Reserve for Capital Projects	-	18,941,963
Reserve for Inventory	98,430	-
Reserve for Property Taxes	1,219,515	218,222
Unreserved; Undesignated (Deficit)	<u>262,751</u>	<u>1,544,471</u>
Total Fund Balance (Deficit)	<u>1,872,420</u>	<u>21,101,870</u>
 Total Liabilities and Fund Equity	 <u>\$ 13,117,460</u>	 <u>\$ 22,576,398</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements

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Other Governmental Funds	Total
\$ 278,004	\$ 5,556,229
3,270	3,270
-	11,419,746
1,400	2,779
517,983	519,113
-	458,069
-	98,430
-	54,840
-	1,348,863
-	17,033,176
<u>\$ 800,657</u>	<u>\$ 36,494,515</u>

\$ 40,205	\$ 292,546
82,998	2,212,820
-	64,821
458,069	458,069
504,446	10,486,455
10,464	301,039
2,700	2,700
<u>1,098,882</u>	<u>13,818,450</u>

-	54,840
9,235	643,333
-	18,941,963
-	98,430
-	1,437,737
<u>(307,460)</u>	<u>20,441,725</u>
<u>(298,225)</u>	<u>22,676,065</u>
<u>\$ 800,657</u>	<u>\$ 36,494,515</u>

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# Midview Local School District

## Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

June 30, 2003

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Total Governmental Funds Balances \$ 22,676,065

*Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:*

Capital Assets Used in Governmental Activities are not Financial Resources and therefore are not reported in the Funds. 12,954,547

Other Long-Term Assets are not available to pay for current-period expenditures and therefore are deferred in the Funds.

Property and Other Taxes	252,820	
Intergovernmental	<u>504,446</u>	
		757,266

In the Statement of Activities, Interest is accrued on outstanding bonds, whereas in Governmental Funds, an interest expenditure is reported when due. (195,363)

Internal Service Funds are used by management to charge the costs of certain activities such as insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in Governmental Activities in the Statement of Net Assets. (219,357)

Long-Term Liabilities are not due and payable in the current period and are therefore not reported in the Funds.

General Obligation Bonds	(20,335,000)	
Accrued Pension	(167,079)	
Compensated Absences	<u>(1,406,453)</u>	
		<u>(21,908,532)</u>

*Net Assets of Governmental Activities* \$ 14,064,626

# Midview Local School District

## Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For The Fiscal Year Ended June 30, 2003

	<u>General</u>	<u>Capital Improvement</u>
<u>Revenues</u>		
Taxes	\$ 8,179,389	\$ 1,231,923
Tuition	21,100	-
Earnings on Investments	71,202	67,313
Extracurricular Activities	13,240	-
Classroom Materials And Fees	25,251	-
Miscellaneous	96,007	-
Intergovernmental	11,728,033	200,362
Total Revenues	<u>20,134,222</u>	<u>1,499,598</u>
<u>Expenditures</u>		
Current:		
Instruction:		
Regular Education	9,767,296	1,287
Special Education	1,210,685	-
Vocational Education	105,605	-
Adult/Continuing	2,247	-
Other Instruction	6,216	-
Support Services:		
Pupils	1,325,615	18,945
Instructional Staff	499,897	-
Board of Education	489,059	-
Administration	1,994,528	56,522
Fiscal Services	475,697	12,318
Business	615,256	-
Operations and Maintenance – Plant	1,881,020	595,967
Pupil Transportation	1,364,726	424,014
Central Services	51	-
Operation of Non-Instructional Services	-	2,773
Extracurricular Activities	413,840	-
Facilities Acquisition and Construction	167,345	1,204,736
Debt Service:		
Principal Payment	-	-
Interest and Fiscal Charges	-	335,000
Total Expenditures	<u>20,319,083</u>	<u>2,651,562</u>
Excess of Revenues Over (Under) Expenditures	<u>(184,861)</u>	<u>(1,151,964)</u>
<u>Other Financing Sources (Uses)</u>		
Proceeds From Sale of Debt	-	20,335,000
Proceeds From Sale of Assets	1,419	2,737
Transfers – In	-	364,483
Transfers – Out	(382,161)	-
Total Other Financing Sources (Uses)	<u>(380,742)</u>	<u>20,702,220</u>
Excess Of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	(565,603)	19,550,256
Fund Balance at Beginning of Year, Restated	<u>2,438,023</u>	<u>1,551,614</u>
Fund Balances (Deficit) at End of Year	<u>\$ 1,872,420</u>	<u>\$ 21,101,870</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements

Other Governmental Funds	Total
\$ 2,823	\$ 9,414,135
-	21,100
-	138,515
238,167	251,407
-	25,251
13,000	109,007
<u>191,761</u>	<u>12,120,156</u>
<u>445,751</u>	<u>22,079,571</u>
251,982	10,020,565
400,772	1,611,457
-	105,605
-	2,247
4,100	10,316
186,926	1,531,486
2,296	502,193
-	489,059
10,760	2,061,810
2	488,017
-	615,256
-	2,476,987
21,892	1,810,632
49,015	49,066
-	2,773
227,938	641,778
-	1,372,081
90,000	90,000
6,076	341,076
<u>1,251,759</u>	<u>24,222,404</u>
<u>(806,008)</u>	<u>(2,142,833)</u>
-	20,335,000
-	4,156
-	364,483
-	(382,161)
<u>-</u>	<u>20,321,478</u>
(806,008)	18,178,645
<u>507,783</u>	<u>4,497,420</u>
\$ <u>(298,225)</u>	\$ <u>22,676,065</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements

# Midview Local 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, 2003

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Net Change in Fund Balances - Total Governmental Funds \$ 18,178,645

*Amounts Reported for Governmental Activities in the Statement of Activities are different because:*

Governmental Funds report Capital Outlay 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 outlays in the current period.

Capital Outlay	1,457,821	
Depreciation	<u>(853,961)</u>	
		603,860

Governmental Funds only report the Disposal of Assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the amount of the difference.

Proceeds from Sale of Capital Assets	(4,156)	
Gain on Disposal of Capital Assets	<u>3,126</u>	
		(1,030)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the Funds.

