

# **Midview Local School District**

**Basic Financial Statements  
June 30, 2008**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Midview Local School District  
1010 Vivian Drive  
Grafton, Ohio 44044

We have reviewed the *Independent Auditors' Report* of the Midview Local School District, Lorain County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2007 through June 30, 2008. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 6, 2009

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# Midview Local School District

For the Fiscal Year Ended June 30, 2008

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# Midview Local School District

For the Fiscal Year Ended June 30, 2008

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## Independent Auditors' 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, ("the District") as of and for the year ended June 30, 2008, 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 opinions 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 the 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, 2008, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18 to the financial statements, during the year ended June 30, 2008, the Midview Local School District implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures."

Board of Education  
Midview Local School District

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

*Cini & Panichi, Inc.*

Cleveland, Ohio  
December 19, 2008



**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2008  
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, 2008. 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 2008 are as follows:

- In total, net assets decreased \$236,683. Net assets of governmental activities decreased \$289,020, which represents a 2.88% decrease from 2007. Net assets of business-type activities increased \$52,337 or 12.39% from 2007.
- General revenues accounted for \$27,501,893 in revenues or 90.50% of all revenues, including transfers and special items. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,245,499 or 7.39% of all revenues. Transfers and special items accounted for \$641,391 or 2.11% of total revenues of \$30,388,783.
- The District had \$29,485,733 in expenses related to governmental activities; only \$1,077,641 of these expenses was offset by program specific charges for services, grants or contributions. General revenues and special items supporting governmental activities (primarily taxes and unrestricted grants and entitlements), net of transfers of \$28,119,072 were not adequate to provide for these programs resulting in a decrease of net assets from \$10,049,786 to \$9,760,766.
- The District had \$1,139,733 in expenses related to business-type activities; a total of \$1,167,858 was offset by program specific charges for services, grants and contributions. Total program revenues were adequate to provide for these programs by \$28,125, furthermore, other general revenues totaling \$4,812 and transfers of \$19,400 resulted in a increase to net assets from \$422,391 to \$474,728.
- The District's major governmental funds are the general fund and the capital improvement capital projects funds fund. The general fund had \$25,132,408 in revenues and other financing sources and \$24,502,453 in expenditures and other financing uses. The general fund's fund balance increased \$629,955 from \$1,947,726 to \$2,577,681. The capital improvements capital projects fund had \$2,295,792 in revenues and other financing sources and \$2,412,902 in expenditures and other financing uses. The capital improvement capital projects fund's fund balance decreased \$117,110 from \$4,278,062 to \$4,160,952.

**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  
For the Fiscal Year Ended June 30, 2008  
Unaudited**

*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 capital improvement capital projects fund are the only governmental funds reported as 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.

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited**

**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. The table below provides a summary of the District's net assets for 2008 and 2007.

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited**

**Table 1  
Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 22,307,541	\$ 23,932,667	\$ 329,956	\$ 213,699	\$ 22,637,497	\$ 24,146,366
Restricted Assets	18,706	1,919,390	-	-	18,706	1,919,390
Capital assets net	<u>33,901,342</u>	<u>34,444,042</u>	<u>255,872</u>	<u>298,098</u>	<u>34,157,214</u>	<u>34,742,140</u>
Total assets	<u>56,227,589</u>	<u>60,296,099</u>	<u>585,828</u>	<u>511,797</u>	<u>56,813,417</u>	<u>60,807,896</u>
Current liabilities	14,896,463	17,458,375	82,652	67,345	14,979,115	17,525,720
Long-term liabilities	<u>31,570,360</u>	<u>32,787,938</u>	<u>28,448</u>	<u>22,061</u>	<u>31,598,808</u>	<u>32,809,999</u>
Total liabilities	<u>46,466,823</u>	<u>50,246,313</u>	<u>111,100</u>	<u>89,406</u>	<u>46,577,923</u>	<u>50,335,719</u>
Invested in capital assets, net of related debt	6,405,876	6,596,527	255,872	298,098	6,661,748	6,894,625
Restricted for:						
Capital projects	4,160,952	4,302,826	-	-	4,160,952	4,302,826
Debt service	2,700	2,700	-	-	2,700	2,700
Other purposes	37,645	39,343	-	-	37,645	39,343
Unrestricted	<u>(846,407)</u>	<u>(891,610)</u>	<u>218,856</u>	<u>124,293</u>	<u>(627,551)</u>	<u>(767,317)</u>
Total net assets	\$ <u>9,760,766</u>	\$ <u>10,049,786</u>	\$ <u>474,728</u>	\$ <u>422,391</u>	\$ <u>10,235,494</u>	\$ <u>10,472,177</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the District, total assets exceed total liabilities by \$10,235,494 at the close of the most recent fiscal year.

The largest portion of the District's net assets reflects investments in capital assets (e.g. land, construction in progress, buildings, improvements, machinery and equipment and vehicles), less any related debt to acquire or construct those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total assets decreased by \$3,994,479 from 2007 to 2008, while the District's total liabilities decreased by \$3,757,796. The main sources for the decrease in assets related to decreases in cash and taxes receivable. Cash decreased \$2,040,657 in the current year. The decrease was caused by a large legal settlement in the current year. The settlement was accrued for in fiscal year 2007 but was not paid until fiscal year 2008. Decrease in taxes receivable of \$1,380,684 is due to a decrease in the County Budget Commission's Certificate of Estimated Resources estimate of property tax collections in fiscal year 2009 that relate to fiscal year 2008. The most significant change in liabilities was a decrease in current liabilities of \$2,546,605. This decrease was mainly due to a large legal liability recorded in the prior year that the District does not have in the current year.

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 and prior year.

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited**

**Table 2  
Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program revenues:						
Charges for services	\$ 354,868	\$ 405,955	\$ 754,662	\$ 654,271	\$ 1,109,530	\$ 1,060,226
Operating grants	<u>722,773</u>	<u>1,225,283</u>	<u>413,196</u>	<u>348,555</u>	<u>1,135,969</u>	<u>1,573,838</u>
Total program revenues	<u>1,077,641</u>	<u>1,631,238</u>	<u>1,167,858</u>	<u>1,002,826</u>	<u>2,245,499</u>	<u>2,634,064</u>
General revenues:						
Property taxes	11,621,567	11,245,993	-	-	11,621,567	11,245,993
Grants and entitlements	15,036,114	14,209,927	-	-	15,036,114	14,209,927
Investment earnings	408,828	479,065	4,812	3,075	413,640	482,140
Other	<u>430,572</u>	<u>1,648,317</u>	<u>-</u>	<u>-</u>	<u>430,572</u>	<u>1,648,317</u>
Total general revenues	<u>27,497,081</u>	<u>27,583,302</u>	<u>4,812</u>	<u>3,075</u>	<u>27,501,893</u>	<u>27,586,377</u>
Total revenues	<u>28,574,722</u>	<u>29,214,540</u>	<u>1,172,670</u>	<u>1,005,901</u>	<u>29,747,392</u>	<u>30,220,441</u>
Expenses:						
Program expenses:						
Instruction:						
Regular	13,329,369	13,168,878	-	-	13,329,369	13,168,878
Special	2,455,789	2,336,330	-	-	2,455,789	2,336,330
Vocational	125,462	227,955	-	-	125,462	227,955
Other	55,122	129,842	-	-	55,122	129,842
Support services:						
Pupil	1,829,691	1,605,228	-	-	1,829,691	1,605,228
Instructional staff	435,085	383,103	-	-	435,085	383,103
Board of education	878,834	624,589	-	-	878,834	624,589
Administration	2,662,188	5,001,114	-	-	2,662,188	5,001,114
Fiscal	981,497	942,940	-	-	981,497	942,940
Business	397,262	652,809	-	-	397,262	652,809
Operation and maintenance - plant	2,786,280	2,313,404	-	-	2,786,280	2,313,404
Pupil transportation	1,524,331	1,823,093	-	-	1,524,331	1,823,093
Extracurricular activities	587,261	724,060	-	-	587,261	724,060
Interest and fiscal charges	1,437,562	1,320,414	-	-	1,437,562	1,320,414
Food service	-	-	969,022	873,751	969,022	873,751
Uniform school supplies	-	-	131,284	171,792	131,284	171,792
Adult and community education	<u>-</u>	<u>-</u>	<u>39,427</u>	<u>46,633</u>	<u>39,427</u>	<u>46,633</u>
Total expenses	<u>29,485,733</u>	<u>31,253,759</u>	<u>1,139,733</u>	<u>1,092,176</u>	<u>30,625,466</u>	<u>32,345,935</u>
Increase (decrease) in net assets before transfers and special items	(911,011)	(2,039,219)	32,937	(86,275)	(878,074)	(2,125,494)
Transfers and special items						
Transfers	(19,400)	(19,660)	19,400	19,660	-	-
Special items – sale of fixed asset	<u>641,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>641,391</u>	<u>-</u>
Total transfers and special items	<u>621,991</u>	<u>(19,660)</u>	<u>19,400</u>	<u>19,660</u>	<u>641,391</u>	<u>-</u>
Change in net assets	(289,020)	(2,058,879)	52,337	(66,615)	(236,683)	(2,125,494)
Net assets at beginning of year	<u>10,049,786</u>	<u>12,108,665</u>	<u>422,391</u>	<u>489,006</u>	<u>10,472,177</u>	<u>12,597,671</u>
Net assets at end of year	<u>\$ 9,760,766</u>	<u>\$ 10,049,786</u>	<u>\$ 474,728</u>	<u>\$ 422,391</u>	<u>\$ 10,235,494</u>	<u>\$ 10,472,177</u>

