

Midview Local School District

**Basic Financial Statements
June 30, 2010**



Dave Yost • 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, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 14, 2011

Midview Local School District

For the Fiscal Year Ended June 30, 2010

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Midview Local School District

For the Fiscal Year Ended June 30, 2010

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CPAs and Business Advisors

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, 2010, 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 District, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, 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, 2010, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

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Board of Education
Midview Local School District

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2011, 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 on pages 3 through 11 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
January 11, 2011

**Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2010
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, 2010. 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 2010 are as follows:

- In total, net assets increased \$4,866,156. Net assets of governmental activities increased \$4,800,430, which represents a 49.97% increase from 2009. Net assets of business-type activities increased \$65,726 or 12.79% from 2009.
- General revenues accounted for \$27,294,195 in revenues or 76.89% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$8,201,516 or 23.11% of total revenues of \$35,495,711.
- The District had \$29,400,858 in expenses related to governmental activities; only \$6,911,093 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities, net of transfers (primarily taxes and unrestricted grants and entitlements), of \$27,290,195 were adequate to provide for these programs resulting in an increase of net assets from \$9,606,585 to \$14,407,015.
- The District had \$1,228,697 in expenses related to business-type activities; a total of \$1,290,423 was offset by program specific charges for services, grants, and contributions. Total program revenues were adequate to provide for these programs by \$61,726; furthermore, transfers of \$4,000 resulted in an increase to net assets from \$513,718 to \$579,444.
- The District's major governmental funds are the general fund and the capital improvement fund. The general fund had \$25,371,792 in revenues and other financing sources and \$24,778,329 in expenditures and other financing uses. The general fund's fund balance increased \$593,463 from \$2,717,591 to \$3,311,054. The capital improvement fund had \$6,707,586 in revenues and other financing sources and \$3,084,691 in expenditures and other financing uses. The capital improvement fund's fund balance increased \$3,622,895 from \$3,629,116 to \$7,252,011.

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, 2010
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 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
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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 on the following page provides a summary of the District's net assets for 2010 and 2009.

Midview Local School District
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Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 24,045,931	\$ 22,192,676	\$ 460,874	\$ 399,291	\$ 24,506,805	\$ 22,591,967
Restricted Assets	3,662,855	79,082	-	-	3,662,855	79,082
Capital assets net	<u>32,072,851</u>	<u>32,754,211</u>	<u>240,343</u>	<u>238,971</u>	<u>32,313,194</u>	<u>32,993,182</u>
Total assets	<u>59,781,637</u>	<u>55,025,969</u>	<u>701,217</u>	<u>638,262</u>	<u>60,482,854</u>	<u>55,664,231</u>
Current liabilities	15,415,331	14,574,211	84,525	93,947	15,499,856	14,668,158
Long-term liabilities	<u>29,959,291</u>	<u>30,845,173</u>	<u>37,248</u>	<u>30,597</u>	<u>29,996,539</u>	<u>30,875,770</u>
Total liabilities	<u>45,374,622</u>	<u>45,419,384</u>	<u>121,773</u>	<u>124,544</u>	<u>45,496,395</u>	<u>45,543,928</u>
Invested in capital assets, net of related debt	6,122,851	6,034,804	240,343	238,971	6,363,194	6,273,775
Restricted for:						
Capital projects	7,252,011	3,629,116	-	-	7,252,011	3,629,116
Debt service	5,400	5,400	-	-	5,400	5,400
Other purposes	781,119	279,092	-	-	781,119	279,092
Unrestricted (deficit)	<u>245,634</u>	<u>(341,827)</u>	<u>339,101</u>	<u>274,747</u>	<u>584,735</u>	<u>(67,080)</u>
Total net assets	<u>\$ 14,407,015</u>	<u>\$ 9,606,585</u>	<u>\$ 579,444</u>	<u>\$ 513,718</u>	<u>\$ 14,986,459</u>	<u>\$ 10,120,303</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 \$14,986,459 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 increased by \$4,818,623 from 2009 to 2010, while the District's total liabilities decreased by \$47,533. The main sources for the increase in assets related to increases in cash and restricted cash. Cash increased \$1,918,420 in the current year. The increase is due to the District making an effort during 2010 to cut costs and limit cash expenditures. The increase in restricted cash of \$3,583,773 is due to an increase in the set-aside reserve as well as the Classroom Facilities Assistance Program grant the District received in fiscal year 2009. The District was able to start drawing money for the construction in fiscal year 2010. The most significant change in liabilities was a decrease in long-term liabilities of \$879,231, offset by an increase in accounts payable of \$535,611 and deferred revenue of \$231,765. This decrease in long-term liabilities was mainly due to the repayment of debt obligations without issuing any new debt during the year.

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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.

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program revenues:						
Charges for services	\$ 479,576	\$ 372,094	\$ 732,272	\$ 800,769	\$ 1,211,848	\$ 1,172,863
Operating grants	2,194,222	1,223,800	558,151	442,719	2,752,373	1,666,519
Capital grants	<u>4,237,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,237,295</u>	<u>-</u>
Total program revenues	<u>6,911,093</u>	<u>1,595,894</u>	<u>1,290,423</u>	<u>1,243,488</u>	<u>8,201,516</u>	<u>2,839,382</u>
General revenues:						
Property taxes	11,697,592	11,617,941	-	-	11,697,592	11,617,941
Grants and entitlements	15,153,268	15,511,424	-	-	15,153,268	15,511,424
Investment earnings	20,450	139,095	-	-	20,450	139,095
Other	<u>422,885</u>	<u>422,797</u>	<u>-</u>	<u>-</u>	<u>422,885</u>	<u>422,797</u>
Total general revenues	<u>27,294,195</u>	<u>27,691,257</u>	<u>-</u>	<u>-</u>	<u>27,294,195</u>	<u>27,691,257</u>
Total revenues	<u>34,205,288</u>	<u>29,287,151</u>	<u>1,290,423</u>	<u>1,243,488</u>	<u>35,495,711</u>	<u>30,530,639</u>
Expenses:						
Program expenses:						
Instruction:						
Regular	13,633,747	13,474,300	-	-	13,633,747	13,474,300
Special	3,116,601	2,414,906	-	-	3,116,601	2,414,906
Vocational	136,971	145,020	-	-	136,971	145,020
Other	33,735	50,852	-	-	33,735	50,852
Support services:						
Pupil	1,607,000	1,681,177	-	-	1,607,000	1,681,177
Instructional staff	456,642	426,634	-	-	456,642	426,634
Board of education	946,555	819,152	-	-	946,555	819,152
Administration	2,604,842	2,794,871	-	-	2,604,842	2,794,871
Fiscal	641,608	773,893	-	-	641,608	773,893
Business	416,011	421,105	-	-	416,011	421,105
Operation and maintenance - plant	2,407,112	2,866,527	-	-	2,407,112	2,866,527
Pupil transportation	1,400,377	1,485,501	-	-	1,400,377	1,485,501
Operation of non - instructional services:						
Community services	7,481	5,687	-	-	7,481	5,687
Extracurricular activities	604,107	644,263	-	-	604,107	644,263
Interest and fiscal charges	1,388,069	1,424,294	-	-	1,388,069	1,424,294
Food service	-	-	1,059,126	1,041,187	1,059,126	1,041,187
Uniform school supplies	-	-	146,470	133,326	146,470	133,326
Adult and community education	-	-	23,101	43,135	23,101	43,135
Total expenses	<u>29,400,858</u>	<u>29,428,182</u>	<u>1,228,697</u>	<u>1,217,648</u>	<u>30,629,555</u>	<u>30,645,830</u>
Increase (decrease) in net assets before transfers	4,804,430	(141,031)	61,726	25,840	4,866,156	(115,191)
Transfers	<u>(4,000)</u>	<u>(13,150)</u>	<u>4,000</u>	<u>13,150</u>	<u>-</u>	<u>-</u>
Change in net assets	4,800,430	(154,181)	65,726	38,990	4,866,156	(115,191)
Net assets at beginning of year	<u>9,606,585</u>	<u>9,760,766</u>	<u>513,718</u>	<u>474,728</u>	<u>10,120,303</u>	<u>10,235,494</u>
Net assets at end of year	<u>\$ 14,407,015</u>	<u>\$ 9,606,585</u>	<u>\$ 579,444</u>	<u>\$ 513,718</u>	<u>\$ 14,986,459</u>	<u>\$ 10,120,303</u>

Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Governmental Activities

Net assets of the District's governmental activities increased by \$4,800,430. Total governmental expenses of \$29,400,858 were offset by program revenues of \$6,911,093 and general revenues of \$27,294,195. Program revenues supported 23.51% 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 78.50% of total governmental revenue. Property taxes support 39.79% of total expenses while grants and entitlements supported 51.54% of total expenses. Grant and entitlement revenue not restricted to specific programs decreased \$358,156 due to a decrease in State funding for fiscal year 2010.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2010 and 2009. 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

	Governmental Activities			
	<u>Total Cost of Services 2010</u>	<u>Total Cost of Services 2009</u>	<u>Net Cost of Services 2010</u>	<u>Net Cost of Services 2009</u>
Program expenses:				
Instruction:				
Regular	\$ 13,633,747	\$ 13,474,300	\$ 12,529,561	\$ 13,059,209
Special	3,116,601	2,414,906	2,197,404	1,759,246
Vocational	136,971	145,020	124,389	135,130
Other	33,735	50,852	33,735	50,852
Support services:				
Pupil	1,607,000	1,681,177	1,606,662	1,677,677
Instructional staff	456,642	426,634	303,644	302,134
Board of education	946,555	819,152	946,555	819,152
Administration	2,604,842	2,794,871	2,598,771	2,784,822
Fiscal	641,608	773,893	641,608	773,893
Business	416,011	421,105	404,579	406,105
Operations and maintenance - plant	2,407,112	2,866,527	(1,830,183)	2,866,527
Pupil transportation	1,400,377	1,485,501	1,400,377	1,485,501
Operation of non - instructional services:				
Community services	7,481	5,687	7,481	5,687
Extracurricular activities	604,107	644,263	137,113	282,059
Interest and fiscal charges	<u>1,388,069</u>	<u>1,424,294</u>	<u>1,388,069</u>	<u>1,424,294</u>
Total expenses	<u>\$ 29,400,858</u>	<u>\$ 29,428,182</u>	<u>\$ 22,489,765</u>	<u>\$ 27,832,288</u>

The dependence upon general revenues during fiscal year 2010 for governmental activities is apparent, as 87.97% of 2010 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
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Business-Type Activities

Business-type activities include food service operation, uniform school supplies, and adult and community education. These programs had revenues of \$1,294,423 and expenses of \$1,228,697 for fiscal year 2010. The food service operations had expenses of \$1,059,126 and revenues of \$1,132,734. This resulted in an increase to net assets for the fiscal year of \$73,608. The uniform school supplies operations had expenses of \$146,470 and revenues of \$149,621. This resulted in an increase to net assets for the fiscal year of \$3,151. The adult and community education operations had expenses of \$23,101 and revenues, plus transfers-in, of \$12,068. This resulted in a decrease to net assets for the fiscal year of \$11,033. Revenues and expenses increased from the prior year due to an increase in the food service revenues and expenses during 2010. 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 \$11,209,774 which is greater than last year's total of \$6,592,367. This increase in total fund balance is primarily due to an increase in the capital improvement fund. The increase in fund balance can be explained by the increase in cash and restricted cash of approximately \$3,500,000. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance <u>June 30, 2010</u>	Fund Balance <u>June 30, 2009</u>	Increase <u>(Decrease)</u>
General	\$ 3,311,054	\$ 2,717,591	\$ 593,463
Capital improvement	7,252,011	3,629,116	3,622,895
Other governmental	646,709	245,660	401,049
Total	<u>\$ 11,209,774</u>	<u>\$ 6,592,367</u>	<u>\$ 4,617,407</u>

General Fund

The District's general fund balance increased \$593,463, mainly due to a decrease in instruction and support services. The table that follows assists in illustrating the revenues of the general fund.

	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Percentage Change</u>
Revenues:			
Property taxes	\$ 10,265,158	\$ 10,007,151	2.58%
Investment earnings	19,289	127,940	(84.92)
Intergovernmental	14,589,742	15,112,529	(3.46)
Other revenue	<u>489,596</u>	<u>355,423</u>	37.75
Total	<u>\$ 25,363,785</u>	<u>\$ 25,603,043</u>	

**Midview Local School District
Management's Discussion & Analysis
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Unaudited**

Property taxes revenue in the general fund increased slightly during the current year. Investment earnings in the general fund decreased in the current year due to a decrease in interest rates. Intergovernmental revenues decreased from the prior year. This decrease is attributed to a decrease in State funding from the prior year. Other revenue increased from the prior year mainly due to an increase in the athletic fees received in 2010.

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

	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Percentage Change</u>
Expenditures by Function:			
Instruction	\$ 13,763,805	\$ 13,998,171	(1.67)%
Support services	10,007,327	10,413,729	(3.90)
Operation of non - instructional services	7,481	5,687	31.55
Facilities acquisition and construction	52,752	71,886	(26.62)
Extracurricular activities	400,922	453,137	(11.52)
Debt Service	<u>197,384</u>	<u>263,180</u>	(25.00)
Total	<u>\$ 24,429,671</u>	<u>\$ 25,205,790</u>	

Overall, general fund expenditures decreased approximately \$776,000 from the prior year due to decreases in instruction and support services. The decrease in instruction expenditures during 2010 was related to the decrease in termination benefits expenditures. The decrease in support services is largely related to the decrease in personnel costs and natural gas costs in the maintenance department.

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 the state revenues. There was a decrease of \$280,025 in intergovernmental state and federal revenue from the original budget to the final budgeted amount. The final budget for expenditures decreased \$4,819,997 over the original budget. This decrease was concentrated in the instruction functions, mainly regular education and special education.

Capital Assets

The District has \$32,313,194 invested in capital assets net of depreciation, with \$32,072,851 attributed to governmental activities. Acquisitions for governmental activities totaled \$1,011,524 and depreciation was \$1,650,193. The major acquisitions related to a construction project to build a new middle school. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 8).

