



Dave Yost • Auditor of State

MIDVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Midview Local School District
Lorain County
1010 Vivian Drive
Grafton, Ohio 44044

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Midview Local School District, Lorain County, Ohio (the District), as of and for the year ended June 30, 2011, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Midview Local School District, Lorain County, Ohio, as of June 30, 2011, 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.

As described in Note 3, the District implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and restated the June 30, 2010 fund balances due to a change in fund structure.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The schedule of federal awards receipts and expenditures provides additional information required by the 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. The schedule of federal awards receipts and expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

February 3, 2012

**Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited**

Our discussion and analysis of the Midview Local School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets increased \$5,069,733. Net assets of governmental activities increased \$5,042,791, which represents a 34.60% increase from 2010. Net assets of business-type activities increased \$26,942 or 6.53% from 2010.
- General revenues accounted for \$27,578,983 in revenues or 74.88% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$9,253,785 or 25.12% of total revenues of \$36,832,768.
- The District had \$30,639,297 in expenses related to governmental activities; only \$8,103,371 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities, net of transfers (primarily taxes and unrestricted grants and entitlements), of \$27,578,717 were adequate to provide for these programs resulting in an increase of net assets from a restated balance of \$14,574,021 to \$19,616,812.
- The District had \$1,123,738 in expenses related to business-type activities; a total of \$1,150,414 was offset by program specific charges for services, grants, and contributions. Total program revenues were adequate to provide for these programs by \$26,676 resulting in an increase to net assets from a restated balance of \$412,438 to \$439,380.
- The District's major governmental funds are the general fund and the capital improvement fund. The general fund had \$25,865,916 in revenues and other financing sources and \$25,819,240 in expenditures and other financing uses. The general fund's fund balance increased \$46,676 from a restated balance of \$3,571,540 to \$3,618,216. The capital improvement fund had \$6,987,629 in revenues and other financing sources and \$4,896,370 in expenditures. The capital improvement fund's fund balance increased \$2,091,259 from \$7,252,011 to \$9,343,270.

Using these Basic Financial Statements

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

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Management's Discussion & Analysis
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Unaudited**

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

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

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

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

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

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

Business-type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's food service operations are reported as business-type activities.

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Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. The table on the following page provides a summary of the District's net assets for 2011 and 2010.

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

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010 Restated	2011	2010 Restated	2011	2010
	Current and other assets	\$ 24,215,907	\$ 24,213,299	\$ 363,075	\$ 293,506	\$ 24,578,982
Restricted assets	7,084,714	3,662,855	-	-	7,084,714	3,662,855
Capital assets, net	<u>33,599,619</u>	<u>32,075,931</u>	<u>219,719</u>	<u>237,263</u>	<u>33,819,338</u>	<u>32,313,194</u>
Total assets	<u>64,900,240</u>	<u>59,952,085</u>	<u>582,794</u>	<u>530,769</u>	<u>65,483,034</u>	<u>60,482,854</u>
Current liabilities	16,156,652	15,418,773	92,156	81,083	16,248,808	15,499,856
Long-term liabilities	<u>29,126,776</u>	<u>29,959,291</u>	<u>51,258</u>	<u>37,248</u>	<u>29,178,034</u>	<u>29,996,539</u>
Total liabilities	<u>45,283,428</u>	<u>45,378,064</u>	<u>143,414</u>	<u>118,331</u>	<u>45,426,842</u>	<u>45,496,395</u>
Invested in capital assets, net of related debt	8,434,619	6,125,931	219,719	237,263	8,654,338	6,363,194
Restricted for:						
Capital projects	9,343,270	7,252,011	-	-	9,343,270	7,252,011
Debt service	5,400	5,400	-	-	5,400	5,400
Other purposes	1,083,504	781,119	-	-	1,083,504	781,119
Unrestricted (deficit)	<u>750,019</u>	<u>409,560</u>	<u>219,661</u>	<u>175,175</u>	<u>969,680</u>	<u>584,735</u>
Total net assets	\$ <u>19,616,812</u>	\$ <u>14,574,021</u>	\$ <u>439,380</u>	\$ <u>412,438</u>	\$ <u>20,056,192</u>	\$ <u>14,986,459</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the District, total assets exceed total liabilities by \$20,056,192 at the close of the most recent fiscal year.

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

Total assets increased by \$5,000,180 from 2010 to 2011, while the District's total liabilities decreased by \$69,553. The main sources for the increase in assets related to increases in restricted cash and capital assets, net. Restricted cash increased \$3,421,859 in the current year. The increase is due to the Classroom Facilities Assistance Program funding the District received to construct the new middle school. The District started drawing money for the construction during fiscal year 2010. Capital assets, net increased \$1,506,144 during fiscal year 2011 due to the ongoing construction of the new middle school. The most significant change in liabilities was a decrease in long-term liabilities of \$818,505, offset by an increase in accounts payable of \$722,126. This decrease in long-term liabilities was due to the repayment of debt obligations without issuing any new debt during the year.

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In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current and prior year.

**Table 2
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010 Restated	2011	2010 Restated	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 793,523	\$ 637,265	\$ 553,302	\$ 574,583	\$ 1,346,825	\$ 1,211,848
Operating grants and contributions	2,534,545	2,194,222	597,112	558,151	3,131,657	2,752,373
Capital grants and contributions	<u>4,775,303</u>	<u>4,237,295</u>	-	-	<u>4,775,303</u>	<u>4,237,295</u>
Total program revenues	<u>8,103,371</u>	<u>7,068,782</u>	<u>1,150,414</u>	<u>1,132,734</u>	<u>9,253,785</u>	<u>8,201,516</u>
General revenues:						
Property taxes	12,119,465	11,697,592	-	-	12,119,465	11,697,592
Grants and entitlements	14,946,869	15,153,268	-	-	14,946,869	15,153,268
Investment earnings	17,932	20,450	266	-	18,198	20,450
Other	494,451	422,885	-	-	494,451	422,885
Total general revenues	<u>27,578,717</u>	<u>27,294,195</u>	<u>266</u>	<u>-</u>	<u>27,578,983</u>	<u>27,294,195</u>
Total revenues	<u>35,682,088</u>	<u>34,362,977</u>	<u>1,150,680</u>	<u>1,132,734</u>	<u>36,832,768</u>	<u>35,495,711</u>
Expenses:						
Program expenses:						
Instruction:						
Regular	14,441,153	13,789,774	-	-	14,441,153	13,789,774
Special	3,250,783	3,116,601	-	-	3,250,783	3,116,601
Vocational	121,399	140,038	-	-	121,399	140,038
Other	45,619	33,735	-	-	45,619	33,735
Support services:						
Pupil	1,518,050	1,607,000	-	-	1,518,050	1,607,000
Instructional staff	445,516	456,642	-	-	445,516	456,642
Board of education	908,237	946,555	-	-	908,237	946,555
Administration	2,677,749	2,604,842	-	-	2,677,749	2,604,842
Fiscal	624,684	641,608	-	-	624,684	641,608
Business	649,468	416,011	-	-	649,468	416,011
Operation and maintenance - plant	2,418,293	2,407,112	-	-	2,418,293	2,407,112
Pupil transportation	1,515,194	1,400,377	-	-	1,515,194	1,400,377
Operation of non - instructional services:						
Community services	5,918	7,481	-	-	5,918	7,481
Extracurricular activities	661,466	614,584	-	-	661,466	614,584
Interest and fiscal charges	1,355,768	1,388,069	-	-	1,355,768	1,388,069
Food service	-	-	<u>1,123,738</u>	<u>1,059,126</u>	<u>1,123,738</u>	<u>1,059,126</u>
Total expenses	<u>30,639,297</u>	<u>29,570,429</u>	<u>1,123,738</u>	<u>1,059,126</u>	<u>31,763,035</u>	<u>30,629,555</u>
Change in net assets	5,042,791	4,792,548	26,942	73,608	5,069,733	4,866,156
Net assets at beginning of year, restated	<u>14,574,021</u>	<u>9,781,473</u>	<u>412,438</u>	<u>338,830</u>	<u>14,986,459</u>	<u>10,120,303</u>
Net assets at end of year	\$ <u>19,616,812</u>	\$ <u>14,574,021</u>	\$ <u>439,380</u>	\$ <u>412,438</u>	\$ <u>20,056,192</u>	\$ <u>14,986,459</u>

**Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited**

Governmental Activities

Net assets of the District's governmental activities increased \$5,042,791. Total governmental expenses of \$30,639,297 were offset by program revenues of \$8,103,371 and general revenues of \$27,578,717. Program revenues supported 26.45% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements not restricted to specific purposes. These two revenue sources represent 75.85% of total governmental revenue. Property taxes support 39.56% of total expenses while grants and entitlements not restricted to specific purposes supported 48.78% of total expenses. Grants and entitlements not restricted to specific purposes decreased \$206,399 due to a decrease in State funding for fiscal year 2011.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2011 and 2010. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Table 3
Total Cost of Program Services**

	Governmental Activities			
	Total Cost of Services 2011	Total Cost of Services 2010 Restated	Net Cost of Services 2011	Net Cost of Services 2010 Restated
Program expenses:				
Instruction:				
Regular	\$ 14,441,153	\$ 13,789,774	\$ 12,819,137	\$ 12,527,691
Special	3,250,783	3,116,601	2,232,454	2,197,404
Vocational	121,399	140,038	108,986	127,456
Other	45,619	33,735	45,619	33,735
Support services:				
Pupil	1,518,050	1,607,000	1,513,741	1,606,662
Instructional staff	445,516	456,642	359,158	303,644
Board of education	908,237	946,555	908,237	946,555
Administration	2,677,749	2,604,842	2,672,749	2,598,771
Fiscal	624,684	641,608	624,684	641,608
Business	649,468	416,011	638,093	404,579
Operations and maintenance - plant	2,418,293	2,407,112	(2,357,010)	(1,830,183)
Pupil transportation	1,515,194	1,400,377	1,515,194	1,400,377
Operation of non - instructional services:				
Community services	5,918	7,481	5,918	7,481
Extracurricular activities	661,466	614,584	93,198	147,798
Interest and fiscal charges	<u>1,355,768</u>	<u>1,388,069</u>	<u>1,355,768</u>	<u>1,388,069</u>
Total expenses	<u>\$ 30,639,297</u>	<u>\$ 29,570,429</u>	<u>\$ 22,535,926</u>	<u>\$ 22,501,647</u>

The dependence upon general revenues during fiscal year 2011 for governmental activities is apparent, as 85.15% of 2011 instruction activities are supported by property taxes, grants and entitlements, investment earnings, and other general revenues. The District's taxpayers, as a whole, are the primary support for District's students.

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Business-Type Activities

Business-type activities are comprised of the food service operations. The food service operations had expenses of \$1,123,738 and revenues of \$1,150,680. This resulted in an increase to net assets for the fiscal year of \$26,942. Revenues and expenses were consistent with the prior year. Management assesses the performance of the food service operations to ensure that it runs efficiently.

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$13,944,611 which is greater than last year's restated total of \$11,373,700. This increase in total fund balance is primarily due to an increase in the capital improvement fund. The increase in fund balance can be explained by the increase in restricted cash of approximately \$3.4 million. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	<u>Fund Balance</u> <u>June 30, 2011</u>	<u>Restated</u> <u>Fund Balance</u> <u>June 30, 2010</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 3,618,216	\$ 3,571,540	\$ 46,676
Capital improvement	9,343,270	7,252,011	2,091,259
Other governmental	<u>983,125</u>	<u>550,149</u>	<u>432,976</u>
Total	\$ <u>13,944,611</u>	\$ <u>11,373,700</u>	\$ <u>2,570,911</u>

General Fund

The District's general fund balance increased \$46,676, due to the increases in revenue offsetting the increases in expenditures. The table that follows assists in illustrating the revenues of the general fund.

	<u>2011</u> <u>Amount</u>	<u>Restated</u> <u>2010</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Property taxes	\$ 10,058,881	\$ 10,265,158	(2.01)%
Investment earnings	15,255	19,289	(20.91)
Intergovernmental	14,870,500	14,589,742	1.92
Other revenue	<u>890,502</u>	<u>734,968</u>	21.16
Total	\$ <u>25,835,138</u>	\$ <u>25,609,157</u>	

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Property taxes revenue in the general fund decreased slightly during the current year. Investment earnings in the general fund decreased in the current year due to a decrease in interest rates. Intergovernmental revenues increased from the prior year. This increase is attributed to an increase in State reimbursements from the prior year. Other revenue increased from the prior year mainly due to an increase in receipts from the Positive Education Program and the sale of workbooks.

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

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Percentage <u>Change</u>
Expenditures by Function:			
Instruction	\$ 14,993,197	\$ 13,923,155	7.69%
Support services	9,957,484	10,007,327	(0.50)
Operation of non-instructional services	5,918	7,481	(20.89)
Facilities acquisition and construction	64,782	52,752	22.80
Extracurricular activities	547,859	499,659	9.65
Debt Service	-	197,384	(100.00)
Total	<u>\$ 25,569,240</u>	<u>\$ 24,687,758</u>	

Overall, general fund expenditures increased \$881,482 from the prior year due to increases in instruction costs. The increase in instruction expenditures during 2011 was related to increases in salaries and benefits.

General Fund Budget Information

The District's budget is prepared in accordance with Ohio law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. The District amended its revenue estimates to reflect lesser than originally anticipated revenues from the state revenues. There was a decrease of \$354,151 in intergovernmental state and federal revenue from the original budget to the final budgeted amount. The final budget for expenditures decreased \$1,649,999 over the original budget. This decrease was concentrated in the instruction functions, mainly regular education and special education.

Capital Assets

The District has \$33,819,338 invested in capital assets net of depreciation, with \$33,599,619 attributed to governmental activities. Acquisitions for governmental activities totaled \$3,070,738 and depreciation was \$1,546,812. The major acquisitions related to a construction project to build a new middle school. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 10).

Debt

At June 30, 2011, the District had \$24,925,000 in outstanding certificates of participation. The District paid \$750,000 in principal on certificates of participation outstanding during the fiscal year. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements (Note 15).

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

At June 30, 2011, the District had \$2,440,000 in outstanding general obligation bonds. The District paid \$95,000 in principal on the general obligation bonds outstanding during the fiscal year. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements (Note 15).

Current Financial Related Activities

The challenges facing the District are linked to the economy. This is a difficult time for the community due to the poor economic conditions. Property valuations decreased in the past and are expected to show very little growth in the next several years. This has resulted in very little growth in revenue for the District. In response to the limited revenue growth and increasing costs, the District has made major cuts over the last several years. In addition, two small Permanent Improvement levies and three emergency levies have been rejected by the voters, and investment income has disappeared due to the low interest rates.

The Board of Education will have to continue to seek additional revenue through levies in the near future, and is currently in the planning stages to ask for a levy in 2012. Due to the limited revenue growth, the administration continues to search for additional ways to save money in daily operations. In spite of the harsh economic times, it is the obligation of the Board of Education and the staff of the school to provide the best possible education to the students of Midview Schools. Therefore, the District will continue to integrate the use of technology into the students' daily education. The continued success of the District will be dependent on the support of the community.

