



**MEDINA CITY SCHOOL DISTRICT  
MEDINA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2007**



**Mary Taylor, CPA**  
Auditor of State



**MEDINA CITY SCHOOL DISTRICT  
MEDINA COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Medina City School District  
Medina County  
140 West Washington Street  
Medina, Ohio 44256

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Medina City School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2007, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, each major fund, and the aggregate remaining fund information of the Medina City School District, Medina County, Ohio, as of June 30, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

#### **Federal Awards Receipts and Expenditures Schedule**

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Mary Taylor, CPA**  
Auditor of State

December 7, 2007

**Medina City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
*Unaudited*

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The discussion and analysis of Medina City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2007 are as follows:

- The total, net assets increased by \$2,414,405. The greatest contribution to this increase was the \$4,136,366 increase in general revenue property taxes (a 8.63 percent increase). This increase was offset by a \$1,083,216 increase in interest and fiscal charges.
- Expenses totaled \$83,397,400, a 7.86 percent increase from the prior year. Instructional expenses made up 55.2 percent of this total while support services accounted for 31.9 percent. Other expenses rounded out the remaining 12.9 percent.
- Outstanding general obligation bonded debt and notes decreased to \$83,989,286 from \$85,643,360 in the prior year.
- The School District voters approved a new 7.9 mill continuing property tax levy in February 2005. Collections for the new levy started in 2006. The second half of the 2006 calendar year was collected in fiscal year 2007. This was the first full year of collections. The County Auditor estimated that annual property tax revenue for this levy is approximately \$8,925,500.
- The Ohio State General Assembly passed HB66 State Budget for the two year period starting in July 2005 and continuing through June 2007. The budget included tax reforms and changes in the foundation funding for school districts. The School District does not expect any increases in foundation funding per pupil.

### **Using this Annual Financial Report**

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

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

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*Management's Discussion and Analysis*  
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**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2007?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all assets and liabilities except fiduciary funds using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District's activities are all reported as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service operations and extracurricular activities.

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, bond retirement debt service fund and the building capital improvement fund.

*Governmental Funds*

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



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*Management's Discussion and Analysis*  
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**The School District as a Whole**

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2007 compared to 2006:

<b>Medina CSD</b>			
Table I			
Net Assets			
	Governmental Activities		
	2007	2006	Change
<b>Assets</b>			
Current and Other Assets	\$84,333,551	\$79,199,688	\$5,133,863
Capital Assets, Net	92,963,517	96,178,632	(3,215,115)
Total Assets	177,297,068	175,378,320	1,918,748
<b>Liabilities</b>			
Current and Other Liabilities	59,441,234	58,641,000	800,234
Long-Term Liabilities:			
Due Within One Year	2,928,057	2,702,362	225,695
Due in More than One Year	87,034,388	88,555,974	(1,521,586)
Total Liabilities	149,403,679	149,899,336	(495,657)
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	21,186,865	22,299,979	(1,113,114)
Restricted:			
Capital Projects	1,760,228	1,604,086	156,142
Debt Service	1,722,930	1,734,303	(11,373)
Other Purposes	1,865,953	1,925,389	(59,436)
Unrestricted (Deficit)	1,357,413	(2,084,773)	3,442,186
Total Net Assets	\$27,893,389	\$25,478,984	\$2,414,405

Total assets increased by \$1.9 million. The majority of this increase can be attributed to current and other assets increasing \$5.1 million. This increase was primarily due to recognizing increases in property taxes receivables and cash increasing \$5.3 million. This was offset by capital assets decreasing \$3.2 million in fiscal year 2007 due to depreciation.

Total liabilities decreased almost \$500,000. Current and other liabilities increased \$800,000, primarily due to an increase of \$400,000 in intergovernmental payable and \$275,000 in claims payable. These increases were offset by a net \$1.3 million in decrease in long-term liabilities as the result of debt repayments.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$79.0 million or 92.1 percent of the total revenue. The most significant portion of the general revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equaled \$6.8 million or only 7.9 percent of total revenue.

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Table 2 shows the changes in net assets for fiscal years 2007 and 2006.

Table 2  
Change in Net Assets

	2007	2006	Change
Revenues			
Program Revenues:			
Charges for Services	\$3,252,377	\$3,736,584	(\$484,207)
Operating Grants and Contributions	3,594,423	3,176,688	417,735
Capital Grants and Contributions	0	88,158	(88,158)
Total Program Revenues	<u>6,846,800</u>	<u>7,001,430</u>	<u>(154,630)</u>
General Revenue:			
Property Taxes	52,040,918	47,904,552	4,136,366
Grants and Entitlements, not Restricted	24,665,428	22,629,905	2,035,523
Investment Earnings	1,657,850	1,020,569	637,281
Sale of Capital Assets	0	148,570	(148,570)
Miscellaneous	600,809	426,747	174,062
Total General Revenues	<u>78,965,005</u>	<u>72,130,343</u>	<u>6,834,662</u>
Total Revenues	<u>85,811,805</u>	<u>79,131,773</u>	<u>6,680,032</u>
Program Expenses			
Instruction			
Regular	36,744,365	33,744,540	2,999,825
Special	8,791,564	8,352,258	439,306
Vocational	481,880	478,747	3,133
Support Services:			
Pupil	3,849,169	3,686,406	162,763
Instructional Staff	3,771,991	3,714,245	57,746
Board of Education	94,167	122,422	(28,255)
Administration	5,190,273	5,002,065	188,208
Fiscal	1,299,163	1,236,246	62,917
Business	633,342	594,498	38,844
Operation and Maintenance of Plant	7,888,331	7,290,435	597,896
Pupil Transportation	3,475,379	3,288,084	187,295
Central	399,289	392,850	6,439
Operating of Non-Instructional Services	680,315	670,885	9,430
Food Service Operations	2,042,525	1,580,863	461,662
Extracurricular Activities	1,429,926	1,619,951	(190,025)
Interest and Fiscal Charges	6,625,721	5,542,505	1,083,216
Total Program Expenses	<u>83,397,400</u>	<u>77,317,000</u>	<u>6,080,400</u>
Increase in Net Assets	2,414,405	1,814,773	599,632
Net Assets Beginning of Year	<u>25,478,984</u>	<u>23,664,211</u>	<u>1,814,773</u>
Net Assets End of Year	<u>\$27,893,389</u>	<u>\$25,478,984</u>	<u>\$2,414,405</u>

**Governmental Activities**

The School District has carefully planned its financial existence by forecasting its revenues and expenditures over the next five years. In February of 2005, the School District successfully passed a 7.9 mill continuing levy that is currently estimated to generate approximately \$9 million dollars of revenue per year. Collections began in 2006. The full effect of this levy has been realized in fiscal year 2007.

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This additional income is dedicated to the operational and capital needs of the School District in future years.

Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

As one can see, 55.2 percent of the School Districts budget is used to fund instructional expenses. Additional supporting services for pupils, instructional staff and business operations encompass an additional 31.9 percent. The remaining amount of program expenses, 12.9 percent, is budgeted to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

Most major cost categories increased 2% to 8% after budget reductions in the prior year. Some notable categories and their primary reasons for changing are:

- are reported as governmental funds, an increase of 8.1% in instruction - due to a 8.9% increase in regular instruction, 5.3% in special instruction from personnel increases.
- an increase of 8.2% in operation and maintenance - due to increases in purchased services
- a increase of 5.7% in pupil transportation – due to increases in personnel, fuel, and supplies.
- a decrease in extracurricular activities due to students not taking a trip.
- an increase of 19.55% in interest and fiscal charges due to increases in county auditor/treasurer fees.