Debt

At June 30, 2010, the District had \$25,675,000 in outstanding certificates of participation. The District paid \$545,000 in principal on certificates of participation outstanding 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, 2010
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 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.

At June 30, 2010, the District had \$2,535,000 in outstanding general obligation bonds. The District paid \$85,000 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 challenges facing the District are linked to the economy. This is a difficult time for the community due to the poor economic conditions. Property valuations decreased in the past tax year and are expected to show very little growth in the next several years. This has resulted in very little growth in revenue for the District. In response to the limited revenue growth and increasing costs, the District has made major cuts over the last three years. In addition, two small Permanent Improvement levies and two 7.51 mill emergency levies have been rejected by the voters, and investment income has disappeared due to the low interest rates.

The Board of Education will have to continue to seek additional revenue through levies in the near future, and is currently in the planning stages to ask for a levy in 2011. Due to the limited revenue growth, the administration continues to search for additional ways to save money in daily operations. In spite of the harsh economic times, it is the obligation of the Board of Education and the staff of the school to provide the best possible education to the students of Midview Schools. Therefore, the District will continue to integrate the use of technology into the students' daily education. The continued success of the District will be dependent on the support of the community.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, 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, 2010

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 10,698,248	\$ 452,697	\$ 11,150,945
Cash with fiscal agents	463,760	-	463,760
Accounts receivable	20,294	-	20,294
Intergovernmental receivable	448,095	-	448,095
Prepaid items	16,735	-	16,735
Materials and supplies inventory	146,660	8,177	154,837
Property taxes receivable	12,252,139	-	12,252,139
Restricted assets:			
Cash and investments	3,662,855	-	3,662,855
Nondepreciable capital assets	2,656,494	-	2,656,494
Depreciable capital assets, net	<u>29,416,357</u>	<u>240,343</u>	<u>29,656,700</u>
Total assets	<u>59,781,637</u>	<u>701,217</u>	<u>60,482,854</u>
Liabilities:			
Accounts payable	880,842	2,410	883,252
Accrued wages and benefits	2,330,255	56,395	2,386,650
Accrued pension	620,701	25,720	646,421
Accrued interest payable	218,945	-	218,945
Matured compensated absences	138,627	-	138,627
Unearned revenue	11,225,961	-	11,225,961
Long-term liabilities:			
Due within one year	1,054,917	4,470	1,059,387
Due in more than one year	<u>28,904,374</u>	<u>32,778</u>	<u>28,937,152</u>
Total liabilities	<u>45,374,622</u>	<u>121,773</u>	<u>45,496,395</u>
Net assets:			
Invested in capital assets, net of related debt	6,122,851	240,343	6,363,194
Restricted for:			
Capital projects	7,252,011	-	7,252,011
Debt service	5,400	-	5,400
Other purposes	781,119	-	781,119
Unrestricted	<u>245,634</u>	<u>339,101</u>	<u>584,735</u>
Total net assets	<u>\$ 14,407,015</u>	<u>\$ 579,444</u>	<u>\$ 14,986,459</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, 2010

			Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				
Governmental activities:					
Instruction:					
Regular education	\$ 13,633,747	\$ -	\$ 1,104,186	\$ -	
Special education	3,116,601	-	919,197	-	
Vocational education	136,971	12,582	-	-	
Other	33,735	-	-	-	
Support services:					
Pupils	1,607,000	-	338	-	
Instructional staff	456,642	-	152,998	-	
Board of education	946,555	-	-	-	
Administration	2,604,842	-	6,071	-	
Fiscal services	641,608	-	-	-	
Business	416,011	-	11,432	-	
Operations and maintenance - plant	2,407,112	-	-	4,237,295	
Pupil transportation	1,400,377	-	-	-	
Operation of non - instructional services:					
Community services	7,481	-	-	-	
Extracurricular activities	604,107	466,994	-	-	
Interest and fiscal charges	1,388,069	-	-	-	
Total governmental activities	<u>29,400,858</u>	<u>479,576</u>	<u>2,194,222</u>	<u>4,237,295</u>	
Business-type activities:					
Food service	1,059,126	574,583	558,151	-	
Uniform school supplies	146,470	149,621	-	-	
Adult and community education	23,101	8,068	-	-	
Total business-type activities	<u>1,228,697</u>	<u>732,272</u>	<u>558,151</u>	<u>-</u>	
Totals	<u>\$ 30,629,555</u>	<u>\$ 1,211,848</u>	<u>\$ 2,752,373</u>	<u>\$ 4,237,295</u>	

General revenues:

Property taxes levied for:

 General purpose

 Capital projects

Grant and entitlements not restricted to
specific programs

Investment earnings

Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers

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

Primary Government			
	Governmental Activities	Business - Type Activities	Total
\$ (12,529,561)	\$ -	\$ (12,529,561)	
(2,197,404)	-	(2,197,404)	
(124,389)	-	(124,389)	
(33,735)	-	(33,735)	
(1,606,662)	-	(1,606,662)	
(303,644)	-	(303,644)	
(946,555)	-	(946,555)	
(2,598,771)	-	(2,598,771)	
(641,608)	-	(641,608)	
(404,579)	-	(404,579)	
1,830,183	-	1,830,183	
(1,400,377)	-	(1,400,377)	
(7,481)	-	(7,481)	
(137,113)	-	(137,113)	
<u>(1,388,069)</u>	<u>-</u>	<u>(1,388,069)</u>	
<u>(22,489,765)</u>	<u>-</u>	<u>(22,489,765)</u>	
	-	73,608	73,608
	-	3,151	3,151
	<u>-</u>	<u>(15,033)</u>	<u>(15,033)</u>
	<u>-</u>	<u>61,726</u>	<u>61,726</u>
	<u>(22,489,765)</u>	<u>61,726</u>	<u>(22,428,039)</u>
10,194,487	-	10,194,487	
1,503,105	-	1,503,105	
15,153,268	-	15,153,268	
20,450	-	20,450	
422,885	-	422,885	
27,294,195	-	27,294,195	
(4,000)	4,000	-	
<u>27,290,195</u>	<u>4,000</u>	<u>27,294,195</u>	
4,800,430	65,726	4,866,156	
<u>9,606,585</u>	<u>513,718</u>	<u>10,120,303</u>	
\$ <u>14,407,015</u>	\$ <u>579,444</u>	\$ <u>14,986,459</u>	