Contacting the District's Financial Management

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

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Midview Local School District

Statement of Net Assets

June 30, 2011

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
Assets:			
Equity in pooled cash and cash equivalents	\$ 11,133,325	\$ 347,868	\$ 11,481,193
Cash with fiscal agents	2,835	-	2,835
Accounts receivable	48,482	-	48,482
Intergovernmental receivable	216,823	-	216,823
Prepaid items	15,867	-	15,867
Materials and supplies inventory	154,468	15,207	169,675
Property taxes receivable	12,644,107	-	12,644,107
Restricted assets:			
Cash and investments	7,084,714	-	7,084,714
Nondepreciable capital assets	5,099,880	-	5,099,880
Depreciable capital assets, net	<u>28,499,739</u>	<u>219,719</u>	<u>28,719,458</u>
Total assets	<u>64,900,240</u>	<u>582,794</u>	<u>65,483,034</u>
Liabilities:			
Accounts payable	1,601,982	3,396	1,605,378
Accrued wages and benefits	2,424,479	61,641	2,486,120
Accrued pension	674,776	27,119	701,895
Accrued interest payable	214,078	-	214,078
Matured compensated absences	227,051	-	227,051
Unearned revenue	11,014,286	-	11,014,286
Long-term liabilities:			
Due within one year	1,081,415	6,151	1,087,566
Due in more than one year	<u>28,045,361</u>	<u>45,107</u>	<u>28,090,468</u>
Total liabilities	<u>45,283,428</u>	<u>143,414</u>	<u>45,426,842</u>
Net assets:			
Invested in capital assets, net of related debt	8,434,619	219,719	8,654,338
Restricted for:			
Capital projects	9,343,270	-	9,343,270
Debt service	5,400	-	5,400
Other purposes	1,083,504	-	1,083,504
Unrestricted	<u>750,019</u>	<u>219,661</u>	<u>969,680</u>
Total net assets	\$ <u>19,616,812</u>	\$ <u>439,380</u>	\$ <u>20,056,192</u>

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

Midview Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Instruction:				
Regular education	\$ 14,441,153	\$ 212,842	\$ 1,409,174	\$ -
Special education	3,250,783	-	1,018,329	-
Vocational education	121,399	12,413	-	-
Other	45,619	-	-	-
Support services:				
Pupils	1,518,050	-	4,309	-
Instructional staff	445,516	-	86,358	-
Board of education	908,237	-	-	-
Administration	2,677,749	-	5,000	-
Fiscal services	624,684	-	-	-
Business	649,468	-	11,375	-
Operations and maintenance - plant	2,418,293	-	-	4,775,303
Pupil transportation	1,515,194	-	-	-
Operation of non - instructional services:				
Community services	5,918	-	-	-
Extracurricular activities	661,466	568,268	-	-
Interest and fiscal charges	<u>1,355,768</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	30,639,297	793,523	2,534,545	4,775,303
Business-type activities:				
Food service	<u>1,123,738</u>	<u>553,302</u>	<u>597,112</u>	<u>-</u>
Totals	\$ <u>31,763,035</u>	\$ <u>1,346,825</u>	\$ <u>3,131,657</u>	\$ <u>4,775,303</u>

General revenues:
 Property taxes levied for:
 General purpose
 Capital projects
 Special revenues
 Grant and entitlements not restricted to
 specific programs
 Investment earnings
 Miscellaneous
 Total general revenues

Change in net assets

Net assets at beginning of year, restated

Net assets at end of year

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

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business - Type Activities	Total
\$ (12,819,137)	\$ -	\$ (12,819,137)
(2,232,454)	-	(2,232,454)
(108,986)	-	(108,986)
(45,619)	-	(45,619)
(1,513,741)	-	(1,513,741)
(359,158)	-	(359,158)
(908,237)	-	(908,237)
(2,672,749)	-	(2,672,749)
(624,684)	-	(624,684)
(638,093)	-	(638,093)
2,357,010	-	2,357,010
(1,515,194)	-	(1,515,194)
(5,918)	-	(5,918)
(93,198)	-	(93,198)
<u>(1,355,768)</u>	<u>-</u>	<u>(1,355,768)</u>
(22,535,926)	-	(22,535,926)
-	26,676	26,676
<u>(22,535,926)</u>	<u>26,676</u>	<u>(22,509,250)</u>
10,399,959	-	10,399,959
1,474,848	-	1,474,848
244,658	-	244,658
14,946,869	-	14,946,869
17,932	266	18,198
494,451	-	494,451
<u>27,578,717</u>	<u>266</u>	<u>27,578,983</u>
5,042,791	26,942	5,069,733
<u>14,574,021</u>	<u>412,438</u>	<u>14,986,459</u>
\$ <u>19,616,812</u>	\$ <u>439,380</u>	\$ <u>20,056,192</u>

Midview Local School District

Balance Sheet – Governmental Funds

June 30, 2011

	<u>General</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 5,892,404	\$ 3,499,612	\$ 1,290,908	\$ 10,682,924
Cash with fiscal agents	-	-	2,835	2,835
Receivables:				
Property taxes receivable	11,058,134	1,585,973	-	12,644,107
Intergovernmental receivable	36,917	-	179,906	216,823
Interfund receivable	130,300	-	-	130,300
Accounts receivable	41,759	3,342	-	45,101
Materials and supplies inventory	154,468	-	-	154,468
Prepaid items	15,867	-	-	15,867
Restricted assets:				
Restricted cash and investments	<u>191,796</u>	<u>6,892,918</u>	<u>-</u>	<u>7,084,714</u>
Total assets	<u>\$ 17,521,645</u>	<u>\$ 11,981,845</u>	<u>\$ 1,473,649</u>	<u>\$ 30,977,139</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 398,853	\$ 1,161,360	\$ 39,994	\$ 1,600,207
Accrued wages and benefits	2,302,279	-	122,200	2,424,479
Interfund payable	-	-	130,300	130,300
Accrued pension	656,652	-	18,124	674,776
Deferred revenue	10,318,594	1,477,215	179,906	11,975,715
Matured compensated absences	<u>227,051</u>	<u>-</u>	<u>-</u>	<u>227,051</u>
Total liabilities	<u>13,903,429</u>	<u>2,638,575</u>	<u>490,524</u>	<u>17,032,528</u>
Fund balances:				
Nonspendable	170,335	-	-	170,335
Restricted	285,349	9,312,555	1,121,128	10,719,032
Committed	37,961	6,511	-	44,472
Assigned	383,842	24,204	-	408,046
Unassigned	<u>2,740,729</u>	<u>-</u>	<u>(138,003)</u>	<u>2,602,726</u>
Total fund balances	<u>3,618,216</u>	<u>9,343,270</u>	<u>983,125</u>	<u>13,944,611</u>
Total liabilities and fund balances	<u>\$ 17,521,645</u>	<u>\$ 11,981,845</u>	<u>\$ 1,473,649</u>	<u>\$ 30,977,139</u>

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

Midview Local School District

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

June 30, 2011

Total Governmental Funds Balances \$ 13,944,611

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the Funds. 33,599,619

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

Property and other taxes	\$ 781,523	
Grants	<u>179,906</u>	
Total		961,429

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental Funds, an interest expenditure is reported when due. (214,078)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in Governmental Activities in the Statement of Net Assets. 452,007

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

General obligation debt	(27,365,000)	
Compensated absences	<u>(1,761,776)</u>	
Total		<u>(29,126,776)</u>