Property and Other Taxes	82,393	
Intergovernmental	<u>504,446</u>	
		586,839

Other Financing Sources in the Governmental Funds that increase Long-Term Liabilities in the Statement of Net Assets. These sources were attributed to proceeds of bonds. (20,335,000)

Repayment of Bond Principal is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. 90,000

Internal Service Funds are used by management to charge to costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. (219,357)

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.

Compensated Absences	(138,884)	
Accrued Pension	(4,099)	
Accrued Interest on Bonds	<u>(195,363)</u>	
		<u>(338,346)</u>

*Change in Net Assets of Governmental Activities* \$ (1,434,389)

The Accompanying Notes are an Integral Part of these Basic Financial Statements

# Midview Local School District

## Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual – General Fund

For The Fiscal Year Ended June 30, 2003

	Budget		Actual	Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Taxes	\$ 7,126,590	\$ 7,766,283	\$ 8,547,684	\$ 781,401
Tuition	24,064	18,808	20,700	1,892
Earnings on Investment	82,772	64,693	71,202	6,509
Extracurricular Activities	15,392	12,030	13,240	1,210
Classroom Materials And Fees	29,354	22,943	25,251	2,308
Miscellaneous	113,019	88,333	97,221	8,888
Intergovernmental – State	13,593,494	10,624,358	11,693,323	1,068,965
Intergovernmental – Federal	39,037	30,510	33,580	3,070
Total Revenue	<u>21,023,722</u>	<u>18,627,958</u>	<u>20,502,201</u>	<u>1,874,243</u>
<u>Expenditures</u>				
Current:				
Instruction:				
Regular Education	11,788,743	9,720,747	9,835,754	(115,007)
Special Education	1,475,917	1,218,232	1,225,597	(7,365)
Vocational Education	117,425	96,742	98,371	(1,629)
Adult/Continuing	2,638	2,169	2,232	(63)
Other Instruction	9,686	7,963	8,195	(232)
Supporting Services:				
Pupils	1,614,398	1,330,532	1,350,114	(19,582)
Instructional Staff	606,200	501,188	499,457	1,731
Board of Education	591,434	486,941	496,987	(10,046)
Administrations	2,638,707	2,179,921	2,182,067	(2,146)
Fiscal Service	576,522	475,753	479,276	(3,523)
Business	844,483	704,556	665,515	39,041
Operation and Maintenance – Plant	2,485,991	2,068,071	1,987,698	80,373
Pupil Transportation	1,840,347	1,533,886	1,457,574	76,312
Central	60	50	51	(1)
Extracurricular Activities	496,970	408,983	418,481	(9,498)
Facilities Acquisition and Construction	197,785	162,601	167,345	(4,744)
Total Expenditures	<u>25,287,306</u>	<u>20,898,335</u>	<u>20,874,714</u>	<u>23,621</u>
Excess Of Revenues Over (Under)				
Expenditures	(4,263,584)	(2,270,377)	(372,513)	1,897,864

(Continued)

Midview Local School District

Statement of Revenues, Expenditures and Changes In Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual – General Fund (continued)

For The Fiscal Year Ended June 30, 2003

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Other Financing Sources (Uses)</u>				
Sale and Loss of Assets	1,650	1,289	1,419	130
Advances – In	558,218	436,291	480,188	43,897
Transfers – Out	(451,677)	(371,326)	(382,161)	(10,835)
Advances – Out	<u>(530,720)</u>	<u>(436,308)</u>	<u>(449,039)</u>	<u>(12,731)</u>
Total Other Financing Sources and (Uses)	<u>(422,529)</u>	<u>(370,054)</u>	<u>(349,593)</u>	<u>20,461</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,686,113)	(2,640,431)	(722,106)	1,918,325
Fund Balance at Beginning of Year	2,391,245	2,391,245	2,391,245	-
Prior Year Encumbrances Appropriated	<u>615,484</u>	<u>615,484</u>	<u>615,484</u>	<u>-</u>
Fund Balance at End of Year	\$ <u>(1,679,384)</u>	\$ <u>366,298</u>	\$ <u>2,284,623</u>	\$ <u>1,918,325</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements

# Midview Local School District

## Statement of Fund Net Assets – Proprietary Funds

**June 30, 2003**

	Business-Type Activities				Governmental Activities - Internal Service Funds
	Food Service	Uniform Supply	Adult and Community Education	Total	
<b>Assets</b>					
Cash and Cash Equivalents	\$ 64,858	\$ 5,793	\$ 59,509	\$ 130,160	\$ -
Cash with Fiscal Agent	-	-	-	-	194,823
Accounts Receivable	-	-	1,313	1,313	-
Intergovernmental Receivable	23,923	-	-	23,923	-
Materials and Supplies					
Inventory	23,974	5,561	-	29,535	-
Furniture, Fixtures and Equipment	279,301	-	-	279,301	-
Accumulated Depreciation	(189,893)	-	-	(189,893)	-
Total Assets	<u>202,163</u>	<u>11,354</u>	<u>60,822</u>	<u>274,339</u>	<u>194,823</u>
<b>Liabilities</b>					
Accounts Payable	-	-	503	503	-
Accrued Wages and Benefits	41,503	-	19,776	61,279	-
Compensated Absences – current portion	31,313	-	-	31,313	-
Deferred Revenue	15,217	-	-	15,217	-
Accrued Pension	39,013	-	932	39,945	-
Claims Payable	-	-	-	-	414,180
Total Liabilities	<u>127,046</u>	<u>-</u>	<u>21,211</u>	<u>148,257</u>	<u>414,180</u>
<b>Net Assets</b>					
Invested In Capital Assets, Net of Related Debt	89,408	-	-	89,408	-
Unreserved; Undesignated (Deficit)	(14,291)	11,354	39,611	36,674	(219,357)
Total Net Assets	<u>\$ 75,117</u>	<u>\$ 11,354</u>	<u>\$ 39,611</u>	<u>\$ 126,082</u>	<u>\$ (219,357)</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements

# Midview Local School District

## Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds

For The Fiscal Year Ended June 30, 2003

	Business-Type Activities			Total	Governmental Activities - Internal Service Funds
	Food Service	Uniform Supply	Adult and Community Education		
<u>Operating Revenues</u>					
Tuition and Fees	\$ -	\$ -	\$ 17,322	\$ 17,322	\$ -
Charges for Service	443,865	-	7,218	451,083	-
Classroom Materials and Fees	-	55,655	7,985	63,640	-
Total Operating Revenues	<u>443,865</u>	<u>55,655</u>	<u>32,525</u>	<u>532,045</u>	<u>-</u>
<u>Operating Expenses</u>					
Salaries and wages	233,318	-	4,120	237,438	-
Fringe benefits	170,944	-	6,060	177,004	-
Contract services	7,675	-	2,511	10,186	-
Materials and supplies	372,365	58,007	10,653	441,025	-
Claims	-	-	-	-	224,001
Depreciation Expense	7,675	-	-	7,675	-
Total Operating Expenses	<u>791,977</u>	<u>58,007</u>	<u>23,344</u>	<u>873,328</u>	<u>224,001</u>
Operating Income (Loss)	<u>(348,112)</u>	<u>(2,352)</u>	<u>9,181</u>	<u>(341,283)</u>	<u>(224,001)</u>
<u>Non-Operating Revenues (Expenses)</u>					
Federal Donated Commodities	91,972	-	-	91,972	-
Earnings on Investments	-	-	-	-	4,644
Operating Grants	220,579	-	-	220,579	-
Other operating revenue	-	-	13,744	13,744	-
Total Non-Operating Revenue (Expenses)	<u>312,551</u>	<u>-</u>	<u>13,744</u>	<u>326,295</u>	<u>4,644</u>
Income (Loss) before Transfers	(35,561)	(2,352)	22,925	(14,988)	(219,357)
<u>Operating Transfers</u>					
Transfers – In	-	4,200	13,478	17,678	-
Change in Net Assets	(35,561)	1,848	36,403	2,690	(219,357)
Total Net Assets, Beginning of Year	<u>110,678</u>	<u>9,506</u>	<u>3,208</u>	<u>123,392</u>	<u>-</u>
Total Net Assets, End of Year	\$ <u>75,117</u>	\$ <u>11,354</u>	\$ <u>39,611</u>	\$ <u>126,082</u>	\$ <u>(219,357)</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements



# Midview Local School District

## Statement of Cash Flows – Proprietary Funds

For The Fiscal Year Ended June 30, 2003

	Food Service	Uniform Supplies	Consumer, Recreation & Special Enterprise	Total Enterprise	Governmental Activities Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents:					
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 443,865	\$ 55,655	5,905	\$ 505,425	\$ 1,743,973
Cash Received from Classroom Materials and Fees	-	-	7,985	7,985	-
Cash Received from Tuition Payments	-	-	17,322	17,322	-
Cash Payments to Contractual Services	(7,675)	(58,073)	(2,511)	(68,259)	-
Cash Payments for Wages	(248,276)	-	(30,413)	(278,689)	-
Cash Payments for Employee Benefits	(107,510)	-	(5,128)	(112,638)	-
Cash Payments for Materials and Supplies	(282,906)	-	(16,568)	(299,474)	-
Cash Payments for Claims	-	-	-	-	(1,553,794)
Cash Payments for Other Operating Expenses	(858)	-	-	(858)	-
Net Cash Provided by (Used for) Operating Activities	<u>(203,360)</u>	<u>(2,418)</u>	<u>(23,408)</u>	<u>(229,186)</u>	<u>190,179</u>
Cash Flows from NonCapital Financing Activities:					
Operating Grants Received	196,657	-	-	196,657	-
Non-operating revenue	-	-	13,744	13,744	-
Transfers In	-	4,199	13,477	17,676	-
Net Cash Provided by (Used for) NonCapital Financing	<u>196,657</u>	<u>4,199</u>	<u>27,221</u>	<u>228,077</u>	<u>-</u>
Cash Flows from Investing Activities:					
Interest on Investments	-	-	-	-	4,644
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,644</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(6,703)	1,781	3,813	(1,109)	194,823
Cash and Cash Equivalents, Beginning of Year	71,561	4,012	55,696	131,269	-
Cash and Cash Equivalents, End of Year	<u>\$ 64,858</u>	<u>\$ 5,793</u>	<u>\$ 59,509</u>	<u>\$ 130,160</u>	<u>\$ 194,823</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For)					
Operating Activities:					
Operating Income (Loss)	\$ (348,112)	\$ (2,352)	\$ 9,181	\$ (341,283)	\$ (224,001)
Adjustments:					
Depreciation	7,675	-	-	7,675	-
Donated Commodities Received During the Year	91,972	-	-	91,972	-
Increase) Decrease in Assets:					
(Increase) in Inventory	(11,761)	(66)	-	(11,827)	-
(Increase) in Accounts Receivable	-	-	(1,313)	(1,313)	-
Increase (Decrease) in Liabilities:					
Decrease) in Accounts Payable	(801)	-	(6,115)	(6,916)	-
Increase in Compensated Absences Payable	2,637	-	-	2,637	-
Increase (Decrease) in Accrued Wages	20,844	-	(3,518)	17,326	-
Increase (Decrease) in Accrued Pension	21,913	-	(21,643)	270	-
Increase in Deferred Revenue	12,273	-	-	12,273	-
Increase in Claims Payable	-	-	-	-	414,180
Total Adjustments:	<u>144,752</u>	<u>(66)</u>	<u>(32,589)</u>	<u>112,097</u>	<u>414,180</u>
Net Cash Provided By (Used For) Operating Activities:	<u>\$ (203,360)</u>	<u>\$ (2,418)</u>	<u>\$ (23,408)</u>	<u>\$ (229,186)</u>	<u>\$ 190,179</u>

### Schedule of Non Cash Financing Activities

During the year, the food services enterprise fund received donated commodities of \$91,972.