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited**

***Governmental Activities***

Net assets of the District's governmental activities decreased by \$289,020. Total governmental expenses of \$29,485,733 was primarily offset by program revenues of \$1,077,641 and general revenues of \$27,497,081. Program revenues supported 3.65% 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 91.24% of total governmental revenue. Property taxes support 39.39% of total expenses while grants and entitlements supported 50.96% of total expenses. Property tax revenue increased \$375,574 from the prior year, mainly due to larger number of tax collections in the current year. Grant and entitlement revenue not restricted to specific programs increased \$826,187, due to an increase in State funding for fiscal year 2008.

The Statement of Activities shows the cost of program services and the charges for services and grants off setting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2008 and 2007. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Table 3  
Total Cost of Program Services**

	<u>Governmental Activities</u>			
	<u>Total Cost of Services 2008</u>	<u>Total Cost of Services 2007</u>	<u>Net Cost of Services 2008</u>	<u>Net Cost of Services 2007</u>
Program expenses:				
Instruction:				
Regular	\$ 13,329,369	\$ 13,168,878	\$ 13,007,459	\$ 12,770,208
Special	2,455,789	2,336,330	2,162,880	1,658,049
Vocational	125,462	227,955	116,736	227,955
Other	55,122	129,842	55,122	129,842
Support services:				
Pupil	1,829,691	1,605,228	1,827,291	1,600,428
Instructional staff	435,085	383,103	356,600	266,233
Board of education	878,834	624,589	878,834	624,589
Administration	2,662,188	5,001,114	2,650,119	4,949,452
Fiscal	981,497	942,940	981,497	942,940
Business	397,262	652,809	382,262	637,809
Operation and maintenance - plant	2,786,280	2,313,404	2,786,280	2,313,404
Pupil transportation	1,524,331	1,823,093	1,524,331	1,823,093
Extracurricular activities	587,261	724,060	241,119	358,105
Interest and fiscal charges	<u>1,437,562</u>	<u>1,320,414</u>	<u>1,437,562</u>	<u>1,320,414</u>
Total expenses	<u>\$ 29,485,733</u>	<u>\$ 31,253,759</u>	<u>\$ 28,408,092</u>	<u>\$ 29,622,521</u>

The dependence upon general revenues during fiscal year 2008 for governmental activities is apparent, as 96.09% of 2008 instruction activities are supported by property taxes, grants and entitlements, investment earnings, and other general revenues. The District's taxpayers, as a whole, are the primary support for District's students.

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited**

***Business-Type Activities***

Business-type activities include food service operation, uniform supplies and adult and community education. These programs had revenues, including transfers-in, of \$1,192,070 and expenses of \$1,139,733 for fiscal year 2008. The food service operations had expenses of \$969,022 and revenues, plus transfers-in, of \$962,077. This resulted in a decrease to net assets for the fiscal year of \$6,945. The uniform supplies operations had expenses of \$131,284 and revenues, plus transfers-in, of \$177,437. This resulted in an increase to net assets for the fiscal year of \$46,153. The adult and community education operations had expenses of \$39,427 and revenues, plus transfers-in, of \$52,556. This resulted in an increase to net assets for the fiscal year of \$13,129. Revenues increased from the prior year due to an increase in the food service revenues in the current year. Expenses remained fairly consistent. 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 \$6,650,874 which is above last year's total of \$6,434,966. This increase in total fund balance is due to an increase in the general fund, discussed below, offset mainly by a decrease in the other governmental funds, which can be explained by an increase in special education expenditures in the current year of approximately \$250,000. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	<u>Fund Balance</u> <u>June 30, 2008</u>	<u>Fund Balance</u> <u>June 30, 2007</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 2,577,681	\$ 1,947,726	\$ 629,955
Capital improvement	4,160,952	4,278,062	(117,110)
Other governmental	<u>(87,759)</u>	<u>209,178</u>	<u>(296,937)</u>
Total	<u>\$ 6,650,874</u>	<u>\$ 6,434,966</u>	<u>\$ 215,908</u>

***General Fund***

The District's general fund balance increased by \$629,955, mainly due to a increase in intergovernmental revenues and a decrease in instruction, facilities acquisition and construction, and extracurricular expenses. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Taxes	\$ 9,895,068	\$ 9,750,704	1.48%
Interest earnings	310,871	254,243	22.27
Intergovernmental	14,606,234	14,025,399	4.14
Other revenue	<u>286,055</u>	<u>506,106</u>	(43.48)
Total	<u>\$ 25,098,228</u>	<u>\$ 24,536,452</u>	

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited**

Taxes revenue in the general fund remained fairly consistent. Investments earnings in the general fund increased in the current year as the general fund was allocated a larger portion of the total investment income in the current year. Intergovernmental revenues increased from the prior year. This increase is attributed to an increase in State funding from the prior year. Other revenue decreased from the prior year mainly due to a large donation the District received in the prior year from a resident's estate that was not received in the current year

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

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Expenditures by Object:			
Instruction	\$ 13,384,545	\$ 14,121,185	(5.22)%
Support services	10,677,469	10,609,963	0.64
Facilities acquisition and construction	47,521	295,266	(83.91)
Extracurricular activities	<u>370,485</u>	<u>512,221</u>	(27.67)
Total	<u>\$ 24,480,020</u>	<u>\$ 25,538,635</u>	

Overall, general fund expenditures decreased approximately \$1,060,000 from the prior year due to decreases in instruction, facilities acquisition and construction, and extracurricular activities offset by an increase in support services. Instruction decreased mainly due to the decreased costs for providing regular education services. The increase in support services was mainly due to increased open enrollment costs.

### **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. The District amended its revenue estimates to reflect greater than originally anticipated revenues from taxes, interest and state foundation. There was an increase of \$2,035,087 in intergovernmental state revenue than the final budgeted amount. The final budget for expenditures increased \$1,779,169 over the original budget. This was due to increases in several areas. The most significant increase was in regular education cost.

### **Capital Assets**

The District has \$34,157,214 invested in capital assets net of depreciation, with \$33,901,342 attributed to governmental activities. Acquisitions for governmental activities totaled \$1,029,602 and depreciation was \$1,460,896. The major acquisitions related to the land purchase (Note 8) and computer equipment for the schools. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 8).

### **Debt**

At June 30, 2008, the District had \$26,715,000 in outstanding certificates of participation. The District paid \$445,000 in principal on certificates of participation outstanding payable during the fiscal year. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements (Note 13).