Net assets of governmental activities \$ 19,616,812

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

Midview Local School District

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

For the Fiscal Year Ended June 30, 2011

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 10,058,881	\$ 1,474,848	\$ 244,658	\$ 11,778,387
Intergovernmental	14,870,500	5,063,582	2,534,986	22,469,068
Earnings on investments	15,255	2,677	-	17,932
Extracurricular activities	377,432	-	129,232	506,664
Classroom materials and fees	257,534	-	-	257,534
Miscellaneous	255,536	196,522	40,940	492,998
Total revenues	<u>25,835,138</u>	<u>6,737,629</u>	<u>2,949,816</u>	<u>35,522,583</u>
Expenditures:				
Instruction:				
Regular education	12,425,982	1,069	937,453	13,364,504
Special education	2,400,723	-	854,661	3,255,384
Vocational education	120,873	-	-	120,873
Other	45,619	-	-	45,619
Support services:				
Pupils	1,377,829	-	142,551	1,520,380
Instructional staff	438,100	-	7,321	445,421
Board of education	908,237	-	-	908,237
Administration	2,597,059	1,500	16,127	2,614,686
Fiscal services	597,219	20,256	-	617,475
Business	299,895	-	349,573	649,468
Operations and maintenance - plant	2,077,764	-	96,355	2,174,119
Pupil transportation	1,661,381	-	-	1,661,381
Operating on non-instructional services:				
Community services	5,918	-	-	5,918
Extracurricular activities:				
Academic and subject oriented	37,348	-	-	37,348
Sports oriented	384,547	-	112,799	497,346
Co-curricular	125,964	-	-	125,964
Capital outlay:				
Architecture and engineering services	6,704	140,433	-	147,137
Building acquisition and construction	-	2,342,788	-	2,342,788
Other facilities acquisition and construction	58,078	184,689	-	242,767
Debt services:				
Principal	-	845,000	-	845,000
Interest and fiscal charges	-	1,360,635	-	1,360,635
Total expenditures	<u>25,569,240</u>	<u>4,896,370</u>	<u>2,516,840</u>	<u>32,982,450</u>
Total excess of revenues over (under) expenditures	<u>265,898</u>	<u>1,841,259</u>	<u>432,976</u>	<u>2,540,133</u> (continued)

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

Midview Local School District

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

For the Fiscal Year Ended June 30, 2011

	<u>General</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):				
Transfers - in	\$ -	\$ 250,000	\$ -	\$ 250,000
Refund of prior year expenditures	30,778	-	-	30,778
Transfers - out	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>
Total other financing sources (uses)	<u>(219,222)</u>	<u>250,000</u>	<u>-</u>	<u>30,778</u>
Net change in fund balance	46,676	2,091,259	432,976	2,570,911
Fund balance at beginning of year, restated	<u>3,571,540</u>	<u>7,252,011</u>	<u>550,149</u>	<u>11,373,700</u>
Fund balance at end of year	\$ <u>3,618,216</u>	\$ <u>9,343,270</u>	\$ <u>983,125</u>	\$ <u>13,944,611</u>

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

Midview Local School District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 2,570,911

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

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

Capital outlay	\$ 3,070,738	
Depreciation	<u>(1,546,812)</u>	
Total		1,523,926

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. (238)

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

Delinquent property and other taxes	341,078	
Grants	<u>(212,351)</u>	
Total		128,727

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. 845,000

Internal Service Funds are used by management to charge to costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the Internal Service Fund is reported with Governmental Activities. (17,917)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds.

Compensated absences	(12,485)	
Accrued interest on bonds	<u>4,867</u>	
Total		<u>(7,618)</u>

Change in Net Assets of Governmental Activities \$ 5,042,791

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

Midview Local School District

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

For the Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 12,550,372	\$ 12,373,037	\$ 9,892,786	\$ (2,480,251)
Investment earnings	13,556	13,193	15,255	2,062
Extracurricular activities	237,390	231,028	267,137	36,109
Classroom materials and fees	39,715	38,651	44,692	6,041
Miscellaneous	212,412	206,719	239,029	32,310
Intergovernmental - state	13,124,219	12,772,489	14,768,820	1,996,331
Intergovernmental - federal	90,357	87,936	101,680	13,744
Total revenues	<u>26,268,021</u>	<u>25,723,053</u>	<u>25,329,399</u>	<u>(393,654)</u>
Expenditures:				
Instruction:				
Regular education	13,365,890	12,579,187	12,219,733	359,454
Special education	2,913,221	2,741,751	2,663,405	78,346
Vocational education	134,208	126,308	122,699	3,609
Adult Education	29,005	27,298	26,518	780
Other	29,324	27,598	26,810	788
Supporting services:				
Pupils	1,539,470	1,448,858	1,407,457	41,401
Instructional staff	484,478	455,962	442,933	13,029
Board of education	1,079,933	1,016,369	987,326	29,043
Administration	2,827,280	2,660,869	2,584,834	76,035
Fiscal services	655,820	617,220	599,582	17,638
Business	258,067	242,878	235,937	6,941
Operation and maintenance - plant	2,320,178	2,183,615	2,121,217	62,398
Pupil transportation	1,838,361	1,730,156	1,680,717	49,439
Community services	7,266	6,839	6,643	196
Extracurricular activities:				
Academic and subject oriented	40,850	38,446	37,347	1,099
Sports oriented	388,245	365,394	354,952	10,442
Co-curricular	34,513	32,482	31,554	928
Capital outlay	86,991	81,871	79,532	2,339
Total expenditures	<u>28,033,100</u>	<u>26,383,101</u>	<u>25,629,196</u>	<u>753,905</u>
Excess revenues over (under) expenditures	<u>(1,765,079)</u>	<u>(660,048)</u>	<u>(299,797)</u>	<u>360,251</u>

(continued)

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

Midview Local School District

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

For the Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Other financing sources (uses):				
Advances - in	198,519	198,519	148,000	(50,519)
Refund of prior year expenditures	27,351	26,618	30,778	4,160
Transfers - out	(518,658)	(518,658)	(274,000)	244,658
Advances - out	(80,300)	(80,300)	(80,300)	-
Total other financing sources (uses)	<u>(373,088)</u>	<u>(373,821)</u>	<u>(175,522)</u>	<u>198,299</u>
Net change in fund balance	(2,138,167)	(1,033,869)	(475,319)	558,550
Fund balance at beginning of year	5,037,357	5,037,357	5,037,357	-
Prior year encumbrances appropriated	<u>632,058</u>	<u>632,058</u>	<u>632,058</u>	-
Fund balance at end of year	\$ <u>3,531,248</u>	\$ <u>4,635,546</u>	\$ <u>5,194,096</u>	\$ <u>558,550</u>

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

Midview Local School District

Statement of Fund Net Assets - Proprietary Funds

June 30, 2011

	<u>Business-Type Activities</u> Food Service	<u>Governmental Activities</u> Internal Service Fund
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 347,868	\$ 450,401
Accounts receivable	-	3,381
Materials and supplies inventory	<u>15,207</u>	<u>-</u>
Total current assets	363,075	453,782
Non-current assets:		
Depreciable capital assets, net	<u>219,719</u>	<u>-</u>
Total assets	<u>582,794</u>	<u>453,782</u>
Liabilities:		
Current liabilities:		
Accounts payable	3,396	1,775
Accrued wages and benefits	61,641	-
Accrued pension	27,119	-
Current portion of compensated absences	<u>6,151</u>	<u>-</u>
Total current liabilities	98,307	1,775
Long-term liabilities:		
Compensated absences	<u>45,107</u>	<u>-</u>
Total liabilities	<u>143,414</u>	<u>1,775</u>
Net assets:		
Invested in capital assets	219,719	-
Unrestricted	<u>219,661</u>	<u>452,007</u>
Total net assets	\$ <u>439,380</u>	\$ <u>452,007</u>