The Accompanying Notes are an Integral Part of these Basic Financial Statements

Midview Local School District

Statement of Fiduciary Net Assets – Fiduciary Funds

June 30, 2003

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	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>117,506</u>
<u>Liabilities</u>	
Due to Students	\$ <u>117,506</u>
Total Liabilities	\$ <u>117,506</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements

# Midview Local School District

## Notes To Basic Financial Statements

June 30, 2003

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### **Note 1: Description of the School District**

The Midview Local School District (the “District”) is located in Lorain County in Northern Ohio. The District includes the townships of Belden, Eaton, Carlisle and Grafton and the Village of Grafton, covering approximately 64 square miles.

The District was organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District currently operates 3 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 150 non-certified and 209 certified (including administrative) full-time and part-time employees to provide services to approximately 3,226 students in grades K through 12 and various community groups.

### **Note 2 - Summary of Significant Accounting Policies**

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

#### **A. Reporting Entity**

The District’s reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity”. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. Component units are legally separate organizations for which the District is financially accountable.

The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District:

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### **Note 2 - Summary of Significant Accounting Policies (continued)**

#### **A. Reporting Entity (continued)**

##### *Jointly Governed Organizations:*

##### Lake Erie Regional Council (LERC)

The Lake Erie Regional Council (LERC) is a jointly governed organization among fourteen school districts. LERC was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, natural gas consumption, driver education, food service, and insurance. Each member provides operating resources to LERC on a per pupil or actual usage charge (except for insurance). The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information is available from the Treasurer of the Educational Service Center of Lorain County, located at 1885 Lake Avenue, Elyria, Ohio 44035. During fiscal year 2003, the District paid \$1,679,040 (including insurance premiums) to LERC.

##### Lorain County Joint Vocational School District

The Lorain County Joint Vocational School District (the "JVS") is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of its students. The Board of the JVS comprised of representatives from each participating school district, and is responsible for approving its own budgets, appointing personnel, and accounting and financing-related activities. The District's students may attend the JVS on a tuition-free basis. Each school district's control is limited to its representation on the board. Financial information is available from the Treasurer of the Lorain County Joint Vocational School District, 15181 State Route 58, Oberlin, Ohio 44074.

##### Lake Erie Educational Computer Association (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. LEECA was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions for member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge, dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district, and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Fiscal information is available from the Treasurer of the Educational Service Center of Lorain County (fiscal agent), located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2003, the District paid \$280,591 to LEECA for basic service charges.

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### **Note 2 - Summary of Significant Accounting Policies (continued)**

#### **A. Reporting Entity (continued)**

The District is also a participant in two public entity risk sharing pools, which are discussed in Note 10.

#### **B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary.

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

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

Capital Improvement Capital Projects Fund - The Capital Improvement Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary funds and Trust funds).

Other governmental funds of the District are used to account for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs; (c) for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - Proprietary funds focus on the determination of operating income/loss, changes in net assets, financial position and cash flows and are classified as either enterprise or internal service.

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District has three enterprise funds to account for food service operations, uniform supplies and adult and community education. These enterprise funds are considered non-major enterprise funds.

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

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### **Note 2 - Summary of Significant Accounting Policies (continued)**

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. 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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only agency fund accounts for resources that belong to the student bodies of the various schools, accounting for sales and other revenue generating activities.

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

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

### **Note 2 - Summary of Significant Accounting Policies (continued)**

#### **C. Basis of Presentation and Measurement Focus (continued)**

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

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

Agency funds do not report a measurement focus as they do not report operations.

#### **D. Basis of Accounting**

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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

### **Note 2 - Summary of Significant Accounting Policies (continued)**

#### **D. Basis of Accounting (continued)**

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as donated commodities revenue.

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

#### **E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2003 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Lorain County Budget Commission for tax rate determination.



# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### **Note 2 - Summary of Significant Accounting Policies (continued)**

#### **E. Budgets (continued)**

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures for general fund and the Disadvantaged Pupil Impact Aid special revenue fund and at the fund level for all other funds, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term inter-fund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the legal level of budgetary control for a fund must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2003.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the legal level of budgetary control for the fund.

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### **Note 2 - Summary of Significant Accounting Policies (continued)**

#### **F. Cash and Cash Equivalents**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements. The District also utilizes an escrow agent to hold retainage on construction contracts. The balances in these accounts are presented on the financial statements as “cash and cash equivalents with escrow agents” and represents deposits or short-term investments in certificates of deposit.

During fiscal 2003, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio) and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund’s share price. Nonparticipating investment contracts such as non-negotiable certificates of deposit and repurchase agreements are reported at cost.

Midview City School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2003. STAROhio is an investment pool managed by the State Treasurer’s office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$71,202, which includes \$50,584 assigned from other School District funds.

Based upon the reporting requirements of GASB Statement No. 31, “Accounting and Financial Reporting for Certain Investments and for External Investment Pools”, the District does not sponsor an external investment pool.

For presentation on the financial statements, 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 considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

#### **G. Restricted Assets**

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by State statute to be set aside for textbooks and instructional materials. See Note 17 for additional information regarding set-asides.

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### Note 2 - Summary of Significant Accounting Policies (continued)

#### H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

#### I. Inventory

On the government-wide financial statements inventories are presented at the lower of cost or market on a first-in, first-out basis and are expended/expensed when used.

On fund financial statements, inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis and is expensed/expended when used. Inventories consist of donated food, purchased food, school supplies held for resale and materials and supplies held for consumption.

#### J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

Description	Governmental Activities Estimated Lives	Business Type Activities Estimated Lives
Land Improvements	30 years	N/A
Buildings and Improvements	10-50 years	N/A
Furniture and Equipment	5-12 years	12 years
Vehicles	25 years	N/A

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### **K. 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 and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

#### **L. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District’s past experience of making termination payments.

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

In the governmental fund financial statements, compensated absences are reported to the extent that a known liability for an employee’s retirement/resignation has been incurred by fiscal year-end. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees are paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

#### **M. 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, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### **N. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, prepaids and inventory.