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

*Table 3*  
*Governmental Activities*

	<b>Total Cost of Services 2007</b>	<b>Net Cost of Services 2007</b>
Instruction		
Regular	\$36,744,365	(\$35,756,095)
Special	8,791,564	(7,516,658)
Vocational	481,880	(468,576)
Support Services:		
Pupil	3,849,169	(3,319,170)
Instructional Staff	3,771,991	(3,223,644)
Board of Education	94,167	(93,004)
Administration	5,190,273	(4,642,428)
Fiscal	1,299,163	(1,284,375)
Business	633,342	(605,553)
Operation and Maintenance of Plant	7,888,331	(7,800,382)
Pupil Transportation	3,475,379	(3,436,589)
Central	399,289	(343,189)
Operating of Non-Instructional Services	680,315	(101,533)
Food Service Operations	2,042,525	(139,837)
Extracurricular Activities	1,429,926	(1,193,846)
Interest and Fiscal Charges	6,625,721	(6,625,721)
<b>Total Expenses</b>	<b>\$83,397,400</b>	<b>(\$76,550,600)</b>

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As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 62.4 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 30.0 percent, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues only account for 8.2 percent of all governmental expenses.

***Clearly, the Medina community is by far the greatest source of financial support for the students of the Medina City Schools.***

### **School District's Funds**

Information regarding the School District's major funds can be found on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$86,886,761 and expenditures of \$81,616,569. Property taxes increased \$4.4 million primarily due to the new operating levy passed in 2005. Grants and entitlements increased \$2.3 million from the State covering a portion of the decreasing tangible personal property tax. Investments increased \$0.6 million due to increasing investment rates.

The year-end fund balance for the general fund was \$14,613,437 on a modified accrual basis. This is an increase of \$5,540,227 from fiscal year 2006 ending balance. This increase was due to a new operating levy passed in 2005 and the initial collections starting in 2006.

The bond retirement fund saw a slight decrease of \$13,077 in fund balance, due to revenues and expenditures being almost equal.

The building fund saw an increase in fund balance of \$127,834 due increased revenues and decreased expenditures.

### **General Fund Budgeting Highlights**

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

During the course of fiscal 2007, the School District amended its general fund budget numerous times, none significant. The School District uses a site-based style of budgeting and has in place systems that are designed to tightly control expenditures but provide flexibility for site based decision and management.

For the general fund, the final budget basis revenue estimate totaled \$70,100,896; this was 2.3% above the original budget estimates of \$68,505,366. The main difference between the original and final estimates was due to under-estimation in tax receipts, interest receipts and tuition and fees. The budget basis expenditures estimate totaled \$66,773,113 compared to original estimates of \$69,245,477. The original budget is 3.7% more than the final budget. Actual revenue and expenditures were equal to final budgeted numbers.

The budget and administration set a goal to balance the budget for the 2007 through 2009 fiscal years period. Necessary reductions and reallocations of expenditures were made in 2007 in order to meet the long range goal.

The School District's Fund Balance End of Year totaled \$15,506,510.

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*Management's Discussion and Analysis*  
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**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2007, the School District had \$92,963,517 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal 2007 values compared to 2006.

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

	Governmental Activities		
	2007	2006	Change
Land	\$3,016,769	\$3,016,769	\$0
Land Improvements	1,439,613	1,494,322	(54,709)
Buildings and Improvements	86,713,362	89,346,471	(2,633,109)
Furniture and Equipment	357,899	543,148	(185,249)
Vehicles	1,435,874	1,777,922	(342,048)
Totals	\$92,963,517	\$96,178,632	(\$3,215,115)

All capital assets, except land, are reported net of depreciation. The largest additions to capital assets during the fiscal year occurred in the building and improvements. Overall capital assets values decreased from 2006 due to depreciation expense. For more information on capital assets refer to Note 11 of the basic financial statements.

*Debt*

At June 30, 2007 the School District had \$83,989,286 in outstanding bonds and notes. Table 5 below summarizes the School District's outstanding bonds and notes.

(Table 5)  
*Outstanding Debt at Year End*

	Governmental Activities		
	2007	2006	Change
1992 Various School Improvements Bonds	\$2,872,463	\$3,103,234	(\$230,771)
1998 Refunding Bonds	11,638,615	11,678,384	(39,769)
1999 Various School Improvements Bonds	11,121,916	11,860,945	(739,029)
2005 Refunding Bonds	57,506,292	58,100,797	(594,505)
Transportation Facilities Notes	850,000	900,000	(50,000)
Totals	\$83,989,286	\$85,643,360	(\$1,654,074)

The 1992 various school improvement bonds were issued to add the A. I. Root Middle School and to upgrade the Ella Canavan Elementary School. This debt will be fully repaid in calendar year 2008.

The 1998 refunding bonds were issued to advance refund the 1992 various school improvement bonds. This debt will be fully repaid in the year 2018. The School District refunded the bonds in order to save interest costs.

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The 1999 various school improvement bonds were issued to add the H. G. Blake Elementary School, expand the Medina Senior High School, and to purchase land for a future middle school and two future elementary schools. This debt will be fully repaid in calendar year 2028.

The 2005 refunding bonds were issued to advance refund the 1999 various school improvement bonds. This debt will be fully repaid in the year 2028. The 1992, 1998, 1999 and 2005 general obligation bonds include capital appreciation bonds. Each year, an annual amount of accretion of discounted interest has to be added to the principal amount of the bonds.

The transportation facilities note is a bond anticipation note that was issued to finance the purchase of property and a facility for the use of a bus garage.

The School District's overall legal debt margin was \$37,634,359 with an unvoted debt margin of \$1,177,260. The School District maintains an Aa3 bond rating. For more information on debt refer to Notes 15 and 16 of the basic financial statements.

### **School District Outlook**

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast and the School District Continuous Improvement Plan. As stated above, the School District has set a goal of balancing the general fund long-range budget through the fiscal years 2012 period. The goal is to end each year in the period with a minimum unencumbered fund balance of \$6,300,000. Reductions were made in these fiscal years in order to meet the long range goal. The unencumbered fund balance increase in fiscal year was due to passing a new operating levy in 2005 and expense reductions in fiscal year 2007.

The financial future of the School District is not without its challenges though. These challenges are internal and external in nature. The internal challenges will continue to exist as the School District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio reacts to the Ohio Supreme Court's finding that the state's educational funding system is unconstitutional.

Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong. As mentioned earlier, the Medina voters had passed a 7.9 mill continuing operating levy in February of 2005, which will help fund the general operations of the School District over the next few years. The School District has communicated to the community they rely upon their support for the majority of its operations, and will continue to work diligently to plan expenses, staying carefully within the School District's financial five-year plan. The community also realizes the income generated by local levies remains relatively constant, therefore forcing the School District to come back to the voters from time to time to ask for additional support.

In May 2007, Medina County voters passed a county-wide 0.5 percent sales tax to pay for school permanent improvements. The tax will be allocated to the public schools based on a per student count. The allocation for Medina City School District is expected to be approximately \$2.3 million in 2008. This is the first time that this type of tax has been used for school districts in the state of Ohio.

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor 'equitable'. Since 1997, the State has directed its additional financial support toward School Districts with little property tax wealth. In May of 2001, the Ohio Supreme Court again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are

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inherently not 'equitable' nor 'adequate'. The court directed the Governor and the legislature to address the fundamental issue creating the inequities.