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

Midview Local School District

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

For the Fiscal Year Ended June 30, 2011

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Food Service</u>	<u>Internal Service Fund</u>
Operating revenues:		
Charges for services	\$ <u>553,302</u>	\$ <u>47,170</u>
Operating expenses:		
Salaries and wages	314,327	-
Fringe benefits	162,380	-
Contractual services	-	65,087
Materials and supplies	619,603	-
Other operating expenses	2,191	-
Depreciation expense	<u>25,074</u>	<u>-</u>
Total operating expenses	<u>1,123,575</u>	<u>65,087</u>
Operating loss	<u>(570,273)</u>	<u>(17,917)</u>
Non-operating revenues (expenses):		
Federal donated commodities	66,863	-
Grant revenue	530,249	-
Investment earnings	266	-
Loss on sale of capital assets	<u>(163)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>597,215</u>	<u>-</u>
Net income (loss)	26,942	(17,917)
Total net assets at beginning of year, restated	<u>412,438</u>	<u>469,924</u>
Total net assets at end of year	\$ <u><u>439,380</u></u>	\$ <u><u>452,007</u></u>

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

Midview Local School District

Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2011

	Business-Type <u>Activities</u> Food <u>Service</u>	Governmental <u>Activities</u> Internal <u>Service Funds</u>
Increase in cash and cash equivalents:		
Cash flows from operating activities:		
Cash received from customers	\$ 553,302	\$ 55,659
Cash payments for contractual services	-	(65,823)
Cash payments for materials and supplies	(494,109)	-
Cash payments to employees for services	(370,722)	-
Cash payments for employee benefits	(149,542)	-
Cash payments for other operating expenses	<u>(2,191)</u>	<u>-</u>
<i>Net cash used for operating activities</i>	(463,262)	(10,164)
Cash flows from noncapital financing activities:		
Operating grants received	530,249	-
Cash flows from capital financing activities:		
Capital additions	(7,693)	-
Cash flows from investing activities:		
Interest on investments	<u>266</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	59,560	(10,164)
Cash and cash equivalents at beginning of year, restated	<u>288,308</u>	<u>460,565</u>
Cash and cash equivalents at end of year	\$ <u><u>347,868</u></u>	\$ <u><u>450,401</u></u>

(continued)

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

Midview Local School District

Statement of Cash Flows – Proprietary Funds (continued)

For the Fiscal Year Ended June 30, 2011

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Food Service</u>	<u>Internal Service Funds</u>
<i>Reconciliation of operating loss to net cash from operating activities:</i>		
Operating loss	\$ (570,273)	\$ (17,917)
Adjustments:		
Depreciation	25,074	-
Federal donated commodities	66,863	-
Changes in assets/liabilities:		
Decrease in accounts receivable	-	8,489
Increase in inventory	(10,009)	-
Increase (decrease) in accounts payable	3,106	(736)
Increase in accrued wages and benefits	5,246	-
Increase in accrued compensated absences	14,010	-
Increase in accrued pension	2,721	-
Total adjustments	<u>107,011</u>	<u>7,753</u>
<i>Net cash used for operating activities</i>	<u>\$ (463,262)</u>	<u>\$ (10,164)</u>

Schedule of non-cash financing activities:

During the year, the food services enterprise fund received donated commodities of \$66,863.

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

Midview Local School District

Statement of Fiduciary Assets and Liabilities – Fiduciary Funds

June 30, 2011

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 108,761
Taxes receivable	<u>544,632</u>
Total assets	\$ <u>653,393</u>
Liabilities:	
Accounts payable	\$ 1,406
Due to others	144,703
Deferred revenue	<u>507,284</u>
Total liabilities	\$ <u>653,393</u>

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

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Midview Local School District

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Note 1: Description of the School District and Reporting Entity

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

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

The District currently operates 3 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 136 non-certified and 196 certified (including administrative) full-time and part-time employees to provide services to approximately 3,294 students in grades K through 12 and various community groups.

Note 2: Summary of Significant Accounting Policies

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

A. 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 District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. Component units are legally separate organizations for which the District is financially accountable.

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

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

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 2: Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

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

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

B. Fund Accounting

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

Governmental Funds

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

General Fund

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

Capital Improvement Fund

The capital improvement fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

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

Proprietary Funds

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

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Proprietary Funds (continued)

Enterprise Funds

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

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District has one internal service fund to account for medical insurance costs.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has two agency funds to account for resources that belong to the student bodies and to account for property tax revenues for the Grafton Public Library.

C. Measurement Focus

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 2: Summary of Significant Accounting Policies (continued)

C. *Measurement Focus (continued)*

Government-wide Financial Statements (continued)

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

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

Fund Financial Statements

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

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

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

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 2: Summary of Significant Accounting Policies (continued)

C. Measurement Focus (continued)

Fund Financial Statements (continued)

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Deferred Revenue

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2011 is as follows:

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

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2011.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which are the legal levels of budgetary control. (State Statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term inter-fund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the legal level of budgetary control for a fund must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2011.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the legal level of budgetary control for the fund.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements. The District also utilizes an escrow agent to hold retainage on construction contracts. The balances in these accounts are presented on the financial statements as “restricted cash and investments” and represents deposits or investments in U.S. Government Securities.

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

The District complies with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. As a governmental entity other than an external investment pool in accordance with GASB 31, the District’s investments are stated at fair value, except for interest-earning investment contracts, money market investments, and external investment pools (see Note 6).

In applying GASB Statement No. 31, the District utilized the following methods and assumptions as of June 30, 2011:

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

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

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

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

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

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents (continued)

Midview City School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2011. STAR Ohio is an investment pool managed by the State Treasurer's office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2011.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$15,255, which includes \$6,681 assigned from other District funds.

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

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expenses when used. Inventory consists of donated food, purchased food, school supplies held for resale, and materials and supplies for consumption.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 2: Summary of Significant Accounting Policies (continued)

I. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund include amounts required by state Statute to be set-aside for textbooks and capital acquisition (Note 18). Restricted assets in the capital improvement fund include amounts for the classroom facilities assistance program.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

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

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 2: Summary of Significant Accounting Policies (continued)

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

L. Compensated Absences

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

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District’s past experience of making termination payments.

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

M. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 2: Summary of Significant Accounting Policies (continued)

N. Net Assets

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2011, net assets restricted were \$10,432,174 in the Statement of Net Assets, none of which were by enabling legislation.

O. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted: Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit these amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education.

Unassigned: Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 2: Summary of Significant Accounting Policies (continued)

O. Fund Balance (continued)

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. Operating Revenues and Expenses

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During 2011, the District had neither extraordinary items nor special items.

R. Interfund Activity

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

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

S. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 2: Summary of Significant Accounting Policies (continued)

T. Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through February 3, 2012, the date the financial statements were available to be issued.

Note 3: Change in Accounting Principles and Restatement of Prior Year's Fund Balance

A. Change in Accounting Principles

For fiscal year 2011, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Instruments Omnibus*.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification and restatement of the District's financial statements.

GASB Statement No. 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The District has no such investments and thus, the implementation of this Statement has no impact on the District's financial statements or disclosures.