Midview Local School District

Balance Sheet – Governmental Funds

June 30, 2010

	<u>General</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 5,488,082	\$ 3,701,685	\$ 1,508,481	\$ 10,698,248
Cash with fiscal agents	-	-	3,195	3,195
Receivables:				
Property taxes receivable	10,720,335	1,531,804	-	12,252,139
Intergovernmental receivable	55,838	441	391,816	448,095
Interfund receivable	198,000	-	-	198,000
Accounts receivable	8,424	-	-	8,424
Materials and supplies inventory	146,660	-	-	146,660
Prepaid items	16,735	-	-	16,735
Restricted assets:				
Restricted cash and investments	<u>181,333</u>	<u>3,481,522</u>	-	<u>3,662,855</u>
Total assets	<u>\$ 16,815,407</u>	<u>\$ 8,715,452</u>	<u>\$ 1,903,492</u>	<u>\$ 27,434,351</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 396,225	\$ 15,969	\$ 466,137	\$ 878,331
Accrued wages and benefits	2,217,360	-	112,895	2,330,255
Interfund payable	-	-	198,000	198,000
Accrued pension	605,251	-	15,450	620,701
Deferred revenue	10,146,890	1,447,472	464,301	12,058,663
Matured compensated absences	<u>138,627</u>	-	-	<u>138,627</u>
Total liabilities	<u><u>13,504,353</u></u>	<u><u>1,463,441</u></u>	<u><u>1,256,783</u></u>	<u><u>16,224,577</u></u>
Fund balances:				
Reserved for prepaid items	16,735	-	-	16,735
Reserved for encumbrances	285,517	437,779	113,562	836,858
Reserved for inventory	146,660	-	-	146,660
Reserved for property taxes	573,445	84,773	-	658,218
Reserved for textbooks	169,610	-	-	169,610
Reserved for capital acquisition	11,723	-	-	11,723
Unreserved; undesignated for:				
General fund	2,107,364	-	-	2,107,364
Special revenue funds	-	-	527,747	527,747
Debt service fund	-	-	5,400	5,400
Capital projects funds	-	6,729,459	-	6,729,459
Total fund balances	<u><u>3,311,054</u></u>	<u><u>7,252,011</u></u>	<u><u>646,709</u></u>	<u><u>11,209,774</u></u>
Total liabilities and fund balances	\$ 16,815,407	\$ 8,715,452	\$ 1,903,492	\$ 27,434,351

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, 2010

Total Governmental Funds Balances \$ 11,209,774

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. 32,072,851

Other long-term assets are not available to pay for current-period expenditures and therefore are unearned in the funds.

Property and other taxes	\$ 440,445
Grants	<u>392,257</u>
Total	832,702

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental Funds, an interest expenditure is reported when due. (218,945)

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. 469,924

Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.

General obligation debt	(28,210,000)
Compensated absences	<u>(1,749,291)</u>
Total	<u>(29,959,291)</u>

Net assets of governmental activities \$ 14,407,015

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, 2010

	<u>General</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 10,265,158	\$ 1,503,105	\$ -	\$ 11,768,263
Intergovernmental	14,589,742	4,644,128	2,328,160	21,562,030
Earnings on investments	19,289	1,161	-	20,450
Extracurricular activities	250,925	-	187,183	438,108
Classroom materials and fees	41,468	-	-	41,468
Miscellaneous	<u>197,203</u>	<u>192,250</u>	<u>25,425</u>	<u>414,878</u>
Total revenues	<u>25,363,785</u>	<u>6,340,644</u>	<u>2,540,768</u>	<u>34,245,197</u>
Expenditures:				
Instruction:				
Regular education	11,419,101	12,251	931,892	12,363,244
Special education	2,181,008	-	1,037,623	3,218,631
Vocational education	129,961	-	4,383	134,344
Other	33,735	-	-	33,735
Support services:				
Pupils	1,460,500	-	135,260	1,595,760
Instructional staff	445,593	-	10,860	456,453
Board of education	946,555	-	-	946,555
Administration	2,539,163	-	-	2,539,163
Fiscal services	628,428	31,306	-	659,734
Business	416,011	-	-	416,011
Operations and maintenance - plant	2,233,221	-	70,159	2,303,380
Pupil transportation	1,337,856	-	-	1,337,856
Operating on non-instructional services:				
Community services	7,481	-	-	7,481
Extracurricular activities:				
Academic and subject oriented	39,502	-	-	39,502
Sports oriented	331,966	-	105,940	437,906
Co-curricular	29,454	-	88,260	117,714
Capital outlay:				
Architecture and engineering services	-	585,414	-	585,414
Building acquisition and construction	-	176,693	-	176,693
Other facilities acquisition and construction	52,752	14,709	-	67,461
Debt services:				
Principal	194,407	630,000	-	824,407
Interest and fiscal charges	<u>2,977</u>	<u>1,389,660</u>	<u>-</u>	<u>1,392,637</u>
Total expenditures	<u>24,429,671</u>	<u>2,840,033</u>	<u>2,384,377</u>	<u>29,654,081</u>
Total excess of revenues over (under) expenditures	<u>934,114</u>	<u>3,500,611</u>	<u>156,391</u>	<u>4,591,116</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, 2010

	<u>General</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):				
Transfers - in	-	344,658	244,658	589,316
Refund of prior year expenditures	8,007	-	-	8,007
Sale of capital assets	-	22,284	-	22,284
Transfers - out	(348,658)	(244,658)	-	(593,316)
Total other financing sources (uses)	<u>(340,651)</u>	<u>122,284</u>	<u>244,658</u>	<u>26,291</u>
Net change in fund balance	593,463	3,622,895	401,049	4,617,407
Fund balance at beginning of year	<u>2,717,591</u>	<u>3,629,116</u>	<u>245,660</u>	<u>6,592,367</u>
Fund balance at end of year	\$ <u>3,311,054</u>	\$ <u>7,252,011</u>	\$ <u>646,709</u>	\$ <u>11,209,774</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, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ 4,617,407
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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	\$ 1,011,524
Depreciation	<u>(1,650,193)</u>
Total	(638,669)

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.

(42,691)

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	(70,671)
Grants	<u>22,755</u>
Total	(47,916)

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 Assets.

824,407

Internal Service Funds are used by management to charge to costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the Internal Service Fund is reported with Governmental Activities.

21,849

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	61,475
Accrued interest on bonds	<u>4,568</u>
Total	<u>66,043</u>

Change in Net Assets of Governmental Activities \$ 4,800,430

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, 2010

	Budget			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Property taxes	\$ 12,513,712	\$ 12,454,487	\$ 10,393,409	\$ (2,061,078)
Investment earnings	17,150	16,780	19,289	2,509
Extracurricular activities	223,103	218,287	250,925	32,638
Classroom materials and fees	36,870	36,074	41,468	5,394
Miscellaneous	125,691	122,978	141,365	18,387
Intergovernmental - state	12,923,380	12,644,406	14,534,984	1,890,578
Intergovernmental - federal	48,687	47,636	54,758	7,122
Total revenues	<u>25,888,593</u>	<u>25,540,648</u>	<u>25,436,198</u>	<u>(104,450)</u>
Expenditures:				
Instruction:				
Regular education	14,000,745	11,771,580	11,462,877	308,703
Special education	2,744,626	2,307,633	2,247,117	60,516
Vocational education	166,976	140,390	136,709	3,681
Other	22,055	18,544	18,057	487
Supporting services:				
Pupils	1,873,322	1,575,056	1,533,751	41,305
Instructional staff	534,164	449,116	437,338	11,778
Board of education	1,209,836	1,017,209	990,533	26,676
Administration	3,090,416	2,598,368	2,530,227	68,141
Fiscal services	1,003,948	844,102	821,966	22,136
Business	533,396	448,470	436,709	11,761
Operation and maintenance - plant	2,793,307	2,348,564	2,286,974	61,590
Pupil transportation	1,692,898	1,423,359	1,386,032	37,327
Community services	10,653	8,957	8,722	235
Extracurricular activities:				
Academic and subject oriented	48,248	40,566	39,502	1,064
Sports oriented	415,256	349,140	339,984	9,156
Co-curricular	36,129	30,377	29,580	797
Capital outlay	<u>97,059</u>	<u>81,606</u>	<u>79,466</u>	<u>2,140</u>
Total expenditures	<u>30,273,034</u>	<u>25,453,037</u>	<u>24,785,544</u>	<u>667,493</u>
Excess revenues over (under) expenditures	<u>(4,384,441)</u>	<u>87,611</u>	<u>650,654</u>	<u>563,043</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, 2010