**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited**

The certificates of participation have increased the debt service to ensure resources can be preserved as long as possible. In fiscal years 2003 and 2004, the School District entered into certificates of participation with the Lorain County Port Authority for three new schools. The certificates are annual leases subject to renewal for 28 years through December 30, 2030.

The District also issued \$2,390,000 and \$350,000 in general obligation bonds during the prior fiscal year. The District paid \$35,000 in principal on the general obligation bonds outstanding during the fiscal year. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements (Note 13).

**Current Financial Related Activities**

The 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.

In November of 2008, the Board of Education submitted to the voters of the School District an additional five-year, 2.5 mill levy for permanent improvement, which voters rejected. The Board of Education is taking measures to tighten the budget and reduce costs.

As discussed earlier, the District is dependent on local taxpayers. The Board of Education and administration of the District continue to exercise careful financial planning and prudent fiscal management in order to preserve the financial stability of the District.

**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.

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# Midview Local School District

## Statement of Net Assets

June 30, 2008

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 8,528,721	\$ 318,983	\$ 8,847,704
Cash with fiscal agents	334,756	-	334,756
Accounts receivable	70,887	3,138	74,025
Intergovernmental receivable	223,943	-	223,943
Prepaid items	19,227	-	19,227
Materials and supplies inventory	192,793	7,835	200,628
Taxes receivable	12,937,214	-	12,937,214
<b>Restricted assets:</b>			
Cash and investments	18,706	-	18,706
Nondepreciable capital assets	1,899,121	-	1,899,121
Depreciable capital assets, net	<u>32,002,221</u>	<u>255,872</u>	<u>32,258,093</u>
<b>Total assets</b>	<u><b>56,227,589</b></u>	<u><b>585,828</b></u>	<u><b>56,813,417</b></u>
<b>Liabilities:</b>			
Accounts payable	348,377	2,213	350,590
Accrued wages and benefits	2,254,327	52,829	2,307,156
Accrued pension	601,319	27,610	628,929
Accrued interest payable	227,129	-	227,129
Matured compensated absences	256,733	-	256,733
Matured bonds payable	2,700	-	2,700
Unearned revenue	11,205,878	-	11,205,878
<b>Long-term liabilities:</b>			
Due within one year	967,452	6,098	973,550
Due in more than one year	<u>30,602,908</u>	<u>22,350</u>	<u>30,625,258</u>
<b>Total liabilities</b>	<u><b>46,466,823</b></u>	<u><b>111,100</b></u>	<u><b>46,577,923</b></u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	6,405,876	255,872	6,661,748
<b>Restricted for:</b>			
Capital projects	4,160,952	-	4,160,952
Debt service	2,700	-	2,700
Other purposes	37,645	-	37,645
Unrestricted	<u>(846,407)</u>	<u>218,856</u>	<u>(627,551)</u>
<b>Total net assets</b>	<u><b>\$ 9,760,766</b></u>	<u><b>\$ 474,728</b></u>	<u><b>\$ 10,235,494</b></u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

# Midview Local School District

## Statement of Activities

### For The Fiscal Year Ended June 30, 2008

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
Instruction:			
Regular education	\$ 13,329,369	\$ -	\$ 321,910
Special education	2,455,789	-	292,909
Vocational education	125,462	8,726	-
Other	55,122	-	-
Support services:			
Pupils	1,829,691	-	2,400
Instructional staff	435,085	-	78,485
Board of education	878,834	-	-
Administration	2,662,188	-	12,069
Fiscal services	981,497	-	-
Business	397,262	-	15,000
Operations and maintenance - plant	2,786,280	-	-
Pupil transportation	1,524,331	-	-
Extracurricular activities	587,261	346,142	-
Interest and fiscal charges	<u>1,437,562</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>29,485,733</u>	<u>354,868</u>	<u>722,773</u>
Business-type activities:			
Food service	969,022	544,069	413,196
Uniform supplies	131,284	177,437	-
Adult and community education	<u>39,427</u>	<u>33,156</u>	<u>-</u>
Total business-type activities	<u>1,139,733</u>	<u>754,662</u>	<u>413,196</u>
Totals	\$ <u>30,625,466</u>	\$ <u>1,109,530</u>	\$ <u>1,135,969</u>

General revenues:

- Property taxes levies for:
  - General purpose
  - Capital projects
- Grant and entitlements not restricted to specific programs
- Investment earnings
- Miscellaneous
- Total general revenues
- Transfers
- Special item – sale of fixed assets
- Total general revenues, transfers, and special items

Change in net assets

Net assets at beginning of year

Net assets at end of year

The Notes to the Basic Financial Statements are an Integral Part of this Statement

<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
\$ (13,007,459)	\$ -	\$ (13,007,459)
(2,162,880)	-	(2,162,880)
(116,736)	-	(116,736)
(55,122)	-	(55,122)
(1,827,291)	-	(1,827,291)
(356,600)	-	(356,600)
(878,834)	-	(878,834)
(2,650,119)	-	(2,650,119)
(981,497)	-	(981,497)
(382,262)	-	(382,262)
(2,786,280)	-	(2,786,280)
(1,524,331)	-	(1,524,331)
(241,119)	-	(241,119)
<u>(1,437,562)</u>	<u>-</u>	<u>(1,437,562)</u>
<u>(28,408,092)</u>	<u>-</u>	<u>(28,408,092)</u>
-	(11,757)	(11,757)
-	46,153	46,153
<u>-</u>	<u>(6,271)</u>	<u>(6,271)</u>
<u>-</u>	<u>28,125</u>	<u>28,125</u>
<u>(28,408,092)</u>	<u>28,125</u>	<u>(28,379,967)</u>
10,163,382	-	10,163,382
1,458,185	-	1,458,185
15,036,114	-	15,036,114
408,828	4,812	413,640
<u>430,572</u>	<u>-</u>	<u>430,572</u>
27,497,081	4,812	27,501,893
(19,400)	19,400	-
<u>641,391</u>	<u>-</u>	<u>641,391</u>
<u>28,119,072</u>	<u>24,212</u>	<u>28,143,284</u>
(289,020)	52,337	(236,683)
<u>10,049,786</u>	<u>422,391</u>	<u>10,472,177</u>
\$ <u>9,760,766</u>	\$ <u>474,728</u>	\$ <u>10,235,494</u>

# Midview Local School District

## Balance Sheet – Governmental Funds

June 30, 2008

	<u>General</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 4,366,500	\$ 3,976,054	\$ 186,167	\$ 8,528,721
Cash with fiscal agents	-	-	3,933	3,933
<b>Receivables:</b>				
Taxes receivable	11,281,026	1,656,188	-	12,937,214
Intergovernmental receivable	-	-	223,943	223,943
Interfund receivable	122,825	-	-	122,825
Accounts receivable	16,915	50,000	-	66,915
Materials and supplies inventory	192,793	-	-	192,793
Prepaid items	19,227	-	-	19,227
<b>Restricted assets:</b>				
Restricted cash and cash investments	-	18,706	-	18,706
<b>Total assets</b>	<b>\$ <u>15,999,286</u></b>	<b>\$ <u>5,700,948</u></b>	<b>\$ <u>414,043</u></b>	<b>\$ <u>22,114,277</u></b>
<b>Liabilities and fund balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 330,736	\$ 9,592	\$ 6,904	\$ 347,232
Accrued wages and benefits	2,133,976	-	120,351	2,254,327
Interfund payable	-	-	122,825	122,825
Accrued pension	576,240	-	25,079	601,319
Deferred revenue	10,123,920	1,530,404	223,943	11,878,267
Matured Compensated Absences	256,733	-	-	256,733
Matured bonds payable	-	-	2,700	2,700
<b>Total liabilities</b>	<b><u>13,421,605</u></b>	<b><u>1,539,996</u></b>	<b><u>501,802</u></b>	<b><u>15,463,403</u></b>
<b>Fund balances:</b>				
Reserved for prepaid items	19,227	-	-	19,227
Reserved for encumbrances	342,612	7,672	11,990	362,274
Reserved for inventory	192,793	-	-	192,793
Reserved for property taxes	1,157,106	175,784	-	1,332,890
<b>Unreserved; undesignated (deficit) for:</b>				
General fund	865,943	-	-	865,943
Special revenue funds	-	-	(102,449)	(102,449)
Debt service fund	-	-	2,700	2,700
Capital projects funds	-	3,977,496	-	3,977,496
<b>Total fund balances</b>	<b><u>2,577,681</u></b>	<b><u>4,160,952</u></b>	<b><u>(87,759)</u></b>	<b><u>6,650,874</u></b>
<b>Total liabilities and fund balances</b>	<b>\$ <u>15,999,286</u></b>	<b>\$ <u>5,700,948</u></b>	<b>\$ <u>414,043</u></b>	<b>\$ <u>22,114,277</u></b>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