Medina City School District has not anticipated any meaningful growth in State revenue due to the constraints set by the State for estimating state funding. The State has stated that the per pupil revenue for a minimum education should be increased at an inflationary rate of 2.2 percent per year for future years. With 60.6 percent of the revenue for the School District coming from property taxes, one can see the significant impact this constraint would have on the School District and ultimately, the residential taxpayers.

As a result of the challenges mentioned above, it is imperative the School District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Wallace M. Gordon, Treasurer/Chief Financial Officer, at Medina City School District, 140 West Washington Street, Medina, Ohio 44256, or email at [WGordon@mcsd.org](mailto:WGordon@mcsd.org).

**Medina City School District**

*Statement of Net Assets*

*June 30, 2007*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$28,115,554
Accounts Receivable	8,186
Intergovernmental Receivable	646,993
Inventory Held for Resale	47,375
Materials and Supplies Inventory	49,504
Property Taxes Receivable	55,016,365
Deferred Charges	449,574
Nondepreciable Capital Assets	3,016,769
Depreciable Capital Assets, Net	<u>89,946,748</u>
<i>Total Assets</i>	<u>177,297,068</u>
<b>Liabilities</b>	
Accounts Payable	653,031
Accrued Wages	5,302,820
Intergovernmental Payable	2,356,948
Deferred Revenue	48,578,723
Notes Payable	850,000
Accrued Interest Payable	697,617
Claims Payable	1,002,095
Long-Term Liabilities:	
Due Within One Year	2,928,057
Due In More Than One Year	<u>87,034,388</u>
<i>Total Liabilities</i>	<u>149,403,679</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	21,186,865
Restricted for:	
Capital Projects	1,760,228
Debt Service	1,722,930
Public School Support	553,809
Food Service	890,709
Other Purposes	421,435
Unrestricted	<u>1,357,413</u>
<i>Total Net Assets</i>	<u><u>\$27,893,389</u></u>

See accompanying notes to the basic financial statements



**Medina City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$36,744,365	\$818,231	\$170,039	(\$35,756,095)
Special	8,791,564	91,104	1,183,802	(7,516,658)
Vocational	481,880	13,304	0	(468,576)
Support Services:				
Pupils	3,849,169	40,196	489,803	(3,319,170)
Instructional Staff	3,771,991	101,066	447,281	(3,223,644)
Board of Education	94,167	1,163	0	(93,004)
Administration	5,190,273	418,251	129,594	(4,642,428)
Fiscal	1,299,163	14,788	0	(1,284,375)
Business	633,342	23,858	3,931	(605,553)
Operation and Maintenance of Plant	7,888,331	87,949	0	(7,800,382)
Pupil Transportation	3,475,379	38,790	0	(3,436,589)
Central	399,289	4,296	51,804	(343,189)
Operation of Non-Instructional Services	680,315	692	578,090	(101,533)
Food Service Operations	2,042,525	1,396,564	506,124	(139,837)
Extracurricular Activities	1,429,926	202,125	33,955	(1,193,846)
Interest and Fiscal Charges	6,625,721	0	0	(6,625,721)
<i>Totals</i>	<u>\$83,397,400</u>	<u>\$3,252,377</u>	<u>\$3,594,423</u>	<u>(76,550,600)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
				44,178,727
				7,270,269
				591,922
Grants and Entitlements not Restricted				
				24,665,428
				1,657,850
				600,809
				<u>78,965,005</u>
				2,414,405
				<u>25,478,984</u>
				<u>\$27,893,389</u>

See accompanying notes to the basic financial statements

**Medina City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2007*

	General	Bond Retirement	Building
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$17,621,108	\$4,938,663	\$1,086,328
Accounts Receivable	6,411	0	0
Interfund Receivable	48,495	0	0
Intergovernmental Receivable	94,706	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	43,166	0	0
Property Taxes Receivable	47,175,871	7,194,790	0
<i>Total Assets</i>	<u>\$64,989,757</u>	<u>\$12,133,453</u>	<u>\$1,086,328</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$516,520	\$350	\$0
Accrued Wages	4,992,472	0	0
Interfund Payable	0	0	0
Intergovernmental Payable	2,167,986	0	0
Deferred Revenue	42,699,342	6,396,552	0
Notes Payable	0	0	850,000
Accrued Interest Payable	0	0	3,860
<i>Total Liabilities</i>	<u>50,376,320</u>	<u>6,396,902</u>	<u>853,860</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	1,521,338	62,873	365,107
Reserved for Property Taxes	4,476,529	798,238	0
Unreserved: Undesignated, Reported in:			
General Fund	8,615,570	0	0
Special Revenue Funds	0	0	0
Debt Service Funds	0	4,875,440	0
Capital Projects Funds (Deficit)	0	0	(132,639)
<i>Total Fund Balances</i>	<u>14,613,437</u>	<u>5,736,551</u>	<u>232,468</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$64,989,757</u>	<u>\$12,133,453</u>	<u>\$1,086,328</u>

See accompanying notes to the basic financial statements

**Medina City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities*  
 June 30, 2007

Other Governmental Funds	Total Governmental Funds	Total Governmental Fund Balances	\$23,222,955
		<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
\$2,811,933	\$26,458,032	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	92,963,517
0	6,411		
0	48,495		
552,287	646,993	Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:	
47,375	47,375	Delinquent Property Taxes	1,119,294
6,338	49,504	Grants	137,049
645,704	55,016,365	Total	1,256,343
\$4,063,637	\$82,273,175		
		In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(693,757)
\$136,161	\$653,031	Bond issuance costs reported as an expenditure in the funds are allocated as an expense over the life of the debt on a full accrual basis.	449,574
310,348	5,302,820		
48,495	48,495		
188,962	2,356,948	Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds:	
739,172	49,835,066	General Obligation Bonds	(68,735,000)
0	850,000	Capital Appreciation Bonds	(5,320,636)
0	3,860	Accretion	(8,633,908)
1,423,138	59,050,220	Premium on Bonds	(3,486,710)
		Accounting Loss/Gain	3,036,968
524,956	2,474,274	Capital Leases	(357,558)
43,581	5,318,348	Compensated Absences	(6,465,601)
0	8,615,570	Total	(89,962,445)
1,566,533	1,566,533	An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in the statement of net assets.	657,202
0	4,875,440		
505,429	372,790		
2,640,499	23,222,955		
\$4,063,637	\$82,273,175	<i>Net Assets of Governmental Activities</i>	\$27,893,389