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Other financing sources (uses):				
Advances - in	105,900	105,900	105,900	-
Refund of prior year expenditures	7,119	6,966	8,007	1,041
Transfers - out	(348,658)	(348,658)	(348,658)	-
Advances - out	(198,000)	(198,000)	(198,000)	-
Total other financing sources (uses)	<u>(433,639)</u>	<u>(433,792)</u>	<u>(432,751)</u>	<u>1,041</u>
Net change in fund balance	(4,818,080)	(346,181)	217,903	564,084
Fund balance at beginning of year	4,119,760	4,119,760	4,119,760	-
Prior year encumbrances appropriated	<u>699,694</u>	<u>699,694</u>	<u>699,694</u>	<u>-</u>
Fund balance at end of year	\$ <u>1,374</u>	\$ <u>4,473,273</u>	\$ <u>5,037,357</u>	\$ <u>564,084</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, 2010

	Business-Type Activities	Governmental Activities
	Non-major Enterprise	Internal Service Fund
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 452,697	\$ -
Cash with fiscal agents	-	460,565
Accounts receivable	-	11,870
Materials and supplies inventory	<u>8,177</u>	-
Total current assets	<u>460,874</u>	<u>472,435</u>
Non-current assets:		
Depreciable capital assets, net	<u>240,343</u>	-
Total assets	<u>701,217</u>	<u>472,435</u>
Liabilities:		
Current liabilities:		
Accounts payable	2,410	2,511
Accrued wages and benefits	56,395	-
Accrued pension	25,720	-
Current portion of compensated absences	<u>4,470</u>	-
Total current liabilities	<u>88,995</u>	<u>2,511</u>
Long-term liabilities:		
Compensated absences	<u>32,778</u>	-
Total liabilities	<u>121,773</u>	<u>2,511</u>
Net assets:		
Invested in capital assets	240,343	-
Unrestricted	<u>339,101</u>	<u>469,924</u>
Total net assets	<u>\$ 579,444</u>	<u>\$ 469,924</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, 2010

	Business-Type Activities	Governmental Activities
	Non-major Enterprise	Internal Service Fund
Operating revenues:		
Tuition and fees	\$ 8,276	\$ -
Charges for services	574,375	68,355
Classroom materials and fees	<u>149,621</u>	<u>-</u>
Total operating revenues	<u>732,272</u>	<u>68,355</u>
Operating expenses:		
Salaries and wages	367,228	-
Fringe benefits	121,899	-
Contractual services	-	46,506
Materials and supplies	702,703	-
Other operating expenses	1,097	-
Depreciation expense	<u>35,282</u>	<u>-</u>
Total operating expenses	<u>1,228,209</u>	<u>46,506</u>
Operating (loss) income	<u>(495,937)</u>	<u>21,849</u>
Non-operating revenues (expenses):		
Federal donated commodities	47,961	-
Grant revenue	510,190	-
Loss on sale of capital assets	<u>(488)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>557,663</u>	<u>-</u>
Income before transfers	61,726	21,849
Transfers - in	<u>4,000</u>	<u>-</u>
Net income	65,726	21,849
Total net assets at beginning of year	<u>513,718</u>	<u>448,075</u>
Total net assets at end of year	<u>\$ 579,444</u>	<u>\$ 469,924</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, 2010

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Non-major</u>	<u>Internal</u>
	<u>Enterprise</u>	<u>Service Funds</u>
Increase in cash and cash equivalents:		
Cash flows from operating activities:		
Cash received from customers	\$ 574,375	\$ 61,859
Cash received from classroom materials and fees	149,621	-
Cash received tuition payments	8,276	-
Cash payments for contractual services	-	(45,152)
Cash payments for materials and supplies	(654,726)	-
Cash payments to employees for services	(364,838)	-
Cash payments for employee benefits	(128,382)	-
Cash payments for other operating expenses	(1,097)	-
<i>Net cash (used for) provided by operating activities</i>	<u>(416,771)</u>	<u>16,707</u>
Cash flows from noncapital financing activities:		
Operating grants received	510,190	-
Transfers - in	4,000	-
<i>Net cash provided by noncapital financing</i>	<u>514,190</u>	<u>-</u>
Cash flows from capital financing activities:		
Capital additions	<u>(37,142)</u>	<u>-</u>
Net increase in cash and cash equivalents	60,277	16,707
Cash and cash equivalents at beginning of year	<u>392,420</u>	<u>443,858</u>
Cash and cash equivalents at end of year	<u>\$ 452,697</u>	<u>\$ 460,565</u>

(continued)

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

Midview Local School District

Statement of Cash Flows – Proprietary Funds (continued)

For the Fiscal Year Ended June 30, 2010

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Non-major Enterprise</u>	<u>Internal Service Funds</u>
<i>Reconciliation of operating (loss) income to net cash (used for) provided by operating activities:</i>		
Operating (loss) income	\$ (495,937)	\$ 21,849
Adjustments:		
Depreciation	35,282	-
Federal donated commodities	47,961	-
Changes in assets/liabilities:		
Decrease (increase) in accounts receivable	- (6,496)	
Decrease in inventory	(1,306) -	
(Decrease) increase in accounts payable	1,322 1,354	
Increase in accrued wages and benefits	(3,380) -	
Increase in accrued compensated absences	6,651 -	
Increase in accrued pension	<u>(7,364)</u>	<u>-</u>
Total adjustments	<u>79,166</u>	<u>(5,142)</u>
<i>Net cash (used for) provided by operating activities</i>	<u>\$ (416,771)</u>	<u>\$ 16,707</u>

Schedule of non-cash financing activities:

During the year, the food services enterprise fund received donated commodities of \$47,961.

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, 2010

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ <u>122,379</u>
Liabilities:	
Accounts payable	\$ 7,294
Due to students	<u>115,085</u>
Total liabilities	\$ <u>122,379</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, 2010

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 149 non-certified and 200 certified (including administrative) full-time and part-time employees to provide services to approximately 3,527 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 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 ensure 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, 2010

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

The District is also a participant in a public-entity risk-sharing pool, which is discussed in Note 14.

The District is not involved in the budgeting or the management of Parent-Teacher Organizations, booster clubs or the Midview Endowment Fund. The 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 Fund

The capital improvement 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, changes in net assets, financial position, and cash flows. They 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, 2010

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 three enterprise funds to account for food service operations, uniform school supplies, and adult and community education.