# Midview Local School District

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

**June 30, 2008**

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Total Governmental Funds Balances		\$	6,650,874
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.			33,901,342
Other long-term assets are not available to pay for current-period expenditures and therefore are unearned in the funds.			
	Property and other taxes	\$	398,445
	Grants		<u>273,944</u>
	Total		672,389
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental Funds, an interest expenditure is reported when due.			(227,129)
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 Funds are included in Governmental Activities in the Statement of Net Assets.			333,650
Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.			
	General obligation debt		(29,420,000)
	Capital leases		(445,466)
	Compensated absences		<u>(1,704,894)</u>
	Total		<u>(31,570,360)</u>
Net assets of governmental activities		\$	<u>9,760,766</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

# Midview Local School District

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

**For The Fiscal Year Ended June 30, 2008**

	<u>General</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 9,895,068	\$ 1,458,185	\$ -	\$ 11,353,253
Earnings on investments	310,871	97,957	-	408,828
Extracurricular activities	88,968	-	233,055	322,023
Classroom materials and fees	32,845	-	-	32,845
Miscellaneous	164,242	201,540	1,233	367,015
Intergovernmental	<u>14,606,234</u>	<u>205,936</u>	<u>1,056,411</u>	<u>15,868,581</u>
Total revenues	<u>25,098,228</u>	<u>1,963,618</u>	<u>1,290,699</u>	<u>28,352,545</u>
Expenditures:				
Instruction:				
Regular education	11,638,791	195,453	425,131	12,259,375
Special education	1,564,659	-	820,009	2,384,668
Vocational education	125,973	-	-	125,973
Other	55,122	-	-	55,122
Support services:				
Pupils	1,625,951	1,090	68,500	1,695,541
Instructional staff	434,927	-	-	434,927
Board of education	878,834	-	-	878,834
Administration	2,419,981	-	17,931	2,437,912
Fiscal services	940,826	27,992	-	968,818
Business	382,262	-	15,000	397,262
Operations and maintenance - plant	2,521,668	-	-	2,521,668
Pupil transportation	1,473,020	-	-	1,473,020
Extracurricular activities:				
Academic and subject oriented	10,081	-	-	10,081
Sports oriented	343,151	-	124,075	467,226
Co-curricular	17,253	-	120,023	137,276
Capital outlay:				
Architecture and engineering services	479	-	-	479
Building acquisition and construction	-	262,438	-	262,438
Other facilities acquisition and construction	47,042	15,916	-	62,958
Debt services:				
Principal	-	480,000	-	480,000
Interest and fiscal charges	-	<u>1,430,013</u>	-	<u>1,430,013</u>
Total expenditures	<u>24,480,020</u>	<u>2,412,902</u>	<u>1,590,669</u>	<u>28,483,591</u>
Total excess of revenues over (under) expenditures	<u>618,208</u>	<u>(449,284)</u>	<u>(299,970)</u>	<u>(131,046)</u>

Continued

The Notes to the Basic Financial Statements are an Integral Part of this Statement



# Midview Local School District

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

**For The Fiscal Year Ended June 30, 2008**

	<u>General</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):				
Transfers- in	-	-	3,033	3,033
Refund of prior year expenditures	34,180	-	-	34,180
Sale of capital assets	-	332,174	-	332,174
Transfers - out	(22,433)	-	-	(22,433)
Total other financing sources (uses)	<u>11,747</u>	<u>332,174</u>	<u>3,033</u>	<u>346,954</u>
Net change in fund balance	629,955	(117,110)	(296,937)	215,908
Fund balance at beginning of year	<u>1,947,726</u>	<u>4,278,062</u>	<u>209,178</u>	<u>6,434,966</u>
Fund balance (deficit) at end of year	\$ <u>2,577,681</u>	\$ <u>4,160,952</u>	\$ <u>(87,759)</u>	\$ <u>6,650,874</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

# 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, 2008

---

Net Change in Fund Balances - Total Governmental Funds \$ 215,908

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

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

Capital outlay	\$ 1,029,602	
Depreciation	<u>(1,460,896)</u>	
Total		(431,294)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (111,406)

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

Delinquent property and other taxes	268,314	
Charges for services	50,000	
Grants	<u>(109,694)</u>	
Total		208,620

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Asset 722,049

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 Funds are reported with Governmental Activities. (1,380,877)

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	495,529	
Accrued interest on bonds	<u>(7,549)</u>	
Total		<u>487,980</u>

*Change in Net Assets of Governmental Activities* \$ (289,020)

The Notes to the Basic Financial Statements are an Integral Part of this Statement

# Midview Local School District

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

**For The Fiscal Year Ended June 30, 2008**

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 12,188,564	\$ 12,188,564	\$ 10,643,918	\$ (1,544,646)
Earnings on investments	254,471	252,860	293,956	41,096
Extracurricular activities	77,018	76,530	88,968	12,438
Classroom materials and fees	28,433	28,253	32,845	4,592
Miscellaneous	165,408	164,361	191,074	26,713
Intergovernmental – state	12,601,540	12,521,779	14,556,866	2,035,087
Intergovernmental – federal	42,737	42,466	49,368	6,902
Total revenues	<u>25,358,171</u>	<u>25,274,813</u>	<u>25,856,995</u>	<u>582,182</u>
Expenditures:				
Instruction:				
Regular education	12,037,031	12,858,455	11,584,485	1,273,970
Special education	1,679,062	1,793,643	1,615,935	177,708
Vocational education	134,809	144,009	129,741	14,268
Other	67,843	72,472	65,292	7,180
Supporting services:				
Pupils	1,714,363	1,831,353	1,649,909	181,444
Instructional staff	461,024	492,485	443,691	48,794
Board of education	963,593	1,029,349	927,365	101,984
Administration	2,569,620	2,744,974	2,473,012	271,962
Fiscal services	1,007,959	1,076,743	970,063	106,680
Business	464,003	495,667	446,558	49,109
Operation and maintenance - plant	2,777,385	2,966,917	2,672,965	293,952
Pupil transportation	1,670,026	1,783,990	1,607,239	176,751
Extracurricular activities:				
Academic and subject oriented	32,170	34,366	30,961	3,405
Sports oriented	405,173	432,823	389,940	42,883
Co-curricular	31,895	34,072	30,696	3,376
Capital outlay	55,794	59,601	53,696	5,905
Total expenditures	<u>26,071,750</u>	<u>27,850,919</u>	<u>25,091,548</u>	<u>2,759,371</u>
Excess revenues over (under) expenditures	<u>(713,579)</u>	<u>(2,576,106)</u>	<u>765,447</u>	<u>3,341,553</u>

Continued

The Notes to the Basic Financial Statements are an Integral Part of this Statement