B. Restatement of Prior Year's Fund Balance

	<u>General Fund</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Nonmajor Enterprise Funds</u>
Fund Balance at June 30, 2010	\$ 3,311,054	\$ 7,252,011	\$ 646,709	\$ 11,209,774	\$ 579,444
Change in Fund Structure	<u>260,486</u>	<u>-</u>	<u>(96,560)</u>	<u>163,926</u>	<u>(167,006)</u>
Restated Fund Balance at June 30, 2010	\$ <u>3,571,540</u>	\$ <u>7,252,011</u>	\$ <u>550,149</u>	\$ <u>11,373,700</u>	\$ <u>412,438</u>

During the change in fund structure, \$3,080 of capital assets, net was eliminated on the fund financial statements.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Assets at June 30, 2010	\$ 14,407,015	\$ 579,444	\$ 14,986,459
Change in Fund Structure	<u>167,006</u>	<u>(167,006)</u>	<u>-</u>
Restated Net Assets at June 30, 2010	\$ <u>14,574,021</u>	\$ <u>412,438</u>	\$ <u>14,986,459</u>

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 4: Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Capital Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Nonspendable:				
Inventory	\$ 154,468	\$ -	\$ -	\$ 154,468
Prepays	15,867	-	-	15,867
Total nonspendable	<u>170,335</u>	<u>-</u>	<u>-</u>	<u>170,335</u>
Restricted for:				
Debt service payments	-	-	5,400	5,400
Community activities	-	-	33,100	33,100
Athletics	-	-	32,224	32,224
Drug abuse education	-	-	47	47
Capital improvements	191,796	9,312,555	567,460	10,071,811
Other purposes	93,553	-	482,897	576,450
Total restricted	<u>285,349</u>	<u>9,312,555</u>	<u>1,121,128</u>	<u>10,719,032</u>
Committed to:				
Capital improvements	-	6,511	-	6,511
Other purposes	37,961	-	-	37,961
Total committed	<u>37,961</u>	<u>6,511</u>	<u>-</u>	<u>44,472</u>
Assigned to:				
Capital improvements	-	24,204	-	24,204
Other purposes	383,842	-	-	383,842
Total assigned	<u>383,842</u>	<u>24,204</u>	<u>-</u>	<u>408,046</u>
Unassigned (deficit)	<u>2,740,729</u>	<u>-</u>	<u>(138,003)</u>	<u>2,602,726</u>
Total fund balance	\$ <u>3,618,216</u>	\$ <u>9,343,270</u>	\$ <u>983,125</u>	\$ <u>13,944,611</u>

Note 5: Budgetary Basis of Accounting

While the District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts and disbursements and encumbrances.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 5: Budgetary Basis of Accounting (continued)

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

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

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

	<u>Net Change In Fund Balance</u>
GAAP Basis	\$ 46,676
Net Adjustment for Revenue Accruals	(152,016)
Advances - in	148,000
Net Adjustment for Expenditure Accruals	190,591
Advances - out	(80,300)
Adjustment for Encumbrances	(599,383)
To reclassify the net change in fund balance for funds combined with the general fund for GASB 54	<u>(28,887)</u>
Budget Basis	\$ <u>(475,319)</u>

Note 6: Deposits and Investments

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

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

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 6: Deposits and Investments (continued)

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

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 6: Deposits and Investments (continued)

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Deposits

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

At year-end, the carrying amount of the District's deposits was \$15,782,919 and the bank balance was \$15,907,584. Of the bank balance, \$3,138,521 was covered by Federal depository insurance and \$12,769,063 was collateralized with securities held by the pledging institution's trust department, not in the District's name.

Investments

Investments are reported as fair value. As of June 30, 2011, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity (Days)</u>
STAR Ohio	\$ <u>2,894,584</u>	<u>N/A</u>

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 6: Deposits and Investments (continued)

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

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

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

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

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
STAR Ohio	100%

Note 7: Receivables

Receivables at June 30, 2011 consisted of taxes, accounts and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables reported on the Statement of Net Assets follows:

Governmental activities:

Title VI-B IDEA	\$ 97,889
Title I	6,648
Title I-ARRA	64,416
Ohio PSEO Reimbursement	36,917
Miscellaneous federal grants	<u>10,953</u>
Total governmental activities	\$ <u>216,823</u>

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

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 8: Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State Statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, are levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received from telephone companies during calendar 2011 were levied after October 1, 2010, on the value as of December 31, 2010. 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. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures, is no longer levied and collected.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Midview Local School District. The County Auditor periodically advances to the District its portion of the taxes. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second-Half Collections		2011 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 454,370,557	96.74%	\$ 454,070,368	96.64%
Public Utility Personal	14,843,740	3.16%	15,778,070	3.36%
Telephone Tangible Personal Property	471,895	0.10%	-	0.00%
	<u>\$ 469,686,192</u>	<u>100.00%</u>	<u>\$ 469,848,438</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ <u>46.56</u>		\$ <u>46.56</u>	

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 8: Property Taxes (continued)

Accrued property taxes receivable includes real property, public utility property, and tangible personal taxes which became measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current year fiscal year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not levied to finance current fiscal year operations. The late settlement and the amount available to the District as an advance at June 30, 2011 are recognized as revenue.

At June 30, 2011, \$739,540 was available as an advance to the general fund, \$108,758 for the capital improvement fund, and \$37,348 for the Grafton Public Library fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

Note 9: Interfund Transfers and Balances

A. Interfund Balances

Interfund loans receivable/payable consisted of the following at June 30, 2011, as reported on the fund statement.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other governmental funds	\$ 130,300

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

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund statements.

	<u>Amount</u>
Transfers from general fund to:	
Capital improvement fund	\$ 250,000

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

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 10: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Restated Balance June 30, 2010	<u>Additions</u>	<u>Disposals</u>	Balance June 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,899,121	\$ -	\$ -	\$ 1,899,121
Construction in progress	<u>757,373</u>	<u>2,443,386</u>	<u>-</u>	<u>3,200,759</u>
Total capital assets, not being depreciated	<u>2,656,494</u>	<u>2,443,386</u>	<u>-</u>	<u>5,099,880</u>
Capital assets, being depreciated:				
Land improvements	5,054,950	58,990	-	5,113,940
Buildings and improvements	38,336,051	55,917	-	38,391,968
Furniture and equipment	5,214,855	211,145	(102,922)	5,323,078
Vehicles	<u>2,399,662</u>	<u>301,300</u>	<u>-</u>	<u>2,700,962</u>
Total capital assets, being depreciated	<u>51,005,518</u>	<u>627,352</u>	<u>(102,922)</u>	<u>51,529,948</u>
Less accumulated depreciation:				
Land improvements	(1,999,613)	(241,274)	-	(2,240,887)
Buildings and improvements	(13,907,205)	(902,186)	-	(14,809,391)
Furniture and equipment	(4,137,064)	(230,812)	102,684	(4,265,192)
Vehicles	<u>(1,542,199)</u>	<u>(172,540)</u>	<u>-</u>	<u>(1,714,739)</u>
Total accumulated depreciation	<u>(21,586,081)</u>	<u>(1,546,812)</u>	<u>102,684</u>	<u>(23,030,209)</u>
Total capital assets being depreciated, net	<u>29,419,437</u>	<u>(919,460)</u>	<u>(238)</u>	<u>28,499,739</u>
Governmental activities capital assets, net	\$ <u>32,075,931</u>	\$ <u>1,523,926</u>	\$ <u>(238)</u>	\$ <u>33,599,619</u>
Business-type activities:				
Furniture and equipment	\$ 726,856	\$ 7,693	\$ (3,260)	\$ 731,289
Less: accumulated depreciation	<u>(489,593)</u>	<u>(25,074)</u>	<u>3,097</u>	<u>(511,570)</u>
Business-type activities capital assets, net	\$ <u>237,263</u>	\$ <u>(17,381)</u>	\$ <u>(163)</u>	\$ <u>219,719</u>

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 10: Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular education	\$ 1,201,513
Special education	18,005
Vocational education	1,357
Support services:	
Pupils	15,738
Instructional staff	95
Administration	21,886
Fiscal services	1,247
Operations and maintenance - plant	24,031
Pupil transportation	153,152
Extracurricular activities:	
Sports oriented	6,474
Co-curricular activities	4,944
Capital outlay:	
Site improvement	66,821
Building acquisition and construction	1,035
Building improvement	493
Other facilities acquisition and construction	<u>30,021</u>
Total	\$ <u>1,546,812</u>

The business-type activities depreciation expense was charged to the food service operations.