The reserve for property taxes unavailable represents taxes recognized as revenue under GAAP but not available for appropriation under State statute. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five year period is presented as reserved. The reserve for textbooks represents money required to be set-aside by state statute for the purchase of textbooks and instructional materials.

#### **O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

#### **P. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are tuition and miscellaneous for adult education and youths and preschoolers classes, sales and miscellaneous for food service and uniform school supplies, and charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenditures not meeting this definition are reported as non-operating.

#### **Q. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

#### **R. Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### **Note 2: Summary of Significant Accounting Policies (continued)**

#### **R. Interfund Activity (continued)**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in 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.

#### **S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2003, the District sold a piece of furniture and equipment which resulted in a gain on sale of capital assets of \$3,126.

#### **T. 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.

### **Note 3: Accountability and Compliance**

#### **A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 37, 38 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### **Note 3: Accountability and Compliance (continued)**

#### **A. Changes in Accounting Principles and Restatement of Fund Balance (continued)**

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB No. 34 creates new basic financial statements for reporting on the District's financial activities. The basic financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance – The implementation of these changes had the following effects on fund balance of the major and non-major funds of the District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>Governmental Activities</u>
Fund Balance at June 30, 2002	\$ 4,497,418
GASB 34 Adjustments:	
Capital Assets	12,351,717
Long-Term Liabilities	(1,520,547)
Long-Term (Deferred) Assets	<u>170,427</u>
Restated Net Assets at June 30, 2002	\$ <u><u>15,499,015</u></u>

The fund balance for the General Fund was restated from \$2,524,739 to \$2,438,023 due to the adjustment for the reclassification of the Emergency Levy Fund and an accounts receivable. In addition, the Capital Improvement Capital Projects Fund was restated from \$1,174,712 to 1,551,614 due to the same reclassification of accounts receivable.

### **Note 4: Budgetary Basis of Accounting**

While the 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 and disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non- GAAP) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### **Note 4: Budgetary Basis of Accounting (continued)**

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
- (b) Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP);
- (c) Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

	<u>Net Change In Fund Balance</u>
GAAP Basis	\$ (565,603)
Net Adjustment for Revenue Accruals	367,979
Advances In	480,188
Net Adjustment for Expenditure Accruals	(910,770)
Advances Out	(449,039)
Adjustment for Encumbrances	<u>355,139</u>
Budget Basis	\$ <u><u>(722,106)</u></u>

### **Note 5: Deposits and Investments**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 monies are public deposits that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.



# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### **Note 5: Deposits and Investments (continued)**

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 monies 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.

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

Interim monies are to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### Note 5: Deposits and Investments (continued)

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits - At year-end, the carrying amount of the District's deposits was \$24,185,934 and the bank balance was \$303,276. \$198,093 was being held on the District's behalf with fiscal agents. \$100,000 of the bank balance was covered by federal depository insurance and \$203,276 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

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

	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
Repurchase Agreements	\$ -	\$ 3,450,694	\$ 3,450,694	\$ 3,450,694
FHLMC Notes	9,005,961	-	9,005,961	9,005,961
FNMA Notes	8,027,215	-	8,027,215	8,027,215
STAROhio*	-	-	2,068,541	2,068,541
Total	\$ <u>17,033,176</u>	\$ <u>3,450,694</u>	\$ <u>22,552,411</u>	\$ <u>22,552,411</u>

\* - not subject to categorization

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

### Note 5: Deposits and Investments (continued)

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 24,185,934	\$ -
Investments which are part of the cash management pool:		
Federal Home Loan Mortgage Notes	(9,005,961)	9,005,961
Federal National Mortgage Association Notes	(8,027,215)	8,027,215
Investment in State Treasurer's Investment Pool	(2,068,541)	2,068,541
Repurchase Agreement	(3,450,694)	3,450,694
Cash with a Fiscal Agent	198,093	-
GASB Statement No. 3	<u>\$ 1,831,616</u>	<u>\$ 22,552,411</u>

### Note 6: Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2003 for real and public utility property taxes represents collections of calendar 2002 taxes. Property tax payments received during calendar 2003 for tangible personal property (other than public utility property) are for calendar 2003 taxes.

2003 real property taxes are levied after April 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2003 public utility property taxes became a lien December 31, 2002, are levied after April 1, 2003 and are collected in 2003 with real property taxes.

2003 tangible personal property taxes are levied after April 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	<u>2002 Second-Half Collections</u>		<u>2003 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 312,174,570	88.67%	\$ 324,193,480	89.60%
Public Utility Personal	18,818,030	5.34%	18,975,340	5.24%
Tangible Personal Property	<u>21,089,700</u>	<u>5.99%</u>	<u>18,666,000</u>	<u>5.16%</u>
	<u>\$ 352,082,300</u>	<u>100.00%</u>	<u>\$ 361,834,820</u>	<u>100.00%</u>

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### Note 6: Property Taxes (continued)

	2002 Second-Half Collections <u>Amount</u>	2003 First-Half Collections <u>Amount</u>
Tax rate per \$1,000 of assessed valuation		
Operations	\$ 46.31	\$ 44.05
Capital Improvement	3.50	5.64
Debt Service	0.03	-

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30 and are intended to finance the fiscal year in which they are paid. This year, the June 2003 tangible personal property tax settlement was not received until July of 2003.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Midview Local School District. The County Auditor periodically advances to the District its portion of the taxes. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable include the late settlement of personal property, real, personal and public utility taxes which became measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current year fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current fiscal year operations. The late settlement and the amount available to the District as an advance at June 30, 2003 is recognized as revenue. At June 30, 2003, \$1,219,515 was available as an advance to the general fund and \$218,222 for the Capital Improvement Capital Projects Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

### Note 7: Receivables

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Midview Local School District

Notes To Basic Financial Statements (continued)

June 30, 2003

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**Note 7: Receivables (continued)**

**Governmental Activities**

Taxes - current and delinquent	\$ 11,419,746
Accounts	2,779
Intergovernmental	519,113

**Business-type Activities**

Accounts	1,313
Intergovernmental	<u>23,923</u>
Total receivables	\$ <u>11,966,874</u>