# Midview Local School District

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

### For The Fiscal Year Ended June 30, 2008

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Other financing sources (uses):				
Advances - in	805	800	930	130
Refund of prior year expenditures	29,589	29,402	34,180	4,778
Transfers - out	(22,433)	(22,433)	(22,433)	-
Advances - out	(122,825)	(122,825)	(122,825)	-
Total other financing sources (uses)	<u>(114,864)</u>	<u>(115,056)</u>	<u>(110,148)</u>	<u>4,908</u>
Net change in fund balance	(828,443)	(2,691,162)	655,299	3,346,461
Fund balance at beginning of year	2,691,236	2,691,236	2,691,236	-
Prior year encumbrances appropriated	<u>472,127</u>	<u>472,127</u>	<u>472,127</u>	-
Fund balance at end of year	\$ <u>2,334,920</u>	\$ <u>472,201</u>	\$ <u>3,818,662</u>	\$ <u>3,346,461</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

# Midview Local School District

## Statement of Fund Net Assets - Proprietary Funds

June 30, 2008

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Funds
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 318,983	\$ -
Cash with fiscal agents	-	330,823
Accounts receivable	3,138	3,972
Materials and supplies inventory	<u>7,835</u>	<u>-</u>
Total current assets	329,956	334,795
Non-current assets:		
Depreciable capital assets, net	<u>255,872</u>	<u>-</u>
Total assets	<u>585,828</u>	<u>334,795</u>
Liabilities:		
Current liabilities:		
Accounts payable	2,213	1,145
Accrued wages and benefits	52,829	-
Accrued pension	27,610	-
Current portion of compensated absences	<u>6,098</u>	<u>-</u>
Total current liabilities	88,750	1,145
Long-term liabilities:		
Compensated absences	<u>22,350</u>	<u>-</u>
Total liabilities	<u>111,100</u>	<u>1,145</u>
Net assets:		
Invested in capital assets, net of related debt	255,872	-
Unrestricted	<u>218,856</u>	<u>333,650</u>
Total net assets	<u>\$ 474,728</u>	<u>\$ 333,650</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

# Midview Local School District

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

**For The Fiscal Year Ended June 30, 2008**

	Business-Type Activities <u>Enterprise Funds</u>	Governmental Activities <u>Internal Service Funds</u>
Operating revenues:		
Tuition and fees	\$ 14,795	\$ -
Charges for services	562,430	42,284
Classroom materials and fees	<u>177,437</u>	<u>-</u>
Total operating revenues	<u>754,662</u>	<u>42,284</u>
Operating expenses:		
Salaries and wages	308,695	-
Fringe benefits	53,757	-
Contractual services	-	1,423,161
Materials and supplies	732,707	-
Other operating expenses	964	-
Depreciation expense	<u>40,217</u>	<u>-</u>
Total operating expenses	<u>1,136,340</u>	<u>1,423,161</u>
Operating loss	<u>(381,678)</u>	<u>(1,380,877)</u>
Non-operating revenues (expenses):		
Federal donated commodities	56,250	-
Grant revenue	356,946	-
Interest income	4,812	-
Loss on sale of capital assets	<u>(3,393)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>414,615</u>	<u>-</u>
Income (loss) before transfers	32,937	(1,380,877)
Transfers - in	<u>19,400</u>	<u>-</u>
Net income (loss)	52,337	(1,380,877)
Total net assets at beginning of year	<u>422,391</u>	<u>1,714,527</u>
Total net assets at end of year	\$ <u>474,728</u>	\$ <u>333,650</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

# Midview Local School District

## Statement of Cash Flows – Proprietary Funds

**For The Fiscal Year Ended June 30, 2008**

	Business-Type Activities <u>Enterprise Funds</u>	Governmental Activities <u>Internal Service Funds</u>
<b>Increase in cash and cash equivalents:</b>		
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 559,292	\$ 38,312
Cash received from classroom materials and fees	177,437	-
Cash received tuition payments	14,795	-
Cash payments for contractual services	-	(1,422,016)
Cash payments for materials and supplies	(552,722)	-
Cash payments to employees for services	(344,267)	-
Cash payments for employee benefits	(106,312)	-
Cash payments for other operating expenses	(964)	-
<i>Net cash used for operating activities</i>	<u>(252,741)</u>	<u>(1,383,704)</u>
<b>Cash flows from noncapital financing activities:</b>		
Operating grants received	452,516	-
Capital additions	(1,384)	-
Transfers-in	19,400	-
<i>Net cash provided by noncapital financing</i>	<u>470,532</u>	<u>-</u>
<b>Cash flows from investing activities</b>		
Interest received	<u>4,812</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	222,603	(1,383,704)
Cash and cash equivalents at beginning of year	<u>96,380</u>	<u>1,714,527</u>
Cash and cash equivalents at end of year	\$ <u><u>318,983</u></u>	\$ <u><u>330,823</u></u>

Continued

The Notes to the Basic Financial Statements are an Integral Part of this Statement

# Mentor Exempted Village School District

## Statement of Cash Flows – Proprietary Funds (continued)

For The Fiscal Year Ended June 30, 2008

	<u>Business-Type Activities</u> Enterprise Funds	<u>Governmental Activities</u> Internal Service Funds
<b><i>Reconciliation of operating loss to net cash from operating activities:</i></b>		
Operating loss	\$ (381,678)	\$ (1,380,877)
Adjustments:		
Depreciation	40,217	-
Federal donated commodities	56,250	-
Changes in assets/liabilities:		
Increase in accounts receivable	(3,138)	(3,972)
Decrease in inventory	13,914	-
Increase in accounts payable	934	1,145
Increase in accrued wages and benefits	9,879	-
Increase in accrued compensated absences	6,387	-
Increase in accrued pension	4,494	-
Total adjustments	<u>128,937</u>	<u>(2,827)</u>
<i>Net cash used for operating activities</i>	\$ <u>(252,741)</u>	\$ <u>(1,383,704)</u>

### **Schedule of non-cash financing activities:**

During the year, the food services enterprise fund received donated commodities of \$56,250.

The Notes to the Basic Financial Statements are an Integral Part of this Statement



# Midview Local School District

## Statement of Fiduciary Assets and Liabilities – Fiduciary Funds

**June 30, 2008**

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	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ <u>100,506</u>
Liabilities:	
Due to students	\$ <u>100,506</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

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# Midview Local School District

## Notes to Basic Financial Statements

### For the Fiscal Year Ended June 30, 2008

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#### **Note 1: Description of the School District and Reporting Entity**

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 154 non-certified and 202 certified (including administrative) full-time and part-time employees to provide services to approximately 3,612 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 after 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. Basis of Presentation**

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.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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

##### **A. Basis of Presentation (continued)**

The District is also a participant in two public entity risk sharing pools, which are discussed in Note 14.

The School District is not involved in the budgeting or the management of Parent-Teacher Organizations, booster clubs or the Midview Endowment Fund. The School District is also not responsible for any debt and has no influence over these organizations, clubs or funds.

##### **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; and 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.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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

##### B. Fund Accounting (continued)

###### *Proprietary Funds (continued)*

###### *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 five enterprise funds to account for food service operations, uniform supplies, summer school, recreation, and adult and community education.

###### *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.

###### *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 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. 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.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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

##### C. Measurement Focus (continued)

###### *Government-wide Financial Statements (continued)*

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

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.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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

##### C. Measurement Focus (continued)

###### *Fund Financial Statements (continued)*

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 are 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.

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.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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#### **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, 2008, but which were levied to finance fiscal year 2009 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. Budgetary Process***

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 2008 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 15, 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)

### For the Fiscal Year Ended June 30, 2008

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

##### *E. Budgetary Process (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 2008.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, level of expenditures for all 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 2008.
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)

### For the Fiscal Year Ended June 30, 2008

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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 “restricted cash and investments” and represents deposits or investments in U.S. Government Securities.

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.

The District complies with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. As a governmental entity other than an external investment pool in accordance with GASB 31, the District’s investments are stated at fair value, except for interest-earning investment contracts, money market investments, and external investment pools (see Note 4).

In applying GASB Statement No. 31, the District utilized the following methods and assumptions as of June 30, 2008:

The portfolio was limited to nonparticipating interest-earning investment contracts and State Treasury Asset Reserve of Ohio (STAROhio).

Most of the District’s investments are reported at fair value, which is the quoted market price as of the valuation date. For investments in STAROhio, fair value is determined by the pool’s share price. Exceptions to the fair value requirement include nonparticipating interest-earning investment contracts.