**Medina City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2007*

	General	Bond Retirement	Building
<b>Revenues</b>			
Property Taxes	\$45,122,099	\$7,387,945	\$86,125
Intergovernmental	23,768,584	800,090	0
Interest	1,555,518	2,498	45,068
Tuition and Fees	376,588	0	0
Charges for Services	20,793	0	0
Extracurricular Activities	168,763	0	0
Rentals	252,759	0	0
Contributions and Donations	0	0	0
Miscellaneous	309,124	0	72,906
<i>Total Revenues</i>	<u>71,574,228</u>	<u>8,190,533</u>	<u>204,099</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	33,980,809	0	0
Special	7,374,216	0	0
Vocational	420,881	0	0
Support Services:			
Pupils	3,222,142	0	0
Instructional Staff	2,966,823	0	0
Board of Education	94,167	0	0
Administration	4,412,823	0	0
Fiscal	1,211,016	94,777	0
Business	602,944	0	0
Operation and Maintenance of Plant	7,103,760	0	0
Pupil Transportation	3,142,437	0	0
Central	346,564	0	0
Operation of Non-Instructional Services	56,065	0	0
Food Service Operations	0	0	0
Extracurricular Activities	1,088,834	0	0
Capital Outlay	334,353	0	40,156
Debt Service:			
Principal Retirement	79,074	2,575,584	0
Interest and Fiscal Charges	796	5,549,249	36,108
<i>Total Expenditures</i>	<u>66,437,704</u>	<u>8,219,610</u>	<u>76,264</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,136,524</u>	<u>(29,077)</u>	<u>127,835</u>
<b>Other Financing Sources</b>			
Inception of Capital Lease	436,632	0	0
Transfers In	0	16,000	0
Transfers Out	(32,929)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>403,703</u>	<u>16,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	5,540,227	(13,077)	127,835
<i>Fund Balances Beginning of Year</i>	<u>9,073,210</u>	<u>5,749,628</u>	<u>104,633</u>
<i>Fund Balances End of Year</i>	<u>\$14,613,437</u>	<u>\$5,736,551</u>	<u>\$232,468</u>

See accompanying notes to the basic financial statements

**Medina City School District**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2007*

Other Governmental Funds	Total Governmental Funds
\$522,875	\$53,119,044
3,548,665	28,117,339
54,766	1,657,850
434,793	811,381
1,399,021	1,419,814
599,660	768,423
0	252,759
139,342	139,342
218,779	600,809
<u>6,917,901</u>	<u>86,886,761</u>
623,315	34,604,124
1,153,378	8,527,594
8,008	428,889
514,859	3,737,001
523,333	3,490,156
0	94,167
584,293	4,997,116
6,920	1,312,713
23,979	626,923
571,122	7,674,882
0	3,142,437
49,990	396,554
623,549	679,614
1,902,266	1,902,266
297,979	1,386,813
0	374,509
0	2,654,658
0	5,586,153
<u>6,882,991</u>	<u>81,616,569</u>
34,910	5,270,192
0	436,632
16,929	32,929
0	(32,929)
<u>16,929</u>	<u>436,632</u>
51,839	5,706,824
<u>2,588,660</u>	<u>17,516,131</u>
<u>\$2,640,499</u>	<u>\$23,222,955</u>

**Net Change in Fund Balances - Total Governmental Funds** \$5,706,824

***Amounts reported for governmental activities in the statement of activities are different because***

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	47,374	
Current Year Depreciation	<u>(3,262,489)</u>	
Total		(3,215,115)

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

Delinquent Property Taxes	(1,078,126)	
Intergovernmental	<u>3,170</u>	
Total		(1,074,956)

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.

2,654,658

In the statement of activities, interest is accrued on outstanding bonds, and bond accretion, bond premium, bond issuance costs and loss on refunding are amortized over the term of the bonds, whereas in governmental funds an interest expenditure is reported when due and premiums and issuance costs are reported when the bonds are issued.

Accrued Interest	(46,650)	
Annual Accretion	(992,923)	
Amortization of Bond Premium	166,030	
Amortization of Bond Issuance Costs	(21,408)	
Amortization of Loss on Refunding	<u>(144,617)</u>	
Total		(1,039,568)

Inception of a capital lease is an other financing source in the governmental funds, but increases liabilities in governmental activities.

(436,632)

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current expenditures in governmental funds.

49,375

Internal service fund used by management to charge the cost of insurance to individual fund is not reported in the entity-wide statement of activities. Governmental fund and related internal service fund revenue is eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

(230,181)

*Change in Net Assets of Governmental Activities*

\$2,414,405

**Medina City School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2007*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$43,162,519	\$43,885,186	\$43,720,448	(\$164,738)
Intergovernmental	23,817,345	23,613,732	23,778,471	164,739
Interest	683,000	1,555,518	1,555,518	0
Tuition and Fees	151,000	375,468	375,468	0
Charges for Services	29,000	39,308	39,308	0
Extracurricular Activities	143,000	168,763	168,763	0
Rentals	375,000	252,759	252,759	0
Miscellaneous	144,502	210,162	210,162	0
<i>Total Revenues</i>	<u>68,505,366</u>	<u>70,100,896</u>	<u>70,100,897</u>	<u>1</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	34,493,280	33,552,381	33,552,381	0
Special	7,348,589	7,241,695	7,241,695	0
Vocational	446,975	423,482	423,482	0
Support Services:				
Pupils	3,096,805	3,199,934	3,199,934	0
Instructional Staff	3,088,446	2,983,736	2,983,736	0
Board of Education	155,483	93,399	93,399	0
Administration	4,832,114	4,480,045	4,480,045	0
Fiscal	1,980,441	1,524,887	1,524,887	0
Business	695,862	624,202	624,202	0
Operation and Maintenance of Plant	8,094,574	7,590,737	7,590,737	0
Pupil Transportation	3,135,066	3,181,818	3,181,818	0
Central	395,510	349,331	349,331	0
Operation of Non-Instructional Services	92,679	80,390	80,390	0
Extracurricular Activities	987,766	1,075,141	1,075,141	0
Capital Outlay	401,887	371,935	371,935	0
<i>Total Expenditures</i>	<u>69,245,477</u>	<u>66,773,113</u>	<u>66,773,113</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(740,111)</u>	<u>3,327,783</u>	<u>3,327,784</u>	<u>1</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	80,000	108,140	108,140	0
Advances Out	(77,000)	(32,310)	(32,310)	0
Transfers Out	(28,672)	(32,929)	(32,929)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(25,672)</u>	<u>42,901</u>	<u>42,901</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(765,783)</u>	<u>3,370,684</u>	<u>3,370,685</u>	<u>1</u>
<i>Fund Balance Beginning of Year</i>	<u>9,424,265</u>	<u>9,424,265</u>	<u>9,424,265</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>2,711,560</u>	<u>2,711,560</u>	<u>2,711,560</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$11,370,042</u></u>	<u><u>\$15,506,509</u></u>	<u><u>\$15,506,510</u></u>	<u><u>\$1</u></u>

See accompanying notes to the basic financial statements

**Medina City School District**  
*Statement of Fund Net Assets*  
*Internal Service Fund*  
*June 30, 2007*

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<b>Assets</b>	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$1,657,522
Accounts Receivable	<u>1,775</u>
 <i>Total Assets</i>	 <u>1,659,297</u>
 <b>Liabilities</b>	
<i>Current Liabilities</i>	
Claims Payable	<u>1,002,095</u>
 <b>Net Assets</b>	
Unrestricted	<u><u>\$657,202</u></u>

See accompanying notes to the basic financial statements

**Medina City School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2007*

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<b>Operating Revenues</b>	
Charges for Services	\$7,783,475
Other	2,176
	<hr/>
<i>Total Operating Revenues</i>	<i>7,785,651</i>
	<hr/>
<b>Operating Expenses</b>	
Purchased Services	624,918
Claims	7,390,914
	<hr/>
<i>Total Operating Expenses</i>	<i>8,015,832</i>
	<hr/>
<i>Change in Net Assets</i>	<i>(230,181)</i>
	<hr/>
<i>Net Assets Beginning of Year</i>	<i>887,383</i>
	<hr/>
<i>Net Assets End of Year</i>	<i>\$657,202</i>
	<hr/> <hr/>