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

**Note 8: Interfund Transactions**

A. Interfund loans receivable/payable consisted of the following at June 30, 2003, as reported on the fund statement.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other governmental funds	\$ 458,069

The Primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

B. Interfund Transfers for the year ended June 30, 2003, consisted of the following, as reported on the fund statements.

	<u>Amount</u>
Transfers from General Fund to:	
Permanent Improvement	\$ 364,483
Uniform Supply Enterprise Fund	4,200
Adult and Community Education Enterprise Fund	<u>13,478</u>
	\$ <u>382,161</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

### Note 9: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance June 30, 2002	Adjust- ment	June 30, 2002, Restated	Additions	Disposals	Balance June 30, 2003
<b>Governmental Activities</b>						
Capital Assets, not being depreciated:						
Land	\$ 951,309	\$ 600,910	\$ 1,552,219	\$ 5,000	\$ -	\$ 1,557,219
Construction in Progress	-	-	-	365,000	-	365,000
Total Capital Assets, not being depreciated	<u>951,309</u>	<u>600,910</u>	<u>1,552,219</u>	<u>370,000</u>	<u>-</u>	<u>1,922,219</u>
Capital Assets, being depreciated:						
Land Improvements	1,051,491	-	1,051,491	43,183	-	1,094,674
Buildings and Improvements	13,898,059	-	13,898,059	403,841	-	14,301,900
Furniture and Equipment	1,858,652	2,143,419	4,002,071	385,589	(10,295)	4,377,365
Vehicles	<u>1,892,204</u>	<u>(234,636)</u>	<u>1,657,568</u>	<u>255,208</u>	<u>-</u>	<u>1,912,776</u>
Total Capital Assets, being depreciated	<u>18,700,406</u>	<u>1,908,783</u>	<u>20,609,189</u>	<u>1,087,821</u>	<u>(10,295)</u>	<u>21,686,715</u>
Less Accumulated Depreciation:						
Land Improvements	-	31,140	31,140	32,867	-	64,007
Buildings and Improvements	-	6,949,025	6,949,025	294,114	-	7,243,139
Furniture and Equipment	-	2,288,069	2,288,069	445,440	(9,265)	2,724,244
Vehicles	-	<u>541,457</u>	<u>541,457</u>	<u>81,540</u>	<u>-</u>	<u>622,997</u>
Total Accumulated Depreciation	<u>-</u>	<u>9,809,691</u>	<u>9,809,691</u>	<u>853,961</u>	<u>(9,265)</u>	<u>10,654,387</u>
Total Capital Assets being depreciated, net	<u>18,700,406</u>	<u>(7,900,908)</u>	<u>10,799,498</u>	<u>233,860</u>	<u>(1,030)</u>	<u>11,032,328</u>
Governmental Activities Capital Assets, Net	\$ <u>19,651,715</u>	\$ <u>(7,299,998)</u>	\$ <u>12,351,717</u>	\$ <u>603,860</u>	\$ <u>(1,030)</u>	\$ <u>12,954,547</u>
<b>Business-Type Activities</b>						
Furniture and Equipment	\$ 279,301	-	\$ 279,301	\$ -	\$ -	\$ 279,301
Less Accumulated Depreciation	<u>(182,218)</u>	<u>-</u>	<u>(182,218)</u>	<u>(7,675)</u>	<u>-</u>	<u>(189,893)</u>
Business-Type Activities Capital Assets, Net	\$ <u>97,083</u>	\$ <u>-</u>	\$ <u>97,083</u>	\$ <u>(7,675)</u>	\$ <u>-</u>	\$ <u>89,408</u>

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### Note 9: Capital Assets (continued)

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

Instruction:	
Regular	\$ 327,240
Special	54,540
Vocational	8,391
Support Services:	
Pupil	46,149
Instructional Staff	20,977
Board of Education	12,977
Administration	131,871
Fiscal	18,879
Business	23,075
Operation and Maintenance of Plant	84,001
Pupil Transportation	58,735
Operation of Non-Instructional Services	41,954
Extracurricular Activities	<u>25,172</u>
Total Depreciation Expense	\$ <u>853,961</u>

### Note 10: Risk Management

#### A. Property and Liability

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and nature disasters. During fiscal year 2003, the District has contracted with the Love Insurance Company for property and general liability insurance. Professional liability is provided by the Wausau National Insurance Company, with a \$5,000,000 aggregate limit.

Vehicles are covered by the Wausau National Insurance Company. Automobile liability has a \$2,000,000 combined single limit of liability.

Performance bonds of \$20,000 are maintained for the superintendent, the treasurer and the school board president by Wausau National Insurance Company.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year.

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### **Note 10: Risk Management (continued)**

#### **B. Worker's Compensation**

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

#### **C. Employee Medical Benefits**

The District provides group life insurance and accidental death and dismemberment insurance to its employees. Life insurance is provided through the Medical Life and Insurance Company.

The District has contracted with Lake Erie Regional Employee Protection Plan (LEEP) to provide medical/surgical and dental benefits for its employees and their covered dependents. LEEP is a shared risk pool comprised of thirteen school districts with Lorain County.

The participating districts pay monthly contributions that are placed in a common fund, from which eligible claims and expenses are paid for employees (and their covered dependents) of participating school districts. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$125,000 per participant.

Premium contributions are determined annually based on the claims experience of the individual districts. Premiums can be increased or decreased by up to 15% of the prior year's contribution unless approved by council. Member districts may become liable for additional contributions to fund the liability of the pool. In the event of termination, all participating districts' claims would be paid without regard to their individual account balances. The LEEP Board of Directors has authority to return monies to an exiting district subsequent to the settlement of all claims and expenses. This plan provides a medical/surgical and dental plan with a \$100 deductible for family coverage and \$50 deductible for single coverage.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement system discussed in Note 12. As such, no funding provisions are required by the District.



# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### **Note 11: Defined Benefit Pension Plans**

#### **A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a costsharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$454,148, \$423,512 and \$411,882, respectively; 79 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

#### **B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### **Note 11: Defined Benefit Pension Plans (continued)**

#### **B. State Teachers Retirement System (continued)**

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,422,419, \$1,361,219, and \$1,325,965, respectively; 84 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$3,056 made by the School District and \$2,706 made by the plan members.