Nonparticipating investment contracts, such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost. Money market investments, including U.S. Treasury and agency obligations that had a remaining maturity of one year or less at the time of purchase by the District, are reported at amortized cost.

Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the capital improvement capital projects fund to the extent its cash and investments balance exceeds the cumulative value of those investments subject to GASB Statement No. 31.

If there is a gain/loss resulting from the valuation it will be reported within the investment earnings account on the Statement of Activities.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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

##### ***F. Cash and Cash Equivalents (continued)***

Midview City School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2008. 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, 2008.

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 2008 amounted to \$310,871, which includes \$39,768 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 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. Inventory***

On the government-wide financial statements inventories are presented at the lower of cost or market cost on a first-in, first-out basis and are valued using the purchasing method. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

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.

##### ***H. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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

##### I. 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 capital improvement capital projects fund include amounts required by debt restrictions to be set aside for the construction of three new schools. See Note 13 for additional information regarding the debt.

##### 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 \$1,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or 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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business Type Activities Estimated Lives</u>
Land Improvements	30 years	N/A
Buildings and Improvements	10-50 years	N/A
Furniture and Equipment	5-15 years	12 years
Vehicles	8-10 years	N/A

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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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 vesting 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.

##### **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 judgments, 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)

### For the Fiscal Year Ended June 30, 2008

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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.

##### ***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. As of June 30, 2008, net assets restricted were \$4,201,297 in the statement of net assets, none of which were by enabling legislation.

##### ***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 goods or service that is the primary activity of the fund. Revenues and expenditures not meeting this definition are reported as non-operating.

##### ***Q. 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)

### For the Fiscal Year Ended June 30, 2008

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

##### *Q. 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.

##### *R. 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. The District recorded a special item during 2008; see Note 8 for further discussion.

##### *S. 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.

##### *T. Comparative Date/Reclassifications*

Prior year data presented in Management's Discussion and Analysis has been reclassified in order to be comparative and provide an understanding of the changes in financial position and operations. Certain reclassifications have been made to the 2007 financial statements in order to conform to the 2008 operations.

#### Note 3: 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:

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP) and Actual is presented for the general fund 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:

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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#### Note 3: Budgetary Basis of Accounting (continued)

- (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	\$ 629,955
Net Adjustment for Revenue Accruals	758,767
Advances In	930
Net Adjustment for Expenditure Accruals	(63,690)
Advances Out	(122,825)
Adjustment for Encumbrances	<u>(547,838)</u>
Budget Basis	\$ <u>655,299</u>

#### Note 4: Deposits and Investments

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.



# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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#### Note 4: Deposits and Investments (continued)

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as a security for repayment, by surety company bonds deposited with the Treasurer of 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 may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 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 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 (STAROhio)
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days 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.

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

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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#### Note 4: Deposits and Investments (continued)

##### Deposits

**Custodial Credit Risk** is the risk that in the event of bank failure, the District's deposits may not be returned to it. Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of District funds shall be required to pledge as security for repayment of all public moneys.

At year-end, the carrying amount of the District's deposits was \$7,933,833 and the bank balance was \$8,131,217. Of the District's deposits, \$334,756 was cash held with a fiscal agent. Of the bank balance, \$330,075 was covered by Federal depository insurance and \$7,801,142 was uninsured. Of the uninsured bank balance, \$4,050,000 was collateralized with securities held by the pledging institution's agent in the District's name and \$3,751,142 was collateralized with securities held by the pledging institution's trust department, not in the District's name.

##### Investments

Investments are reported as fair value. As of June 30, 2008, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity (Days)</u>
STAROhio	\$ <u>1,367,839</u>	<u>N/A</u>

**Interest Rate Risk** arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment policy addresses interest rate risk requiring that the District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity and by investing operation funds primarily in short-term investments. The District investment policy also limits security purchases to those that mature within five years unless specifically matched to a specific cash flow. To date, no investments have been purchased with a life greater than that stated in the district's investment policy.

**Custodial Risk** for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the District must meet a set of prescribed standards and be periodically reviewed.

**Credit Risk** is addressed by the District's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that the portfolio be diversified both by types of investment and issuer. All investments of the District are registered and carry a rating AAA by Standard & Poor's.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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#### **Note 4: Deposits and Investments (continued)**

*Concentration of Credit Risk* is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The District's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations.

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
STAROhio	100%

#### **Note 5: Receivables**

Receivables at June 30, 2008 consisted of taxes, accounts 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 intergovernmental receivables reported on the statement of net assets follows:

Governmental Activities:

Title VI-B IDEA	\$ 199,635
Title I	19,818
Reducing Class Size	754
Miscellaneous Federal Grants	<u>3,736</u>
Total governmental activities	\$ <u>223,943</u>

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

#### **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 District. Property tax revenue received during calendar 2008 for real and public utility property taxes represents collections of calendar 2007 taxes. Property tax payments received during calendar 2008 for tangible personal property (other than public utility property) are for calendar 2008 taxes.

2008 real property taxes are levied after April 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

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

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

#### Note 6: Property Taxes (continued)

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2007, are levied after April 1, 2008 and are collected in 2009 with real property taxes. 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.

2008 tangible personal property taxes are levied after April 1, 2009, on the value as of December 31, 2007. Collections are made in 2008. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid 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.

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, 2008, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second-Half Collections		2008 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 459,324,010	94.62%	\$ 467,727,550	95.95%
Public Utility Personal	17,923,040	3.69%	15,690,110	3.22%
Tangible Personal Property	<u>8,194,070</u>	<u>1.69%</u>	<u>4,035,884</u>	<u>0.83%</u>
	\$ <u>485,441,120</u>	<u>100.00%</u>	\$ <u>487,453,544</u>	<u>100.00%</u>

	2008 Tax Levies Collections Amount
Tax rate per \$1,000 of assessed valuation	\$ 46.45

Accrued property taxes receivable include the late settlement of personal property, real, personal and public utility taxes which became measurable as of June 30, 2008 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, 2008 are recognized as revenue.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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#### **Note 6: Property Taxes (continued)**

At June 30, 2008, \$1,157,106 was available as an advance to the general fund and \$175,784 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: Interfund Transfers and Balances**

- A.** Interfund loans receivable/payable consisted of the following at June 30, 2007, as reported on the fund statement.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other governmental funds	\$ 122,825

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, 2008, consisted of the following, as reported on the fund statements.

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental funds	\$ 3,033
Nonmajor business-type funds	<u>19,400</u>
Total Transfers from general fund	\$ <u>22,433</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)

### For the Fiscal Year Ended June 30, 2008

#### Note 8: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance June 30, <u>2007</u>	<u>Additions</u>	<u>Disposals</u>	Balance June 30, <u>2008</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ <u>1,563,089</u>	\$ <u>400,000</u>	\$ <u>(63,968)</u>	\$ <u>1,899,121</u>
Total capital assets, not being depreciated	<u>1,563,089</u>	<u>400,000</u>	<u>(63,968)</u>	<u>1,899,121</u>
Capital assets, being depreciated:				
Land improvements	4,966,381	51,735	-	5,018,116
Buildings and improvements	37,811,565	146,237	(3,749)	37,954,053
Furniture and equipment	4,780,307	280,616	(15,446)	5,045,477
Vehicles	<u>2,470,847</u>	<u>151,014</u>	<u>(164,761)</u>	<u>2,457,100</u>
Total capital assets, being depreciated	<u>50,029,100</u>	<u>629,602</u>	<u>(183,956)</u>	<u>50,474,746</u>
Less accumulated depreciation:				
Land improvements	(1,265,609)	(262,328)	-	(1,527,937)
Buildings and improvements	(11,254,347)	(876,534)	-	(12,130,881)
Furniture and equipment	(3,236,789)	(108,775)	1,358	(3,344,206)
Vehicles	<u>(1,391,402)</u>	<u>(213,259)</u>	<u>135,160</u>	<u>(1,469,501)</u>
Total accumulated depreciation	<u>(17,148,147)</u>	<u>(1,460,896)</u>	<u>136,518</u>	<u>(18,472,525)</u>
Total capital assets being depreciated, net	<u>32,880,953</u>	<u>(831,294)</u>	<u>(47,438)</u>	<u>32,002,221</u>
Governmental activities capital assets, net	\$ <u>34,444,042</u>	\$ <u>(431,294)</u>	\$ <u>(111,406)</u>	\$ <u>33,901,342</u>
Business-type activities:				
Furniture and equipment	\$ 695,517	\$ 1,384	\$ (14,744)	\$ 682,157
Less: accumulated depreciation	<u>(397,419)</u>	<u>(40,217)</u>	<u>11,351</u>	<u>(426,285)</u>
Business-type activities capital assets, net	\$ <u>298,098</u>	\$ <u>(38,833)</u>	\$ <u>(3,393)</u>	\$ <u>255,872</u>