See accompanying notes to the basic financial statements



**Medina City School District**  
*Statement of Cash Flows*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2007*

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***Increase (Decrease) in Cash and Cash Equivalents***

**Cash Flows from Operating Activities**

Cash Received from Transactions with Other Funds	\$7,783,876
Cash Payments for Goods and Services	(624,918)
Cash Payments for Claims	(7,116,436)

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*Net Cash Provided by Operating Activities* 42,522

*Cash and Cash Equivalents Beginning of Year* 1,615,000

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*Cash and Cash Equivalents End of Year* \$1,657,522

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***Reconciliation of Operating Loss to  
Net Cash Provided By Operating Activities***

*Operating Loss* (\$230,181)

**Adjustments to Reconcile Operating Loss to  
Net Cash Provided By Operating Activities**

(Increase) in Assets:  
    Accounts Receivable (1,775)

Increase in Liabilities:  
    Claims Payable 274,478

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*Net Cash Provided by Operating Activities* \$42,522

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See accompanying notes to the basic financial statements

**Medina City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2007*

	Private Purpose Trust Funds	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$34,784	\$218,381
Investments in Segregated Accounts	659,711	0
<i>Total Assets</i>	694,495	218,381
<b>Liabilities</b>		
Due to Students	0	\$218,381
<b>Net Assets</b>		
Held in Trust for Scholarships	\$694,495	

See accompanying notes to the basic financial statements

**Medina City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2007*

	Private Purpose Trust Funds
<b>Additions</b>	
Interest	\$125,044
Contributions and Donations	12,500
Miscellaneous	4,194
	141,738
<i>Total Additions</i>	141,738
<b>Deductions</b>	
Scholarships Awarded	53,500
	88,238
<i>Change in Net Assets</i>	88,238
<i>Net Assets Beginning of Year</i>	606,257
	606,257
<i>Net Assets End of Year</i>	\$694,495

See accompanying notes to the basic financial statements

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**Medina City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 1 - Description of the School District and Report Entity**

Medina City School District (the School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected five member Board form of government elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District is located in Medina County and encompasses most of the City of Medina and portions of surrounding townships. The School District currently operates six elementary schools, two middle schools and one comprehensive high school, which are staffed by 33 administrators, 6 psychologists, 4 administrative secretaries, 487 certificated full-time teaching personnel, and 254.5 full-time-equivalent classified employees who provide services to 7,574 students and other community members.

*Reporting Entity*

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 School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Medina City School District, this includes general operations, food service, preschool, and student related activities of the School District.

*Non-public Schools* - Within the School District boundaries, The Nurtury, St. Francis Xavier, Kids Country, Small Wonders Preschool, and the Medina Christian Academy are operated as non-public schools. Current State legislation provides funding to these schools. These monies are received and disbursed on behalf of the non-public schools by the Treasurer of the School District, as directed by the non-public schools. These transactions are reported as governmental activity of the School District.

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

The School District participates in two jointly governed organizations and an insurance purchasing pool. These organizations are the Medina County Career Center, Ohio Schools Council Association, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

**Medina City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

***A. Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

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

***B. Fund Accounting***

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

**Medina City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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

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

**General Fund** The general fund is the general operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

**Bond Retirement Fund** The bond retirement fund is used to account for the accumulation of property tax revenues for the payment of general obligation bonds issued for high school and elementary school additions and the construction of a new recreation center.

**Building Fund** The building fund accounts for property tax and intergovernmental revenues used for various capital projects at the recreation center and the high school.

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

**Proprietary Fund Type** Proprietary funds reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund is a self insurance fund that accounts for health, prescription and dental claims of School District employees.

**Fiduciary Funds Types** 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has two private purpose trust funds which are both used to account for college scholarships. The School District's agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. The agency funds reflect resources that belong to the student bodies of the various schools, accounting for sales and other revenue generating activities.

### **C. Measurement Focus**

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

**Medina City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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

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

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

***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 and the statements presented for proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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

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

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



**Medina City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 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 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. Cash and Cash Equivalents***

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

During fiscal year 2007, investments were limited to repurchase agreements, mutual funds and STAROhio. Repurchase agreements are reported at cost; mutual funds are reported at fair values based on current share price.

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, 2007.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during the fiscal year 2007 amounted to \$1,555,518, which included \$525,752 assigned from other School District funds.

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

***F. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

**Medina City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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***G. Capital Assets***

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	40 Years
Buildings and Improvements	40 Years
Furniture and Equipment	5 Years
Vehicles	10 Years

***H. Interfund Balances***

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

***I. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

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

***J. Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

**Medina City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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

***K. Fund Balance Reserves***

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

***L. 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 borrowing 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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$5,349,111 of restricted net assets, none of which are restricted by enabling legislation. Net assets restricted for other purposes include student activities, food service operations, special education, and classroom facilities maintenance.

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

***M. 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.

***N. 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.

***O. Internal Activity***

Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

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

***P. Budgetary Data***

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District's Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflects the amounts in the certificate of estimated resources when the original appropriations were adopted. The amounts reported in the budgetary statement as the final budgeted amounts reflect the amounts in the amended certificate in effect when the final appropriations were passed. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue equaled actual revenue.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for the funds that covered the entire fiscal year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed during the year, including all supplemental appropriations. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year plus encumbrances outstanding at fiscal year end.

***Q. Bond Issuance Costs***

On the government-wide financial statements, bond issuance costs are deferred and amortized over the term of the applicable bonds using the effective interest method. Within the governmental fund statements, bond issuance costs are expended when incurred.

***R. Gain/Loss on Refunding***

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

**Medina City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 3 –Legal Compliance and Accountability**

***A. Legal Compliance***

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

<i>Special Revenue Funds:</i>	
Title VI-B Fund	\$11,189
EHA Preschool Fund	2,434
Reducing Class Size Fund	1,242
Miscellaneous Federal Grants Fund	1,320

In order to eliminate future negative cash, the School District will make cash advances during the year.

The following funds had total final appropriations in excess of estimated resources plus carryover balances in violation of Section 5705.39, Ohio Revised Code:

	Estimated Resources Plus Carryover Balances	Appropriations	Excess
<i>Special Revenue Funds:</i>			
Title VI-B	\$1,566,188	\$1,628,349	\$62,161
Chapter I	310,097	325,735	15,638
EHA Preschool	34,168	50,657	16,489
Reducing Class Size	146,553	201,058	54,505
Miscellaneous Federal Grants	5,255	10,273	5,018

Management has indicated that appropriations will be closely monitored in order to avoid any future violations.