#### **C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining Board members contribute to SERS.

### **Note 12: Post-Employment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### **Note 12: Post-Employment Benefits (continued)**

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$101,601 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$239,906.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

### **Note 13: Other Employee Benefits**

#### **A. Compensated Absences**

The criteria for determining vacation, personal leave, sick leave, and compensatory time components are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### **Note 13: Other Employee Benefits (continued)**

#### **A. Compensated Absences (continued)**

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum. Upon retirement, payment is made for one fourth of the total sick leave accumulation, up to a maximum accumulation of 280 days for certified and 240 days for classified employees. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

#### **B. Health and Life Insurance**

The District operates and manages employee medical benefits on a self-insured basis. Medical Mutual of Ohio provides claim review and processing.

The School District continues to offer a fully insured HMO option for those employees who do not wish to participate in the self-insured plan. Fewer than five percent of employees seek this option.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company. The amounts provided for certified employees equal the employee's annual salary times 2 up to \$100,000 and \$200,000 for Administrators. The amounts provided for classified employees equal the employees' annual salary or range from \$12,000 to \$20,000 for base salaries less than \$20,000.

### **Note 14: Contingencies**

#### **A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2003.

#### **B. Litigation**

The District is party to legal proceedings. The District management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

### Note 15: Long-Term Liabilities

Changes in long-term debt activity for the year ended December 31, 2003 was as follows:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Balance 12/31/02</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/03</u>	<u>Amounts Due in One Year</u>
Governmental Activities:							
School Improvement Bonds	6.75%	01/01/78	\$ 90,000	\$ -	\$ (90,000)	\$ -	\$ -
Certificates of Participation	1.3%-5.25%	04/15/03	-	20,335,000	-	20,335,000	415,000
Compensated Absences	n/a	n/a	<u>1,267,569</u>	<u>138,884</u>	<u>-</u>	<u>1,406,453</u>	<u>113,045</u>
			\$ <u>1,357,569</u>	\$ <u>20,473,884</u>	\$ <u>(90,000)</u>	\$ <u>21,741,453</u>	\$ <u>528,045</u>

*Certificates of Participation* – In FY03, the School District entered into a lease agreement with the Lorain County Port Authority for three new schools. The lease is an annual lease subject to renewal for 28 years through December 30, 2030.

The Leasing Corporation entered an agreement with a trustee through which it assigned and transferred rights and interest under the lease to Fifth Third National Bank as Trustee. The Trustee issued Certificates of Participation in the lease agreement enabling holders of the Certificates to receive a portion of the semi-annual lease payments. Proceeds from the issuance are mainly being used to construct three new schools. In addition, terms of the trust indenture require a portion of the proceeds to be set aside for current and future certificate payments. The current certificate payment account is used to account for resources accumulated for payment over the next twelve months. The reserve account was established solely to make rent payments if a deficiency exists in the current certificate payment and, if all payments are current, to make payment of the last certificate payments.

The obligation of the School District under the lease and any subsequent lease renewal is subject to annual appropriation of the rental payments. Legal title to the facilities remains with Fifth Third National Bank, i.e. the leasing corporation, until all payments required under the lease have been made. At that time, title will transfer to the School District.

The annual principal and interest requirements payable from resources from the debt service fund. The Certificates of Participation are not a general obligation of the School District but are payable only from appropriations by the School District for annual lease payments.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 415,000	\$ 983,560	\$ 1,398,560
2005	405,000	935,958	1,340,958
2006	415,000	929,079	1,344,079
2007	420,000	916,736	1,336,736
2008	435,000	898,549	1,333,549
2009-2013	2,490,000	4,190,785	6,680,785
2014-2018	3,095,000	3,555,188	6,650,188
2019-2023	3,965,000	2,669,578	6,634,578
2024-2028	5,030,000	1,568,931	6,598,931
2029-2031	<u>3,665,000</u>	<u>280,625</u>	<u>3,945,625</u>
Total	\$ <u>20,335,000</u>	\$ <u>16,928,989</u>	\$ <u>37,263,989</u>

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### **Note 16: Jointly Governed Organizations and Public Entity Risk Pool**

#### **A. Jointly Governed Organizations**

Lorain County JVS is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The board of education is comprised of representatives from the board of each participating school district. The board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The Midview Local School District students may attend the vocational school. Each School District's control is limited to its representation on the board.

The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2003 the District paid \$98,616 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary/Treasurer of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The District also participates in the Council's prepaid natural gas program, which was implemented during fiscal year 2000. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve-year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

#### **B. Public Entity Risk Pool**

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

# Midview Local School District

## Notes To Basic Financial Statements (continued)

June 30, 2003

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### Note 17: Set-Aside Calculations

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks Instructional Materials Reserve	Capital Improvements Reserve
Set-Aside Reserve Balance as of June 30, 2002	\$ (633,059)	\$ -
Current Year Set-Aside Requirements	453,092	453,092
Qualifying Disbursements	<u>(573,357)</u>	<u>(646,494)</u>
Total	<u>(753,324)</u>	<u>(193,402)</u>
Set-Aside Reserve Balance as of June 30, 2003	\$ <u><u>(753,324)</u></u>	\$ <u><u>-</u></u>

The District had qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amounts below zero. 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: School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

### Note 19: Contractual Commitments

At June 30, 2003 the District had approximately \$505,000 in contractual commitments relating to preliminary work on the construction of three new schools.

**Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Board of Education  
Midview Local School District  
Grafton, Ohio

We have audited the basic financial statements of the Midview Local School District, Lorain County, Ohio, (the "District") as of and for the year ended June 30, 2003, and have issued our report thereon dated November 17, 2003, wherein we noted the District adopted Government Accounting Standards Board Statement No. 34, Interpretation No. 6 and changed its accounting for capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as Item 2003-01. We also noted certain immaterial instances of noncompliance, which we have reported to management of the Midview Local School District in a separate letter dated November 17, 2003.



Board of Education

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 17, 2003.