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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#### Note 8: Capital Assets (continued)

On December 14, 2007, the District completed a transaction to exchange Grafton Elementary School and the associated land for land known as “Blueberry Farm” and \$270,775. The property associated with Grafton Elementary School was reported at \$29,384. The “Blueberry Farm” property was valued at \$400,000 at the time of the exchange. As a result, the District disposed of the Grafton Elementary School in 2008, recording a gain of \$641,391.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular education	\$ 1,088,250
Special education	1,287
Vocational education	6,393
Support services:	
Pupils	15,019
Instructional staff	158
Administration	52,445
Fiscal	1,603
Operation and maintenance - plant	30,208
Pupil transportation	120,373
Extracurricular activities:	
Sports oriented	1,419
Co-curricular activities	3,982
Capital outlay:	
Site improvement	19,519
Building acquisition and construction	103,573
Building improvement	204
Other facilities acquisition and construction	<u>16,463</u>
Total	\$ <u>1,460,896</u>

#### Note 9: Pension Plans

##### A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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 toll free (800) 878-5853 or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under forms and publications.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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#### Note 9: Pension Plans (continued)

##### A. School Employees Retirement System (continued)

Plan members are required to contribute 10 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 2008, 9.16 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, 2008, 2007 and 2006 were \$552,929, \$400,544, and \$512,203, respectively; equal to the required contributions for each year.

##### 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 toll free (614) 227-4090. or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by actuarially determined annuity factor. The DC plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and the employer contributions are used fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50 Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of 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, 2008, plan members were required to contribute 10 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 2007, the portion used to fund pension obligations was also 13 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 percent for members and 14 percent



# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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#### Note 9: Pension Plans (continued)

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

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 STRS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,668,131, \$1,508,693, and \$1,468,790, respectively; 92.85 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$4,174 made by the School District and \$12,239 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, 2008, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

#### Note 10: Post-Employment Benefits

##### A. School Employees Retirement System

The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by SERS for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

State statute permits SERS to fund health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$79,536.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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#### **Note 10: Post-Employment Benefits (continued)**

##### **A. School Employees Retirement System (continued)**

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$244,625, \$175,528, and \$177,828, respectively; 85.62 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$26,067, \$24,475, and \$24,120, respectively; 85.62 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by STRS Ohio for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888)227-7877.

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$119,152, \$112,902, and \$110,971, respectively; 92.85 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

#### **Note 11: 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.

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 292 days for certified and 240 days for classified employees. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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#### **Note 11: Other Employee Benefits (continued)**

##### ***B. Life Insurance***

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life and Insurance Company. The amounts provided for all employees equal the employee's annual salary times 2 up to \$100,000 and up to \$250,000 for Administrators.

#### **Note 12: 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 2008, the District has contracted with the Ryan St. Marie Insurance Agency Inc. 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 Ryan St. Marie Insurance Agency Inc. 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 the Hylant Group.

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.

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

For fiscal year 2008, 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.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

#### Note 12: Risk Management (continued)

##### C. Medical

The District has contracted with Lake Erie Regional Employee Protection Plan (LERC) to provide medial/surgical and dental benefits for its employees and their covered dependents. LERC is a shared risk pool comprised of ten 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 \$165,000 per participant.

Premium contributions are determined annually based on the claims experience of the individual districts. Premiums can only 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 LERC 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 10. As such, no funding provisions are required by the District.

#### Note 13: Long-Term Liabilities

Changes in long-term debt activity for the year ended June 30, 2008 was as follows:

	Interest Rate	Issue Date	Balance 6/30/07	Issued	Retired	Balance 6/30/08	Amounts Due in One Year
Governmental activities:							
Certificates of participation	2.1% - 5.25%	04/01/04	\$ 8,480,000	\$ -	\$ 10,000	\$ 8,470,000	\$ 40,000
Certificates of participation	1.3% - 5.25%	04/15/03	18,680,000	-	435,000	18,245,000	455,000
GO Judgment bonds		06/26/07	2,390,000	-	20,000	2,370,000	55,000
GO Equipment bonds		06/26/07	350,000	-	15,000	335,000	30,000
Technology equipment lease			687,515	-	242,049	445,466	251,059
Compensated absences	n/a	n/a	<u>2,200,423</u>	<u>345,696</u>	<u>841,225</u>	<u>1,704,894</u>	<u>136,393</u>
Total governmental activities			\$ <u>32,787,938</u>	\$ <u>345,696</u>	\$ <u>1,563,274</u>	\$ <u>31,570,360</u>	\$ <u>967,452</u>
Business-type activities:							
Compensated absences	n/a	n/a	\$ <u>22,061</u>	\$ <u>9,696</u>	\$ <u>3,309</u>	\$ <u>28,448</u>	\$ <u>6,098</u>

*Certificates of Participation* – In April 2003, 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 27 years through December 30, 2030. In April 2004, the School District entered into another lease agreement with the Lorain County Port Authority for the three new schools. This lease is an annual lease subject to renewal for 26 years through November 1, 2030.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

#### Note 13: Long-Term Liabilities (continued)

The Leasing Corporation entered an agreement with a trustee through which it assigned and transferred rights and interest under the lease to the Bank of New York Trust Company, N.A. 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 the Bank of New York Trust Company, N.A., 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 are payable from resources from the capital improvement capital projects 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.

In June 2007, the District issued \$2,390,000 of general obligation bonds for the purpose of paying final judgment costs, including defense costs and expenses. The District also issued \$350,000 of general obligation equipment notes for the purpose of acquiring school equipment, including buses, textbooks and technology upgrades.

	Governmental Activities					
	2003 Certificates of Participation		2004 Certificates of Participation		GO Judgment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 455,000	\$ 878,524	\$ 40,000	\$ 405,548	\$ 55,000	\$ 116,423
2010	480,000	858,086	65,000	404,023	55,000	113,689
2011	500,000	838,824	250,000	398,673	60,000	110,831
2012	515,000	818,818	260,000	389,423	60,000	107,849
2013	540,000	796,534	270,000	379,148	65,000	104,743
2014-2018	3,095,000	3,555,189	1,520,000	1,711,131	380,000	470,411
2019-2023	3,965,000	2,669,578	1,890,000	1,326,946	475,000	364,672
2024-2028	5,030,000	1,568,931	2,405,000	792,447	610,000	230,610
2029-2032	<u>3,665,000</u>	<u>280,625</u>	<u>1,770,000</u>	<u>142,538</u>	<u>610,000</u>	<u>62,623</u>
Total	\$ <u>18,245,000</u>	\$ <u>12,265,109</u>	\$ <u>8,470,000</u>	\$ <u>5,949,877</u>	\$ <u>2,370,000</u>	\$ <u>1,681,851</u>

  

	GO Equipment Bonds		Totals	
	Principal	Interest	Principal	Interest
2009	\$ 30,000	\$ 15,297	\$ 580,000	\$ 1,415,792
2010	30,000	13,862	630,000	1,389,660
2011	35,000	12,308	845,000	1,360,636
2012	35,000	10,635	870,000	1,326,725
2013	35,000	8,963	910,000	1,289,388
2014-2018	170,000	16,729	5,165,000	5,753,460
2019-2023	-	-	6,330,000	4,361,196
2024-2028	-	-	8,045,000	2,591,988
2029-2032	-	-	<u>6,045,000</u>	<u>485,786</u>
Total	\$ <u>335,000</u>	\$ <u>77,794</u>	\$ <u>29,420,000</u>	\$ <u>19,974,631</u>

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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#### Note 13: Long-Term Liabilities (continued)

The District has entered into capital leases for technology/electrical upgrades, vehicles and acquisition of equipment. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reflected as program/function expenditures in the basic financial statements.