Note 11: Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 11: Pension Plans (continued)

A. School Employees Retirement System (continued)

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the current employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ended June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's required contributions to SERS for the years ended June 30, 2011, 2010 and 2009 were \$533,076, \$526,815 and \$545,684, respectively; 89.20 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for 2010 and 2009.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

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

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

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

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 11: Pension Plans (continued)

B. State Teachers Retirement System (continued)

An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

The DC Plan benefits are established under Sections 3307.80 and 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

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

Employees have 120 days from their employment date to select a retirement plan.

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

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

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

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 11: Pension Plans (continued)

B. State Teachers Retirement System (continued)

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, 2010, and 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent.

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,735,257, \$1,689,128, and \$1,700,875, respectively; 94.60 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$22,366 made by the District and \$15,795 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12: Post-Employment Benefits

A. School Employees Retirement System

The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by SERS for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 12: Post-Employment Benefits (continued)

A. *School Employees Retirement System (continued)*

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is 0.76 percent. The District's contributions for the years ended June 30, 2011, 2010, and 2009 were \$28,938, \$28,599, and \$30,402, respectively; 89.31 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits. The Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than two percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$112,033, \$73,641, and \$220,579, respectively; 89.20 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

The financial reports for SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 12: Post-Employment Benefits (continued)

B. State Teachers Retirement System

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

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, one percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010, and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$123,947, \$120,652, and \$121,491, respectively; 94.60 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Note 13: Other Employee Benefits

A. Compensated Absences

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

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum. Upon retirement, payment is made for 25 percent of the total sick leave accumulation, up to a maximum accumulation of 300 days for certified employees. For classified employees, the payment is made for 25 percent of the first 100 days accumulated; 35 percent for days 101-250; and 50 percent for days 251-351. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 13: Other Employee Benefits (continued)

B. Life Insurance

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

Note 14: Risk Management

A. Property and Liability

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2011, the District has contracted with Somers Agency Inc. for property and general liability insurance. Professional liability is provided by Somers Agency Inc, with a \$6,000,000 aggregate limit.

Vehicles are covered by the Somers Agency Inc. Automobile liability has a \$6,000,000 combined single limit of liability.

Performance bonds of \$20,000 are maintained for the superintendent, the treasurer and the school board president by the Hylant Group.

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

B. Worker's Compensation

For fiscal year 2011, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm Sheakley provides administrative, cost control and actuarial services to the GRP.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 14: Risk Management (continued)

C. Medical

The District has contracted with Lake Erie Regional Employee Protection Plan (“LEREPP”) to provide medical and dental benefits for its employees and their covered dependents. LEREPP is a shared risk pool comprised of ten school districts within Lorain County. The participating districts pay monthly contributions that are placed in a common fund, from which eligible claims and expenses are paid for employees (and their covered dependents) of participating school districts. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$200,000 per participant.

Premium contributions are determined annually based on the claims experience of the shared risk-pool. Premiums can only be increased or decreased by up to 15% of the prior year’s contribution, unless approved by council. Member districts may become liable for additional contributions to fund the liability of the pool. In the event of termination, all participating districts’ claims would be paid without regard to their individual account balances. This plan provides a medical and dental plan with a \$150 deductible for family coverage and \$15 deductible for single coverage.

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

Note 15: Long-Term Liabilities

Changes in long-term debt activity for the year ended June 30, 2011 was as follows:

	Interest Rate	Issue Date	Balance 6/30/10	Issued	Retired	Balance 6/30/11	Amounts Due in One Year
Governmental activities:							
Certificates of participation	2.1% - 5.25%	04/01/04	\$ 8,365,000	\$ -	\$ 250,000	\$ 8,115,000	\$ 260,000
Certificates of participation	1.3% - 5.25%	04/15/03	17,310,000	-	500,000	16,810,000	515,000
GO Judgment bonds	4.97%	06/26/07	2,260,000	-	60,000	2,200,000	60,000
GO Equipment bonds	4.78%	06/26/07	275,000	-	35,000	240,000	35,000
Compensated absences	n/a	n/a	<u>1,749,291</u>	<u>222,402</u>	<u>209,917</u>	<u>1,761,776</u>	<u>211,415</u>
Total governmental activities			\$ <u>29,959,291</u>	\$ <u>222,402</u>	\$ <u>1,054,917</u>	\$ <u>29,126,776</u>	\$ <u>1,081,415</u>
Business-type activities:							
Compensated absences	n/a	n/a	\$ <u>37,248</u>	\$ <u>18,480</u>	\$ <u>4,470</u>	\$ <u>51,258</u>	\$ <u>6,151</u>

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

The Leasing Corporation entered into an agreement with a trustee through which it assigned and transferred rights and interest under the lease to the Bank of New York Trust Company, N.A. as Trustee. The Trustee issued Certificates of Participation in the lease agreement enabling holders of the Certificates to receive a

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 15: Long-Term Liabilities (continued)

portion of the semi-annual lease payments. Proceeds from the issuance are mainly being used to construct three new schools. In addition, terms of the trust indenture require a portion of the proceeds to be set aside for current and future certificate payments. The current certificate payment account is used to account for resources accumulated for payment over the next twelve months. The reserve account was established solely to make rent payments if a deficiency exists in the current certificate payment and, if all payments are current, to make payment of the last certificate payments.

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

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

In June 2007, the District issued \$2,390,000 of general obligation bonds for the purpose of paying final judgment costs, including defense costs and expenses. The general obligation bonds mature on December 31, 2031. The District also issued \$350,000 of general obligation equipment bonds for the purpose of acquiring school equipment, including buses, textbooks and technology upgrades. The general obligation equipment bonds mature on December 1, 2016. The annual principal and interest requirements of the general obligation judgment and equipment bonds are payable from resources from the capital improvement fund.

	Governmental Activities					
	2003 Certificates of Participation		2004 Certificates of Participation		GO Judgment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 515,000	\$ 818,818	\$ 260,000	\$ 389,423	\$ 60,000	\$ 107,849
2013	540,000	796,534	270,000	379,148	65,000	104,743
2014	560,000	772,594	280,000	367,798	70,000	101,388
2015	585,000	744,638	290,000	355,685	70,000	97,909
2016	615,000	713,138	305,000	342,965	75,000	94,306
2017-2021	3,600,000	3,043,322	1,725,000	1,495,011	435,000	409,900
2022-2026	4,570,000	2,044,256	2,180,000	1,028,221	550,000	288,261
2027-2031	5,825,000	756,375	2,805,000	383,382	710,000	132,452
2032-2033	-	-	-	-	165,000	4,100
Total	\$ <u>16,810,000</u>	\$ <u>9,689,675</u>	\$ <u>8,115,000</u>	\$ <u>4,741,633</u>	\$ <u>2,200,000</u>	\$ <u>1,340,908</u>

	GO Equipment Bonds		Totals	
	Principal	Interest	Principal	Interest
2012	\$ 35,000	\$ 10,635	\$ 870,000	\$ 1,326,725
2013	35,000	8,963	910,000	1,289,388
2014	40,000	7,170	950,000	1,248,950
2015	40,000	5,258	985,000	1,203,490
2016	45,000	3,226	1,040,000	1,153,635
2017-2021	45,000	1,075	5,805,000	4,949,308
2022-2026	-	-	7,300,000	3,360,738
2027-2031	-	-	9,340,000	1,272,209
2032-2033	-	-	165,000	4,100
Total	\$ <u>240,000</u>	\$ <u>36,327</u>	\$ <u>27,365,000</u>	\$ <u>15,808,543</u>

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 16: Jointly Governed Organizations and Public Entity Risk Pool

A. Jointly Governed Organizations

Lake Erie Regional Council

The Lake Erie Regional Council (“LERC”) is a jointly governed organization among ten school districts. LERC was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, natural gas consumption, driver education, food service, and insurance. Each member provides operating resources to LERC on a per pupil or actual usage charge (except for insurance). The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information is available from the Treasurer of the Educational Service Center of Lorain County, located at 1885 Lake Avenue, Elyria, Ohio 44035. During fiscal year 2011, the District paid \$2,332,526 (including insurance premiums) to LERC.