Internal Service Funds

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. The District has one internal service fund to account for medical insurance costs.

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, 2010

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, 2010

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, 2010

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, 2010, but which were levied to finance fiscal year 2011 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 2010 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, 2010

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 2010.
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 2010.
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, 2010

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, 2010:

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 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, 2010

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 2010. 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, 2010.

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 2010 amounted to \$19,289, which includes \$5,258 assigned from other 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, 2010, are recorded as prepaid items using the allocation method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2010

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 general fund include amounts required by state statute to be set-aside for textbooks and capital acquisition (Note 16). Restricted assets in the capital improvement fund include amounts for the classroom facilities assistance program.

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</u>	<u>Estimated Lives</u>	<u>Business - Type Activities</u>	<u>Estimated Lives</u>
Land Improvements	20-30 years		N/A	
Buildings and Improvements	10-50 years		N/A	
Furniture and Equipment	5-15 years		5-15 years	
Vehicles	8-10 years		N/A	

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2010

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.

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, payments made more than sixty days after year end are considered not 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, 2010

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, set-asides and inventory.

The reserve for property taxes unavailable represents taxes recognized as revenue under GAAP but not available for appropriation under State statute. The reserve for set-asides represents money set-aside by statute for capital acquisition, maintenance, and textbooks.

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, 2010, net assets restricted were \$8,038,530 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. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During 2010, the District had neither extraordinary items nor special items.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2010

R. Interfund Activity

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

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

S. 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. Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 11, 2011, the date the financial statements were available to be issued.

U. Comparative Data/Reclassifications

Prior year data presented in Management's Discussion and Analysis and Statistical Section have been reclassified in order to be comparative and provide an understanding of the changes in financial position and 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:

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2010

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:

	Net Change In Fund Balance
GAAP Basis	\$ 593,463
Net Adjustment for Revenue Accruals	72,413
Advances - in	105,900
Net Adjustment for Expenditure Accruals	276,185
Advances - out	(198,000)
Adjustment for Encumbrances	<u>(632,058)</u>
Budget Basis	<u>\$ 217,903</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, 2010

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, 2010

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 \$12,508,763 and the bank balance was \$12,907,836. Of the bank balance, \$500,000 was covered by Federal depository insurance and \$12,407,836 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, 2010, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity (Days)</u>
STAROhio	\$ <u>2,891,176</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, 2010

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.

Investment Issuer	Percentage of Investments
STAROhio	100%

Note 5: Receivables

Receivables at June 30, 2010 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	\$ 196,801
Title I	130,232
Title I-ARRA	56,835
Ohio School Facilities Commission reimbursements	441
Medicaid reimbursements	17,842
Miscellaneous federal grants	<u>45,944</u>
Total governmental activities	<u>\$ 448,095</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 District's fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2010

Note 6: Property Taxes (continued)

Public utility property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, are levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 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 semi-annually, 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 School District prior to June 30.

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, 2010, are available to finance fiscal year 2010 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 2010 taxes were collected are:

	2009 Second-Half Collections		2010 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 476,974,185	96.71%	\$ 454,370,557	96.74%
Public Utility Personal	15,781,020	3.20%	14,843,740	3.16%
Telephone Tangible Personal Property	466,204	0.09%	471,895	0.10%
	<u>\$ 493,221,409</u>	<u>100.00%</u>	<u>\$ 469,686,192</u>	<u>100.00%</u>
2010 Tax Levies Collections				
Tax rate per \$1,000 of assessed valuation				
			\$ 46.56	

Accrued property taxes receivable include the late settlement of personal property, real property, and personal and public utility taxes which became measurable as of June 30, 2010 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, 2010 are recognized as revenue.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2010

Note 6: Property Taxes (continued)

At June 30, 2010, \$573,445 was available as an advance to the General Fund and \$84,773 for the capital improvement 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 Balances

Interfund loans receivable/payable consisted of the following at June 30, 2010, as reported on the fund statement.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other governmental funds	\$ 198,000

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

Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund statements.

	<u>Amount</u>
Transfers from general fund to:	
Capital improvement fund	\$ 344,658
Nonmajor enterprise funds	<u>4,000</u>
Total transfers from general fund	348,658
Transfers from capital improvement fund to:	
Nonmajor governmental funds	<u>244,658</u>
Total transfers	\$ <u>593,316</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, 2010

Note 8: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Disposals	Reclassification	Balance June 30, 2010
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,899,121	\$ -	\$ -	\$ -	\$ 1,899,121
Construction in progress	<u>134,379</u>	<u>622,994</u>	<u>-</u>	<u>-</u>	<u>757,373</u>
Total capital assets, not being depreciated	<u>2,033,500</u>	<u>622,994</u>	<u>-</u>	<u>-</u>	<u>2,656,494</u>
Capital assets, being depreciated:					
Land improvements	5,062,754	52,165	-	(59,969)	5,054,950
Buildings and improvements	38,102,060	114,577	-	119,414	38,336,051
Furniture and equipment	5,202,678	110,683	(43,461)	(59,445)	5,210,455
Vehicles	<u>2,536,929</u>	<u>111,105</u>	<u>(248,372)</u>	<u>-</u>	<u>2,399,662</u>
Total capital assets, being depreciated	<u>50,904,421</u>	<u>388,530</u>	<u>(291,833)</u>	<u>-</u>	<u>51,001,118</u>
Less accumulated depreciation:					
Land improvements	(1,762,571)	(237,042)	-	-	(1,999,613)
Buildings and improvements	(13,011,072)	(896,133)	-	-	(13,907,205)
Furniture and equipment	(3,811,171)	(350,179)	25,606	-	(4,135,744)
Vehicles	<u>(1,598,896)</u>	<u>(166,839)</u>	<u>223,536</u>	<u>-</u>	<u>(1,542,199)</u>
Total accumulated depreciation	<u>(20,183,710)</u>	<u>(1,650,193)</u>	<u>249,142</u>	<u>-</u>	<u>(21,584,761)</u>
Total capital assets being depreciated, net	<u>30,720,711</u>	<u>(1,261,663)</u>	<u>(42,691)</u>	<u>-</u>	<u>29,416,357</u>
Governmental activities capital assets, net	<u>\$ 32,754,211</u>	<u>\$ (638,669)</u>	<u>\$ (42,691)</u>	<u>\$ -</u>	<u>\$ 32,072,851</u>
Business-type activities:					
Furniture and equipment	\$ 702,619	\$ 37,142	\$ (8,505)	\$ -	\$ 731,256
Less: accumulated depreciation	<u>(463,648)</u>	<u>(35,282)</u>	<u>8,017</u>	<u>-</u>	<u>(490,913)</u>
Business-type activities capital assets, net	<u>\$ 238,971</u>	<u>\$ 1,860</u>	<u>\$ (488)</u>	<u>\$ -</u>	<u>\$ 240,343</u>

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2010

Note 8: Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular education	\$ 1,236,533
Special education	9,780
Vocational education	3,224

Support services:

Pupils	20,253
Instructional staff	189
Administration	39,499
Fiscal services	1,609
Operations and maintenance - plant	25,901
Pupil transportation	157,204

Extracurricular activities:

Sports oriented	6,063
Co-curricular activities	5,512

Capital outlay:

Site improvement	54,105
Building acquisition and construction	64,422
Building improvement	489
Other facilities acquisition and construction	<u>25,410</u>

Total \$ 1,650,193

Note 9: Pension Plans

A. *School Employees Retirement System*

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 under *Employers/Audit Resources*.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2010

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 District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board, acting with the advice of the actuary, allocated the current employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ended June 30, 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate was allocated to the Health Care and Medicare B Funds. The District's required contributions to SERS for the years ended June 30, 2010, 2009 and 2008 were \$526,815, \$545,684 and \$552,929, respectively; 89.31 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for 2009 and 2008.