*Technology Equipment Lease* – In September 2004, the School District entered into a lease purchase agreement with Sound Com Systems for technology equipment for the three new schools. The lease is a five year lease to be completed in September, 2010. The equipment has been capitalized in the amount of \$1,200,000 with accumulated depreciation of \$360,000. This amount represents the present value of the future minimum lease payments at the time of acquisition. A corresponding liability is recorded in the Statement of Net Assets. Principal payments in the 2008 fiscal year totaled \$242,049. This amount is reported as a program/function expenditure of the General Fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2008:

<u>Year Ending June 30,</u>	<u>Governmental Activities Amount</u>
2009	\$ 263,178
2010	<u>197,384</u>
Total minimum lease payment	460,562
Less: amount representing interest	<u>(15,096)</u>
Present value of minimum lease payments	<u>\$ 445,466</u>

#### Note 14: Jointly Governed Organizations and Public Entity Risk Pool

##### A. *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 2008, the District paid \$1,891,366 (including insurance premiums) to LERC.

## Midview Local School District

### Notes to Basic Financial Statements (continued)

#### For the Fiscal Year Ended June 30, 2008

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#### Note 14: Jointly Governed Organizations and Public Entity Risk Pool (continued)

##### A. Jointly Governed Organizations (continued)

###### *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, 2008, the District paid \$493,770 to LEECA for basic service charges.

###### *Ohio Schools' Council Association*

The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-three 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 2008 the District paid \$110,593 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.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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#### **Note 14: Jointly Governed Organizations and Public Entity Risk Pool (continued)**

##### **A. Jointly Governed Organizations (continued)**

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 Sheakley UniComp. Sheakley UniComp serves the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

#### **Note 15: 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, 2008.

##### **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.

#### **Note 16: 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.



# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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#### Note 16: Set-Aside Calculations (continued)

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

	Textbooks Instructional Materials Reserve	Capital Improvements Reserve
Set-Aside Reserve Balance as of June 30, 2007	\$ (382,211)	\$ -
Current Year Set-Aside Requirements	532,051	532,051
Qualifying Disbursements	<u>(542,059)</u>	<u>(1,572,804)</u>
Total	<u>(392,219)</u>	<u>(1,040,753)</u>
Set-Aside Reserve Balance as of June 30, 2008	\$ <u><u>(392,219)</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 17: Fund Deficits

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Funds</u>	<u>Deficit Fund Balance</u>
Nonmajor special revenue funds:	
Title VI-B Special education IDEA	\$ 221,508
Title I – Targeted assistance	22,845
Title V – Innovative education programs	755
Drug free school grant	1,725

The fund deficits in all funds are the result of the recognition of liabilities in accordance with general accepted accounting principles. Management is analyzing the operations of these funds to determine appropriate steps to eliminate the deficits.

#### Note 18: Change in Accounting Principles

For 2008, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and GASB Statement No. 50, *Pension Disclosures*.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2008

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#### **Note 18: Change in Accounting Principles (continued)**

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The District has determined that the adoption of this statement did not have an impact on the District's financial statements; however, note disclosures related to post-employment benefits have been modified. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and STRS post-employment healthcare plans in the amount of \$35,177 and \$8,517, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings. The statement also includes disclosure requirements for future revenues that are pledged and sold. The implementation of this Statement did not affect the presentation of the financial statements of the District.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements.

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**Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters 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 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 (the "District"), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 19, 2008, wherein we noted the District implemented GASB Statement No.'s 45, 48, and 50, as disclosed in Note 18. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Education  
Midview Local School District

### **Compliance and Other Matters**

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District, in a separate letter date December 19, 2008.

This report is intended solely for the information and use of the Finance Committee, Board of Education, management, the Auditor of State's office, 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.

*Cini & Paricki, Inc.*

Cleveland, Ohio  
December 19, 2008

**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 (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, 2008. The District’s major federal program is identified in the summary of auditors’ 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 its major federal program for the year ended June 30, 2008.

### **Internal Control over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2008, and have issued our report there on dated December 19, 2008, wherein we noted Midview Local School District adopted GASB Statement No.'s 45, 48, and 50, as disclosed in Note 18.

Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the District's basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the District's Finance Committee, Board of Education, management, the Auditor of State's Office, 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.

*Ciuni & Paricki, Inc.*

Cleveland, Ohio  
December 19, 2008

# Midview Local School District

## Schedule of Expenditures of Federal Awards

**For the year ended June 30, 2008**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Non-cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. Department of Agriculture:</b>						
Passed-Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program	10.550	N/A	\$ -	\$ 56,250	\$ -	\$ 56,250
Nutrition Cluster:						
National School Lunch Program	10.555	N/A	443,346	-	443,346	-
Total U.S. Department of Agriculture – Nutrition Cluster			443,346	56,250	443,346	56,250
<b>U.S. Department of Education:</b>						
Passed-Through Ohio Department of Education:						
Individuals with Disabilities Education Act						
	84.027	6B-SF-2007	101,769	-	176,546	-
		6B-SF-2008	524,778	-	641,938	-
Total Individuals with Disabilities Act			626,547	-	818,484	-
Chapter I - Education Consolidation and Improvement Act						
	84.010	C1-S1-2007	25,059	-	47,259	-
		C1-S1-2008	278,824	-	266,750	-
Total Chapter I			303,883	-	314,009	-
Title V – Innovative Education Program Strategies						
	84.298	C2-S1-2007	-	-	1,963	-
		C2-S1-2008	4,313	-	5,068	-
Total Innovative Education			4,313	-	7,031	-
Drug-Free Schools Grant						
	84.186	DR-S1-2007	-	-	618	-
		DR-S1-2008	5,365	-	8,564	-
Total Drug-Free Schools Grant			5,365	-	9,182	-
Title IIA - Improving Teacher Quality State Grants						
	84.367	MS-S1-2007	-	-	22,964	-
		MS-S1-2008	73,120	-	76,174	-
Total Improving Teacher Quality State Grants			73,120	-	99,138	-
Title IID – Education Technology State Grants						
	84.318	TJ-51-2007	-	-	923	-
		TJ-51-2008	2,630	-	2,684	-
Total Education Technology			2,630	-	3,607	-
Total U.S. Department of Education			1,015,858	-	1,251,451	-
Total Expenditures of Federal Awards			\$ 1,459,204	\$ 56,250	\$ 1,694,797	\$ 56,250

The accompanying notes are an integral part of this schedule.



# Midview Local School District

## Notes to the Schedule of Expenditures of Federal Awards

**June 30, 2008**

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### **Note 1: Significant Accounting Policies**

#### **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the Midview Local School District (the "District") and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### **Non-Cash Support**

The District receives non-cash support in the form of food subsidies from the National School Lunch Program ("NSLP"), CFDA 10.550. The value of the food subsidies is determined by using the fair market value of the food items quoted by local food suppliers.

CFDA - Catalog of Federal Domestic Assistance.

# Midview Local School District

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

June 30, 2008

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### 1. Summary of Auditors' Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any material noncompliance reported at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .501?	No
(d)(1)(vii)	Major Programs	Nutrition Cluster CFDA #10.555, Title I CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

### 2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

None.

### 3. Findings for Federal Awards

None.

**Midview Local School District**

**Schedule of Prior Audit Findings  
OMB Circular A-133 Section .315(b)**

**June 30, 2008**

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There were no findings for federal awards to report in 2007.





**Mary Taylor, CPA**  
Auditor of State

**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 20, 2009**