***B. Accountability***

The following funds had deficit fund balances at June 30, 2007:

Fund	Amount
<i>Special Revenue Funds:</i>	
Entry Year Program	\$410
Ohio Reads Grant	200
Miscellaneous State Grants	436
Title VI	1,094
Preschool Grant	1,983

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

**Medina City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 4 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursement and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balances (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following tables summarize 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	\$5,540,227
Net Adjustment for Revenue Accruals	(1,473,331)
Advances In	108,140
Net Adjustment for Expenditure Accruals	1,358,742
Advances Out	(32,310)
Adjustment for Encumbrances	<u>(2,130,783)</u>
Budget Basis	<u>\$3,370,685</u>

**Note 5 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

### **Deposits**

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,204,279 of the School District's bank balance of \$1,304,279 was uninsured and uncollateralized. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**Medina City School District**  
*Notes to the Basic Financial Statements*  
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**Investments**

Investments are reported at fair value, as of June 30, 2007, the School District had the following investments:

	Fair Value	Maturity
STAROhio	\$26,573,200	Average 33 Days
Repurchase Agreement	770,000	Average 1 Day
Scudder Mutual Funds	230,688	Average 1 Day
T. Rowe Price Mutual Funds	410,084	Average 1 Day
Kanehl Mutual Funds	15,661	Average 1 Day
Total Portfolio	\$27,999,633	

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

**Credit Risk** STAROhio carries a credit rating of AAA by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Federal Home Loan Mortgage Bonds, which serve as the underlying securities for the repurchase agreement, carry a rating of AAA by Standard and Poor's. Due to the nature of mutual fund, they are not subject to credit risk. The School District has no investment policy that addresses credit risk.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Bonds and Mutual Funds are exposed to custodial credit risk in that they are uninsured, unregistered, and held in the counterparty's trust department or agent, but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.



**Medina City School District**  
*Notes to the Basic Financial Statements*  
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Public utility property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five 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 year 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value listed as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid 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 School District receives property taxes from Medina County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007, was \$4,476,529 in the general fund, \$798,238 in the bond retirement debt service fund and \$43,581 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2006, was \$3,074,878 in the general fund, \$555,705 in the bond retirement debt service fund and \$28,397 in the permanent improvement capital projects fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$1,053,040,690	90.47%	\$1,106,780,490	93.13%
Public Utility	23,490,170	2.01	22,171,780	1.86
Tangible Personal Property	87,490,838	7.52	59,523,158	5.01
	<u>\$1,164,021,698</u>	<u>100.00%</u>	<u>\$1,188,475,428</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$94.03		\$94.53	

**Medina City School District**  
*Notes to the Basic Financial Statements*  
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**Note 7 - Interfund Balances**

As of June 30, 2007 the general fund had a \$48,495 interfund receivable and the nonmajor governmental funds had a corresponding \$48,495 interfund payable. The interfund receivable and payable are due to the timing of the receipt of grant monies by the nonmajor funds. The School District expects to receive the grant monies and repay the advances within the next fiscal year.

**Note 8 - Receivables**

Receivables at June 30, 2007, consisted of taxes, accounts (rent and student fees), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year, except delinquent property taxes.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Title VI-B	\$318,863
Food Service	45,538
Reducing Class Size	57,410
Title I	70,824
Rotary	47,616
EHA Preschool	9,377
Miscellaneous State	956
Miscellaneous Federal	1,703
Recreation Center Operations	94,706
Total	\$646,993

**Note 9 - Risk Management**

**A. Workers' Compensation**

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefits of a reduced premium for the School 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 of Sheakley Uniservice, Inc. provides administrative, cost control and actuarial services to the GRP.

**Medina City School District**  
*Notes to the Basic Financial Statements*  
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**B. Property and Liability**

The School District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2007, the School District contracted with several companies for various types of insurance as follows:

Company	Type of Coverage	Coverage Amount
Indiana Insurance Company	Education Liability	\$3,000,000
	Umbrella	20,010,000
	Property	169,524,732
	Fleet	2,005,750
	Crime	370,000
	Inland Marine	3,500,000
Travelers Insurance Company	Boiler and Machinery	30,000,000

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

**C. Self-Insurance**

The School District offers medical/surgical and prescription benefits as well as the dental benefits for all eligible employees and their dependants through a self-insurance internal service fund. The School District is self-insured with Medial Mutual serving as third-party administrator. The claims liability of \$1,002,095 reported in the internal service fund at June 30, 2007 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustments expense and does not include other allocated or unallocated claim adjustment expenses. Changes in fund's claim liability amount in fiscal years 2006 and 2007 were:

	Beginning of Year	Year Claims	Claims Payments	End of Year
2006	\$0	\$1,060,274	\$332,657	\$727,617
2007	727,617	7,390,914	7,116,436	1,002,095

**Note 10 - Operating Leases**

The School District is obligated under certain leases accounted for as operating leases. The following is a schedule by year of future minimum lease payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2007.

Fiscal Year Ending June 30	Amounts
2008	\$25,348
2009	15,396
2010	12,713
2011	9,000
Total Minimum Payments Required	<u>\$62,457</u>

**Medina City School District**  
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**Note 11 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance 6/30/2006	Additions	Deletions	Balance 6/30/2007
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$3,016,769	\$0	\$0	\$3,016,769
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,188,367	0	0	2,188,367
Buildings and Improvements	110,773,827	38,384	0	110,812,211
Furniture and Equipment	1,402,732	8,990	0	1,411,722
Vehicles	4,304,527	0	0	4,304,527
<i>Total Capital Assets, being depreciated</i>	<u>118,669,453</u>	<u>47,374</u>	<u>0</u>	<u>118,716,827</u>
Less Accumulated Depreciation:				
Land Improvements	(694,045)	(54,709)	0	(748,754)
Buildings and Improvements	(21,427,356)	(2,671,493)	0	(24,098,849)
Furniture and Equipment	(859,584)	(194,239)	0	(1,053,823)
Vehicles	(2,526,605)	(342,048)	0	(2,868,653)
Total Accumulated Depreciation	<u>(25,507,590)</u>	<u>(3,262,489) *</u>	<u>0</u>	<u>(28,770,079)</u>
Total Capital Assets, being depreciated, net	<u>93,161,863</u>	<u>(3,215,115)</u>	<u>0</u>	<u>89,946,748</u>
Governmental Activities Capital Assets, Net	<u>\$96,178,632</u>	<u>(\$3,215,115)</u>	<u>\$0</u>	<u>\$92,963,517</u>

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

Instruction:	
Regular	\$1,569,764
Special	271,583
Vocational	56,994
Support Services:	
Pupils	116,587
Instructional Staff	303,356
Administration	217,049
Operation and Maintenance of Plant	197,174
Pupil Transportation	334,397
Central	1,395
Operation of Non-Instructional Services	152,390
Extracurricular Activities	41,800
Total Depreciation Expense	<u>\$3,262,489</u>

**Note 12 - Defined Benefit Pension Plans**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-

**Medina City School District**  
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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 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$950,087, \$1,354,465, and \$872,271, respectively; 41.27 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

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

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strs.org](http://www.strs.org).

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

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**Medina City School District**  
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The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$4,222,044, \$4,367,652, and \$4,011,591, respectively; 85.71 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$25,701 made by the School District and \$67,669 made by the plan members.

**Note 13 - Postemployment Benefits**

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$324,773 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$229,379.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

**Medina City School District**  
*Notes to the Basic Financial Statements*  
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**Note 14 - Other Employee Benefits**

***A. Compensated Absences***

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

Teachers and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 315 days for teachers and 295 days for classified staff and administrators. Upon retirement, certified and classified employees with at least five years of experience with the School District, receive payment for up to a maximum of eighty days computed according to negotiated agreements.