B. *State Teachers Retirement System*

The 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 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

The DB Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2010

Note 9: Pension Plans (continued)

B. State Teachers Retirement System (continued)

An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

The DC Plan benefits are established under Sections 3307.80 and 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

The Combined Plan member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying one percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump-sum or converted a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with the interest before age 65, once employment is terminated.

Benefits are increased annually by three percent of the original base amount for the DB Plan participants.

The DB and Combined Plans offer access to health coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members’ beneficiaries.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2010

Note 9: Pension Plans (continued)

B. State Teachers Retirement System (continued)

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. 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 for employers.

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,689,128, \$1,700,875, and \$1,668,131, respectively; 95.71 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$18,145 made by the District and \$12,961 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, 2010, 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 Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation is 0.76 percent. The District's contributions for the years ended June 30, 2010, 2009, and 2008 were \$28,599, \$30,402, and \$26,067, respectively; 89.31 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2010

Note 10: Post-Employment Benefits (continued)

A. *School Employees Retirement System (continued)*

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits. The Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation is 0.46 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than two percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$73,641, \$220,579, and \$244,625, respectively; 89.31 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports for SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, OH 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

B. *State Teachers Retirement System*

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio Law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2010

Note 10: Post-Employment Benefits (continued)

B. State Teachers Retirement System (continued)

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, one percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009, and 2008. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$120,652, \$121,491, and \$119,152, respectively; 95.71 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 25 percent of the total sick leave accumulation, up to a maximum accumulation of 300 days for certified employees. For classified employees, the payment is made for 25 percent of the first 100 days accumulated; 35 percent for days 101-250; and 50 percent for days 251-351. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

B. Life Insurance

The 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 two up to a limit of \$250,000.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2010

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 natural disasters. During fiscal year 2010, the District has contracted with Somers Agency Inc. for property and general liability insurance. Professional liability is provided by Somers Agency Inc, with a \$6,000,000 aggregate limit.

Vehicles are covered by the Somers Agency Inc. Automobile liability has a \$6,000,000 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 2010, 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 ensures 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 Sheakley provides administrative, cost control and actuarial services to the GRP.

C. *Medical*

The District has contracted with Lake Erie Regional Employee Protection Plan ("LEREPP") to provide medical and dental benefits for its employees and their covered dependents. LEREPP is a shared risk pool comprised of ten school districts within 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 \$200,000 per participant.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2010

Note 12: Risk Management (continued)

C. *Medical (continued)*

Premium contributions are determined annually based on the claims experience of the shared risk-pool. 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. This plan provides a medical and dental plan with a \$150 deductible for family coverage and \$15 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, 2010 was as follows:

	Interest Rate	Issue Date	Balance 6/30/09	Issued	Retired	Balance 6/30/10	Amounts Due in One Year
Governmental activities:							
Certificates of participation	2.1% - 5.25%	04/01/04	\$ 8,430,000	\$ -	\$ 65,000	\$ 8,365,000	\$ 250,000
Certificates of participation	1.3% - 5.25%	04/15/03	17,790,000	-	480,000	17,310,000	500,000
GO Judgment bonds	4.97%	06/26/07	2,315,000	-	55,000	2,260,000	60,000
GO Equipment bonds	4.78%	06/26/07	305,000	-	30,000	275,000	35,000
Technology equipment lease			194,407	-	194,407	-	-
Compensated absences	n/a	n/a	\$ 1,810,766	\$ 232,811	\$ 294,286	\$ 1,749,291	\$ 209,917
Total governmental activities			\$ 30,845,173	\$ 232,811	\$ 1,118,693	\$ 29,959,291	\$ 1,054,917
Business-type activities:							
Compensated absences	n/a	n/a	\$ 30,597	\$ 9,099	\$ 2,448	\$ 37,248	\$ 4,470

Certificates of Participation – In April 2003, the 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 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.

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.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2010

Note 13: Long-Term Liabilities (continued)

The obligation of the 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 District.

The annual principal and interest requirements are payable from resources from the capital improvement fund. The Certificates of Participation are not a general obligation of the District but are payable only from appropriations by the 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 general obligation bonds mature on December 31, 2031. The District also issued \$350,000 of general obligation equipment bonds for the purpose of acquiring school equipment, including buses, textbooks and technology upgrades. The general obligation equipment bonds mature on December 1, 2016.

	Governmental Activities					
	2003 Certificates of Participation		2004 Certificates of Participation		GO Judgment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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	560,000	772,594	280,000	367,798	70,000	101,388
2015	585,000	744,638	290,000	355,685	70,000	97,909
2016-2020	3,425,000	3,220,716	1,655,000	1,571,457	415,000	431,023
2021-2025	4,355,000	2,263,625	2,075,000	1,134,877	525,000	314,974
2026-2030	5,550,000	1,040,750	2,665,000	526,970	675,000	166,870
2031-2032	1,280,000	32,000	620,000	16,275	320,000	16,152
Total	\$ 17,310,000	\$ 10,528,499	\$ 8,365,000	\$ 5,140,306	\$ 2,260,000	\$ 1,451,739

	GO Equipment Bonds			
	Principal		Interest	
	Principal	Interest	Principal	Interest
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	40,000	7,170	950,000	1,248,950
2015	40,000	5,258	985,000	1,203,490
2016-2020	90,000	4,301	5,585,000	5,227,497
2021-2025	-	-	6,955,000	3,713,476
2026-2030	-	-	8,890,000	1,734,590
2031-2032	-	-	2,220,000	64,427
Total	\$ 275,000	\$ 48,635	\$ 28,210,000	\$ 17,169,179

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.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2010

Note 13: Long-Term Liabilities (continued)

Technology Equipment Lease – In September 2004, the District entered into a lease purchase agreement with Sound Com Systems for technology equipment for the three new schools. The five-year lease expired in June, 2010. The equipment has been capitalized in the amount of \$1,200,000 with accumulated depreciation of \$600,000. This amount represents the present value of the future minimum lease payments at the time of acquisition. Principal payments during fiscal year 2010 totaled \$194,407. This amount is reported as a program/function expenditure of the General Fund.

Note 14: Jointly Governed Organizations and Public Entity Risk Pool

A. *Jointly Governed Organizations*

Lake Erie Regional Council

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 2010, the District paid \$1,977,035 (including insurance premiums) to LERC.