This report is intended solely for the information and use of the District's Board of Education, management, finance committee, the Auditor of State's Office, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "C. J. ...".

Cleveland, Ohio  
November 17, 2003

**Report On Compliance With Requirements Applicable To Each  
Major Program and Internal Control Over Compliance  
In Accordance With OMB Circular A-133**

Board of Education  
Midview Local School District  
Grafton, Ohio

Compliance

We have audited the compliance of the Midview Local School District, Lorain County, Ohio (the "District"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Board of Education

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 17, 2003.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the District as of and for the year ended June 30, 2003, and have issued our report thereon dated November 17, 2003. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the District's Board of Education, management, finance committee, the Auditor of State's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cleveland, Ohio  
November 17, 2003

# Midview Local School District

## Schedule of Expenditures of Federal Awards

For The Year Ended June 30, 2003

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Receipts	Non-Cash Receipts	Total Awards Expended	Non-Cash Expenditures
<b>U.S. Department of Agriculture:</b>						
Pass-Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program	10.550	N/A	\$ -	\$ 91,972	\$ -	\$ 91,972
National School Lunch Program	10.555	N/A	<u>188,605</u>	<u>-</u>	<u>188,605</u>	<u>-</u>
Total U.S. Department of Agriculture – Nutrition Cluster			<u>188,605</u>	<u>91,972</u>	<u>188,605</u>	<u>91,972</u>
<b>U.S. Department of Education:</b>						
Pass-Through Ohio Department of Education:						
Individuals with Disabilities Education Act	84.027	6B-SF-02P 6B-SF-03P	157,569 <u>53,154</u>	- <u>-</u>	88,342 <u>280,194</u>	- <u>-</u>
Total Individuals with Disabilities Education Act			<u>210,723</u>	<u>-</u>	<u>368,536</u>	<u>-</u>
Chapter I – Education Consolidation and Improvement Act	84.010	C1-S1-2001 C1-S1-2002 C1-S1-2003	163,830 166,859 <u>39,648</u>	- - <u>-</u>	2,530 23,367 <u>182,841</u>	- - <u>-</u>
Total Chapter I			<u>370,337</u>	<u>-</u>	<u>208,738</u>	<u>-</u>
Title VI – Innovative Education Program Strategies	84.298	C2-S1-2002 C2-S1-2003	- <u>3,428</u>	- <u>-</u>	5,624 <u>19,045</u>	- <u>-</u>
Total Title VI			<u>3,428</u>	<u>-</u>	<u>24,669</u>	<u>-</u>
Drug Free Schools Grant	84.186	DR-S1-2002 DR-S1-2003	10,085 <u>2,316</u>	- <u>-</u>	535 <u>12,867</u>	- <u>-</u>
Total Drug Free Schools Grant			<u>12,401</u>	<u>-</u>	<u>13,402</u>	<u>-</u>
Eisenhower Professional Development State Grant	84.281	MS-S1-2002	-	-	14,411	-
Class Size Reduction	84.340	CR-S1-2002	46,039	-	23,516	-
Comprehensive School Reform Demonstration	84.332	RF-S2-2001	70,000	-	470	-
School Renovation Grants	84.352A	AT-S1-2002	4,802	-	5,592	-
Title II – Improving Teacher Quality State Grant	84.367	TR-S1-2003	18,581	-	57,917	-
Education Technology State Grants	84.318	TJ-S1-2003	<u>1,086</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Education			<u>737,397</u>	<u>-</u>	<u>717,251</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 926,002</u>	<u>\$ 91,972</u>	<u>\$ 905,856</u>	<u>\$ 91,972</u>

The accompanying notes are an integral part of this schedule

# Midview Local School District

## Notes To Schedule of Expenditures of Federal Awards

June 30, 2003

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### NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the Midview Local School District (the "District").

### NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the cash basis of accounting. The District's expenditures for the year ended June 30, 2003 as reported on the Schedule reflect federal expenditures only and do not include matching expenditures.

### NOTE 3 – COMMODITIES

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed.

The accompanying notes are an integral part of this schedule

Midview Local School District

Schedule of Prior Audit Findings  
OMB Circular A-133 Section .505

June 30, 2003

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

(d)(I)(i)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(I)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(I)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(I)(vi)	Are there any reportable findings under Section .510?	No
(d)(I)(vii)	Major Programs	Individuals with Disabilities Education Act, CFDA No. 84.027
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	Yes

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

2003-01 Ohio Revised Code Section 117.38 states that at the time the financial report is filed with the Auditor of State, the chief fiscal officer shall publish notice in a newspaper published in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer. During the audit, we noted that the Treasurer had not published an annual notice in the newspaper indicating that the 2002 financial report was available for public inspection.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

Midview Local School District

Schedule of Prior Audit Findings  
 OMB Circular A-133 Section .505 (continued)

June 30, 2003

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<b>Finding No.</b>	<b>Finding Summary</b>	<b>Fully Corrected</b>	<b>Explanation</b>
2002-1	<p>Ohio Rev. Code 5705.41(B) states that no subdivision is to expend money unless it has been appropriated.</p> <p>At June 30, 2002, the District had expenditures in excess of appropriations in some funds. This condition resulted in the District overspending its authorized appropriations.</p>	Yes	The problem was corrected in 2003.
2002-2	<p>Ohio Rev. Code 5705.39 state that total appropriations from each fund shall not exceed the total of estimated revenue available for expenditures.</p> <p>At June 30, 2002, the District had appropriations in excess of estimated revenues in some funds.</p>	Yes	The problem was corrected in 2003.

The accompanying notes are an integral part of this schedule

**Midview Local School District**  
**1097 Elm Street**  
**Grafton, Ohio 44044-1499**  
**(440) 926-3785**

**Response to Findings Associated With**  
**Audit Conducted in Accordance with *Government Auditing Standards***  
**for the Year Ended June 30, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-01	Management will publish an annual notice in the newspaper once the financial report has been filed with the Auditor of State.	N/A	Floyd Parsson, Treasurer





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**MIDVIEW LOCAL SCHOOL DISTRICT**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 22, 2004**