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

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

***B. Health Insurance Benefits***

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

<u>Effective Date</u>	<u>Single Contribution</u>	<u>Family Contribution</u>
September 1, 2006	\$20.00	\$55.00
September 1, 2007	\$25.00	\$65.00

***C. Life Insurance Benefits***

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

**Medina City School District**  
*Notes to the Basic Financial Statements*  
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**Note 15 - Long-Term Obligations**

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<i>General Obligation Bonds:</i>			
Various School Improvements - 1992	3.7 - 10.50%	\$3,674,245	December 1, 2008
Refunding - 1998	3.6 - 15.70%	11,009,701	December 1, 2018
Various School Improvements - 1999	4.05%	77,649,923	December 1, 2028
Refunding - 2005	3.0 - 5.0%	59,239,818	December 1, 2028

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

	Principal Outstanding 6/30/06	Additions	Reductions	Principal Outstanding 6/30/07	Amount Due in One Year
<i>General Obligation Bonds:</i>					
1992 Various School Improvements					
\$3,674,245 5.5%-6.45%					
Capital Appreciation Bonds	\$956,778	\$0	(\$343,753)	\$613,025	\$318,500
Accretion on Capital Appreciation Bonds	2,146,456	112,982	0	2,259,438	0
1998 Refunding Bonds					
\$10,545,000 4.5%-5.0% Serial and Term Bonds	9,125,000	0	(190,000)	8,935,000	200,000
\$464,701 4.90%					
Capital Appreciation Bonds	464,701	0	0	464,701	0
Accretion on Capital Appreciation Bonds	2,088,683	150,231	0	2,238,914	0
1999 Various School Improvements					
\$75,595,000 4.65% Serial Bonds	6,800,000	0	0	6,800,000	998,092
\$2,054,923 4.83-4.93%					
Capital Appreciation Bonds	2,054,923	0	(1,056,831)	998,092	0
Accretion on Capital Appreciation Bonds	3,006,022	317,802	0	3,323,824	0
2005 Refunding Bonds					
\$55,995,000 4.90% Serial Bonds	53,985,000	0	(985,000)	53,000,000	960,000
Accounting Loss/Gain	(3,181,585)	144,617	0	(3,036,968)	0
Premium	3,652,740	0	(166,030)	3,486,710	0
\$3,244,818 4.83-4.93%					
Capital Appreciation Bonds	3,244,818	0	0	3,244,818	0
Accretion on Capital Appreciation Bonds	399,824	411,908	0	811,732	0
<b>Total General Obligation Bonds</b>	<b>84,743,360</b>	<b>1,137,540</b>	<b>(2,741,614)</b>	<b>83,139,286</b>	<b>2,476,592</b>
Capital Lease	0	436,632	(79,074)	357,558	81,730
Compensated Absences	6,514,976	331,667	(381,042)	6,465,601	369,735
Total Governmental Activities					
Long-Term Liabilities	<u>\$91,258,336</u>	<u>\$1,905,839</u>	<u>(\$3,201,730)</u>	<u>\$89,962,445</u>	<u>\$2,928,057</u>

All general obligation bonds will be paid from property taxes. The compensated absences liability will be paid from the general fund, food service, auxiliary service, summer school, state grants, title VI-B, limited English, title I, drug free school, preschool and class size reduction special revenue funds.

In 1992, the School District issued bonds for the renovation of various school buildings. The bond issue included serial bonds and capital appreciation bonds. Payment of capital appreciation bonds began in 2001 and will continue until 2008 at \$825,000 per year. For fiscal year 2007, \$112,982 represents the annual accretion of discounted interest.



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In 1998, the School District issued bonds for the advance refunding of a portion of the 1992 school improvements bonds. The bond issue included serial, term and capital appreciation bonds. The final amount of the capital appreciation bonds will be \$3,135,000. For fiscal year 2007, \$150,231 represents the annual accretion of discounted interest.

The term bonds maturing on December 1, 2018 are subject to mandatory sinking fund. The mandatory redemption is to occur on December 1 in each of the years 2014 through 2017 (with the remaining principal amount of \$1,400,000 to be paid at stated maturity on December 1, 2018) at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2014	\$1,155,000
2015	1,210,000
2016	1,275,000
2017	1,340,000

The School District defeased the 1992 series general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements.

In 1999, the School District issued bonds for renovations and construction of various school buildings. The bond issue included serial bonds and capital appreciation bonds. The final amount of the capital appreciation bonds will be \$5,765,000. For fiscal year 2007, \$317,802 represents the annual accretion of discounted interest.

On April 21, 2005, the School District issued \$55,995,000 in general obligation refunding bonds and \$3,244,818 in capital appreciation refunding bonds at interest rates varying from 4.83 percent to 4.93 percent. Proceeds were used to refund \$59,240,000 of the outstanding 1999 various school improvement general obligation bonds. The bond issued included serial and capital appreciation bonds. The final amount of the capital appreciation bonds will be \$6,380,000. For fiscal year 2007, \$411,908 represents the annual accretion of discounted interest.

The bonds were sold at a premium of \$3,984,721. Proceeds of \$62,710,820 (after underwriting fees and other issuance costs) were deposited in an irrevocable trust with escrow agent to provide for all future debt payments on the refunded 1999 various improvement bonds. As a result, the bonds were considered defeased and the liability for the refunded bonds has been removed from the basic financial statements. As of June 30, 2007, \$59,240,000 of the refunded bonds are still outstanding and will continue to be outstanding until they are called on December 1, 2009.

The refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of \$3,470,820. This difference, reported as a deduction from bonds payable, is being charge to interest through 2028.

The School District's overall debt margin was \$37,634,359 with an unvoted debt margin of \$1,177,260 at June 30, 2007. Principal and interest requirements to retire general obligation bonds and capital appreciation bonds outstanding at June 30, 2007, are as follows:

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	General Obligation Bonds			
	Serial and Term		Capital Appreciation	
	Principal	Interest	Principal	Interest
2008	\$1,160,000	\$3,309,312	\$1,316,592	\$2,498,408
2009	3,660,000	3,208,048	294,525	530,475
2010	3,840,000	2,611,643	178,810	866,190
2011	167,025	2,523,800	2,428,080	2,931,920
2012	72,975	2,525,800	1,102,629	2,007,371
2013-2017	16,780,000	12,823,225	0	0
2018-2022	16,735,000	8,427,875	0	0
2023-2027	17,865,000	4,325,375	0	0
2028-2029	8,455,000	395,394	0	0
<b>Total</b>	<b>\$68,735,000</b>	<b>\$40,150,472</b>	<b>\$5,320,636</b>	<b>\$8,834,364</b>

**Note 16 – Notes Payable**

A summary of the note transactions for the year ended June 30, 2007, follows:

	Outstanding 6/30/2006	Issued	Retired	Outstanding 6/30/2007
Governmental Activities:				
2% Transportation Facilities Note	\$900,000	\$850,000	\$900,000	\$850,000

All of the notes are bond anticipation notes; they are backed by the full faith and credit of the School District, and mature within one year. The note liability is reflected in the fund which received the proceeds.

**Note 17 – Capital Lease**

The School District has entered into a lease agreement for copiers. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Lease." The assets acquired through the capital lease were capitalized at the present value of the minimum lease payments at the time the lease was entered into.

The assets acquired through the capital lease are as follows:

	Governmental Activities
Asset:	
Equipment	\$436,632
Less: Accumulated depreciation	(62,376)
<b>Total</b>	<b>\$374,256</b>

**Medina City School District**  
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The lease provides for minimum, annual lease payments as follows:

	Activities
2008	\$95,844
2009	95,844
2010	95,844
2011	95,844
2012	15,974
Total Minimum Lease Payment	399,350
Less: Amount Representing Interest	(41,792)
Present Value of Minimum Lease Payment	\$357,558

**Note 18 - Jointly Governed Organizations**

***A. Medina County Career Center***

The Medina County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each participating School District's elected board, which possesses its own budgeting and taxing authority. Accordingly, the Medina County Career Center is not part of the School District and its operations are not included as part of the reporting entity. The Medina County Career Center offers vocational education for several School Districts including Medina City School District. During fiscal year 2007, nothing was paid by the Medina City School District. Financial information can be obtained by contacting the Treasurer, John Streett, at the Medina County Career Center, 1101 West Liberty Street, Medina, Ohio 44256.