Lorain County Joint Vocational School District

The Lorain County Joint Vocational School District (the “JVS”) is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of its students. The Board of the JVS is comprised of representatives from each participating 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 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

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

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2010

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

A. *Jointly Governed Organizations (continued)*

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, 2010, the District paid \$576,159 to LEECA for basic service charges.

Ohio Schools' Council Association

The Ohio Schools' Council Association (the "Council") is a jointly governed organization among 127 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 2010 the District paid \$166,377 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary/Treasurer of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

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

B. *Public Entity Risk Pool*

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (the "GRP"), an insurance purchasing pool. The GRP's business and affairs are conducted by Sheakley Uniservice Inc. Sheakley Uniservice Inc. serves as 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.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2010

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, 2010.

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.

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, 2009	\$ -	\$ 79,082
Current Year Set-Aside Requirements	561,171	561,171
Qualifying Disbursements	(272,361)	(283,872)
Current Year Offsets	-	(344,658)
Excess Qualified Expenditures from Prior Years	<u>(119,200)</u>	-
Total	\$ 169,610	\$ 11,723
Set-Aside Reserve Balance as of June 30, 2010	\$ 169,610	\$ 11,723

The total reserve balance for the set asides at the end of the fiscal year was \$181,333.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2010

Note 17: Fund Deficits

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Funds</u>	<u>Deficit Fund Balance</u>
Nonmajor special revenue funds:	
Title VI-B Special education IDEA	\$ 232,722
Drug free school grant	217
Classroom reduction fund	20,012

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 2010, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

GASB Statement No. 51 establishes guidance on accounting and financial reporting requirements for intangible assets. The District does not own any intangible assets that qualify for recognition under the policy. The implementation of this Statement did not result in any change to the District's financial statements.

GASB Statement No. 53 establishes standards for accounting and financial reporting for derivative instruments entered into by the District and addresses the recognition, measurement, and disclosure of information regarding the derivative instruments. The District does not own any derivative instruments. The implementation of this Statement did not result in any change to the District's financial statements.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The District did not file for Chapter 9 bankruptcy. The implementation of this Statement did not result in any change to the District's financial statements.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2010

Note 19: Fair Value Measurements

SFAS 157 defines fair value as the exit price received to transfer an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 establishes a framework for measuring fair value by creating a hierarchy of valuation inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own valuation assumptions. These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the asset and are based on the best available information, which has been internally developed.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In accordance with FASB Staff Position (FSP) 157-2 the District has elected to not apply the provisions of SFAS 157 to non-financial assets and liabilities, except for those items that are recognized or disclosed at fair value in an entity's financial statements on a recurring basis.

Financial assets consisted of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>6/30/10</u>
STAROhio	\$ 2,868,201	\$ -	\$ -	\$ 2,868,201
Sweep/Money Market Accounts	<u>12,304,272</u>	<u>-</u>	<u>-</u>	<u>12,304,272</u>
	\$ <u>15,172,473</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>15,172,473</u>

**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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 11, 2011, wherein we noted the District implemented *GASB Statement No.'s 51, 53, and 58*, 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.



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Board of Education
Midview Local School District

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 11, 2011.

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 did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 11, 2011.

This report is intended solely for the information and use of the Finance Committee, Board of Education, management, 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.

Cimi & Panichi, Inc.

Cleveland, Ohio
January 11, 2011

**Independent Auditors' Report on Compliance with Requirements That Could
Have a Direct and Material Effect on Each Major Program and on Internal
Control Over Compliance in Accordance with OMB Circular A-133**

Board of Education
Midview Local School District
Grafton, Ohio

Compliance

We have audited Midview Local School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2010. The District's major federal programs are 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. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.



Internal Control over Compliance

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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 *deficiency in internal control over compliance* exists when the design or operation of a control over compliances does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that may be deficiencies, 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.

We noted matters involving federal compliance or internal control not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 11, 2011.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2010, and have issued our report thereon dated January 11, 2011, wherein we noted the District implemented *GASB Statement Nos. 51, 53, and 58*, as disclosed in Note 18. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the District's 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 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 Finance Committee, Board of Education, management, 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.

Cuni & Panicki, Inc.

Cleveland, Ohio
January 11, 2011

Midview Local School District

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Year	Receipts	Non-cash Receipts	Disburse- ments	Non-Cash Disburse- ments
U.S. Department of Agriculture:						
Passed-Through Ohio Department of Education:						
Nutrition Cluster:						
National School Breakfast Program	10.553	2010	\$ 103,867	\$ -	\$ 103,867	\$ -
National School Lunch Program	10.555	2010	395,445	47,961	395,445	47,961
Total U.S. Department of Agriculture – Nutrition Cluster			499,312	47,961	499,312	47,961
U.S. Department of Education:						
Passed-Through Ohio Department of Education:						
Special Education Cluster:						
Individuals with Disabilities						
Education Act	84.027	2009	138,021	-	95,250	-
		2010	417,305	-	514,041	-
Total Individuals with Disabilities Education Act			555,326	-	609,291	-
ARRA – Individuals with Disabilities Act	84.391	2010	436,356	-	418,233	-
Total Special Education Cluster			991,682	-	1,027,524	-
Title I Cluster:						
Chapter I - Education Consolidation and Improvement Act	84.010	2009	91,631	-	107,544	-
		2010	309,367	-	275,117	-
Total Chapter I – Education Consolidation and Improvement Act			400,998	-	382,661	-
ARRA – Chapter I - Education Consolidation and Improvement Act	84.389	2010	68,439	-	49,413	-
Total Title I Cluster			469,437	-	432,074	-
Title V – Innovative Education Program Strategies	84.298	2009	1,052	-	2,196	-
Drug-Free Schools Grant	84.186	2009	3,256	-	196	-
		2010	5,449	-	5,530	-
Total Drug-Free Schools Grant			8,705	-	5,726	-
Title IIA - Improving Teacher Quality State Grants	84.367	2009	24,642	-	20,342	-
		2010	119,651	-	118,471	-
Total Improving Teacher Quality State Grants			144,293	-	138,813	-
Title IID – Education Technology State Grants	84.318	2009	1,630	-	2,505	-
		2010	338	-	285	-
Total Education Technology State Grants			1,968	-	2,790	-
ARRA – State Fiscal Stabilization Fund	84.394	2010	753,005	-	4,509	-
Total U.S. Department of Education			2,370,142	-	1,613,632	-
Total Expenditures of Federal Awards			\$ 2,869,454	\$ 47,961	\$ 2,112,944	\$ 47,961

The accompanying notes are an integral part of this schedule.

Midview Local School District

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2010

Note 1: Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) 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.

Child Nutrition Cluster

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first.

Food Donation Program

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

Midview Local School District

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

For the Year Ended June 30, 2010

1. Summary of Auditors' Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1) (iv)	Were there any other significant deficiencies in internal control 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 .510?	No
(d)(1)(vii)	Major Programs	Special Education Cluster: CFDA # 84.027, 84.391 Title I Cluster: CFDA # 84.010, 84.389
(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)**

For the Year Ended June 30, 2010

There were no findings for federal awards to report in 2009.

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Dave Yost • 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
MARCH 29, 2011