***B. Ohio Schools Council Association***

The Ohio Schools Council Association (Council) is a jointly governed organization among 108 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. In fiscal year 2007, the School District paid \$2,330 to the Council. Financial information can be obtained by contacting Dr. David A Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the Council's electric purchase program which was implemented during fiscal year 1998 and the natural gas program which was implemented during fiscal year 2001.

The electric purchase program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self appointing board, issued \$119,140,000 in debt to repurchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The

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participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, they are required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

The natural gas 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 November these estimates are compared to their actual usage for the year 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.

#### **Note 19 - Insurance Purchasing Pool**

The School District participates in the Ohio Association of School Business Officials (OASBO) Group Rating Workers' Compensation Plan (GRP) which was established under Section 4123.29 of the Ohio Revised Code. The GRP's business and affairs are conducted by a five member Board of Directors. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

#### **Note 20 - Contingencies**

##### ***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

##### ***B. Litigation***

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

#### **Note 21 - Set-Asides**

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

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

	Textbooks Instructional Materials Reserve	Capital Improvement Reserve
Set-aside Reserve Balances as of June 30, 2006	(\$7,151,842)	\$0
Current Year Set-aside Requirement	1,093,912	1,093,912
Qualifying Disbursements	(1,569,864)	(4,498,748)
Totals	<u>(\$7,627,794)</u>	<u>(\$3,404,836)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$7,627,794)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2007	<u>\$0</u>	<u>\$0</u>

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

**Note 22 – Public Utility Property Tax Refund**

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation’s public utility property tax assessment rate should be 25 percent of true value rather than the 88 percent used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The School District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the School District based on lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$57,328 per year. A portion of the refund may be recovered from additional State entitlement payments.

**Note 23 - Recreation Center Joint Operating Agreement**

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

Under the terms of these agreements, the Recreation Center will be owned by the School District and the City will be granted a leasehold interest in the Recreation Center for a term commencing on the date the facilities are opened for public use and expiring on June 30, 2052, with an option to renew for an indefinite number of additional five year terms. The lease requires the City to prepay rent in the amount of \$7,500,000, which is due in installments as various phases of construction of the facility are completed. As of June 30, 2007, the City has paid the \$7,500,000 to the School District.

In addition to the initial rent payment, the City will also be required to pay annual rent of \$1 each year, and 47.5 percent of the Recreation Center’s operating expenses which will be initially paid by the School District and invoiced to the City on a monthly basis. The City and the School District will also each be required to

**Medina City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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contribute \$100,000 a year, for the term of the lease, to separate capital improvement funds which may be spent for upkeep of the facilities through mutual agreement of both parties upon the recommendation of an Advisory Committee. However, no contributions to the capital improvement funds are required, by either party, for the first two years of operations, and contributions of only 30 percent, 60 percent and 90 percent are required for the third, fourth and fifth years, respectively.

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

The Recreation Center is accounted for as an undivided interest for the School District. The School District and the City each report 50 percent of the completed building and will each report their respective shares of the operating costs. Payments to the School District for the City's interest in the building are not reported as revenue of the School District on a GAAP basis.

**MEDINA CITY SCHOOL DISTRICT  
MEDINA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through the Ohio Department of Education:</i>						
Food Donation Program	044388	10.550		\$187,129		\$139,755
National School Lunch Program	044388	10.555	\$334,117		\$310,066	
Total U.S. Department of Agriculture			334,117	187,129	310,066	139,755
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	044388 C1-S1-2006 044388 C1-S1-2007	84.010	33,461 247,403		43,877 239,883	
Total Title I Grants to Local Educational Agencies			280,864		283,760	
Title I-D Delinquent Grants to Local Educational Agencies	044388 C1-SD-2006 044388 C1-SD-2007	84.010	12,433 5,852		12,964 7,432	
Total Title I/Title I-D Delinquent Grants to Local Educational Agencies			18,285		20,396	
Total Title I/Title I-D Grants			299,149		304,156	
Special Education Cluster: Special Education Grants to States (IDEA, Part B)	044388 6B-SF 2006 044388 6B-SF 2007	84.027	173,333 1,382,780		183,408 1,393,969	
Total Special Education Grants to States (IDEA, Part B)			1,556,113		1,577,377	
Special Education Preschool Grants (IDEA, Preschool)	404388 PG-S1-2006 404388 PG-S1-2007	84.173	4,520 32,700		1,468 35,134	
Total Special Education Preschool Grants (IDEA, Preschool)			37,220		36,602	
Total Special Education Cluster			1,593,333		1,613,979	
State Grants for Innovative Programs	044388 C2-S1-2006 044388 C2-S1-2007	84.298	3,473 11,412		3,765 10,869	
Total State Grants for Innovative Programs			14,885		14,634	
Safe and Drug Free Schools and Communities State Grants	044388 DR-S1 2006 044388 DR-S1 2007	84.186	(293) 20,167		64 19,411	
Total Safe and Drug Free Schools and Communities State Grants			19,874		19,475	
Education Technology State Grants	044388 TJ-S1-2006 044388 TJ-S1-2007	84.318	256 1,378		2,698 813	
Total Education Technology State Grants			1,634		3,511	
Improving Teacher Quality State Grants	044388 TR-S1-2006 044388 TR-S1-2007	84.367	56,605 124,720		21,813 125,962	
Total Improving Teacher Quality State Grants			181,325		147,775	
Hurricane Education Recovery Act Programs	00-44388 00-44388	84.938	3,064 438		3,064	
Total Hurricane Education Recovery Act Programs			3,502		3,064	
Total U.S. Department of Education			2,113,702		2,106,594	
<b>Total</b>			<b>\$2,447,819</b>	<b>\$187,129</b>	<b>\$2,416,660</b>	<b>\$139,755</b>

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

**MEDINA CITY SCHOOL DISTRICT  
MEDINA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B -- CHILD NUTRITION CLUSTER**

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

**NOTE C -- DONATED FOOD**

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; however the District has elected to track these contributions. This nonmonetary assistance (expenditures) is reported on the Schedule at the fair value of the commodities received and consumed.

**NOTE D -- MATCHING REQUIREMENTS**

Certain Federal programs require the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.





# Mary Taylor, CPA

Auditor of State

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

Medina City School District  
Medina County  
140 West Washington Street  
Medina, Ohio 44256

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Medina City School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### 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 audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the District's management in a separate letter dated December 7, 2007.

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### **Compliance and Other Matters**

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated December 7, 2007.

We intend this report solely for the information and use of the audit committee, management, Board of Education and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

December 7, 2007



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Medina City School District  
Medina County  
140 West Washington Street  
Medina, Ohio 44256

To the Board of Education:

### Compliance

We have audited the compliance of the Medina City School District, Medina County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Medina City School District, Medina County, Ohio complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 7, 2007

**MEDINA CITY SCHOOL DISTRICT  
MEDINA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2007**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster – CFDA 84.027 and CFDA 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





**Mary Taylor, CPA**  
Auditor of State

**MEDINA CITY SCHOOL DISTRICT**

**MEDINA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 22, 2008**