Lorain County Joint Vocational School District

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

Lake Erie Educational Computer Association

The Lake Erie Educational Computer Association (“LEECA”) is a jointly governed organization comprised of 27 school districts. LEECA was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions for member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge, dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district, and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 16: Jointly Governed Organizations and Public Entity Risk Pool (continued)

A. Jointly Governed Organizations (continued)

at least one assembly member from each county from which participating districts are located. Fiscal information is available from the Treasurer of the Educational Service Center of Lorain County (fiscal agent), located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2011, the District paid \$707,013 to LEECA for basic service charges.

Ohio Schools' Council Association

The Ohio Schools' Council Association (the "Council") is a jointly governed organization among 126 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. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the "Board"). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities designated by the Board. During fiscal year 2011 the District paid \$213,151 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 District participates in the Council's prepaid natural gas program. This program allows school districts to purchase natural gas at reduced rates. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 143 participants in the program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

B. Public Entity Risk Pool

The District participates in the Better Business Bureau Group Rating Program (the "GRP"), an insurance purchasing pool. The GRP's business and affairs are conducted by Sheakley Uniservice Inc. Sheakley Uniservice Inc. serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 17: Contingencies

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2011.

B. Litigation

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

Note 18: Set-Aside Calculations

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

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

	Textbooks Instructional Materials Reserve	Capital Improvements Reserve
Set-Aside Reserve Balance as of June 30, 2010	\$ 169,610	\$ 11,723
Current Year Set-Aside Requirements	522,095	522,095
Qualifying Disbursements	(933,183)	(342,022)
Current Year Offsets	-	-
Excess Qualified Expenditures from Prior Years	-	-
Total	\$ <u>(241,478)</u>	\$ <u>191,796</u>
Set-Aside Reserve Balance as of June 30, 2011	\$ <u>-</u>	\$ <u>191,796</u>

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 18: Set-Aside Calculations (continued)

The total reserve balance for the set asides at the end of the fiscal year was \$191,796. The District had qualifying disbursements during the year that reduced the textbook set-aside amount below zero. Effective July 1, 2011 the textbook set-aside is no longer required has been removed from existing law. Therefore, this negative balance is not presented as being carried forward to the future fiscal year.

Note 19: Fund Deficits

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Funds</u>		<u>Deficit Fund Balance</u>
Nonmajor special revenue funds:		
Title VI-B Special education IDEA	\$	69,054
Title I		64,200
Classroom reduction fund		4,749

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

Note 20: Fair Value Measurements

In accordance with the “Fair Value Measurements” topic of the FASB ASC, the District uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own valuation assumptions. These inputs reflect management’s judgment about the assumptions that a market participant would use in pricing the asset and are based on the best available information, which has been internally developed.

In accordance with the “Fair Value Measurements” topic of the FASB ASC, the District has elected to not apply the provisions of topic 820, as discussed in paragraph 820-10-15-1A of the FASB ASC, no non-financial assets and liabilities, except for those items that are recognized or disclosed at fair value in an entity’s financial statements on a recurring basis.

Midview Local School District

Notes to Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2011

Note 20: Fair Value Measurements (continued)

Financial assets consisted of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>6/30/11</u>
STAR Ohio	\$ 2,877,729	\$ -	\$ -	\$ 2,877,729
Sweep/Money Market Accounts	<u>13,191,796</u>	<u>-</u>	<u>-</u>	<u>13,191,796</u>
	<u>\$ 16,069,525</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,069,525</u>

Note 21: Construction Commitments

The District has active construction projects as of June 30, 2011. As of June 30, 2011, the District's construction commitments with contractors were as follows:

<u>Project</u>	<u>Project Expenditures as of 6/30/2011</u>	<u>Remaining Commitment</u>
Land improvements		
Wetlands migration project	\$ 119,285	\$ 6,511
Buildings and improvements		
Middle school project	<u>3,081,474</u>	<u>7,690,603</u>
Total projects	<u>\$ 3,200,759</u>	<u>\$ 7,697,114</u>

**MIDVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor <i>Pass Through Grantor</i> Program Title	Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
National School Lunch Program	2011	10.555	\$ 407,442	\$ 61,606	\$ 407,442	\$ 61,606
National School Breakfast Program	2011	10.553	110,839	-	110,839	-
Total Child Nutrition Cluster			<u>518,281</u>	<u>61,606</u>	<u>518,281</u>	<u>61,606</u>
Total U.S. Department of Agriculture			<u>518,281</u>	<u>61,606</u>	<u>518,281</u>	<u>61,606</u>
U.S. Department of Education						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education-Grants to States	2010	84.027	196,801	-	100,065	-
	2011	84.027	475,406	-	481,786	-
ARRA Special Education-Grants to States	2010	84.391	(58,875)	-	9,248	-
	2011	84.391	332,512	-	254,734	-
Total Special Education Cluster			<u>945,844</u>	<u>-</u>	<u>845,833</u>	<u>-</u>
Title I Cluster:						
Title I Grants to Local Educational Agencies	2010	84.010	17,738	-	51,988	-
	2011	84.010	377,098	-	326,035	-
ARRA Title I Grants to Local Educational Agencies	2010	84.389	(18,795)	-	231	-
	2011	84.389	99,885	-	157,385	-
Total Title I Cluster			<u>475,926</u>	<u>-</u>	<u>535,639</u>	<u>-</u>
Safe and Drug-Free Schools and Communities State Grants						
	2010	84.186	2,510	-	2,429	-
	2011	84.186	2,382	-	2,335	-
Total Safe and Drug-Free Schools and Communities State Grants			<u>4,892</u>	<u>-</u>	<u>4,764</u>	<u>-</u>
Title IID Education Technology State Grants						
	2010	84.318	(53)	-	-	-
	2011	84.318	4,362	-	3,770	-
Total Title IID Education Technology State Grants			<u>4,309</u>	<u>-</u>	<u>3,770</u>	<u>-</u>
Improving Teacher Quality State Grants						
	2010	84.367	-	-	1,179	-
	2011	84.367	81,466	-	71,973	-
Total Improving Teacher Quality State Grants			<u>81,466</u>	<u>-</u>	<u>73,152</u>	<u>-</u>
ARRA State Fiscal Stabilization Funding						
	2010	84.394	(293,892)	-	454,604	-
	2011	84.394	1,212,581	-	733,615	-
Total ARRA State Fiscal Stabilization Funding			<u>918,689</u>	<u>-</u>	<u>1,188,219</u>	<u>-</u>
Total U.S. Department of Education			<u>2,431,126</u>	<u>-</u>	<u>2,651,377</u>	<u>-</u>
Total Federal Assistance			<u>\$ 2,949,407</u>	<u>\$ 61,606</u>	<u>\$ 3,169,658</u>	<u>\$ 61,606</u>

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement.

**MIDVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Midview Local School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2010 to 2011</u>
ARRA Title I Grants to Local Educational Agencies	84.389	\$18,795
Title IID Education Technology State Grants	84.318	53
ARRA Special Education - Grants to States	84.391	58,875
ARRA State Fiscal Stabilization Funds	84.394	293,892



Dave Yost • Auditor of State

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

Midview Local School District
Lorain County
1010 Vivian Drive
Grafton, Ohio 44044

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Midview Local School District, Lorain County, Ohio (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 3, 2012, wherein we noted the District implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and restated the June 30, 2010 fund balances due to a change in fund structure. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

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 matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 3, 2012.

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

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

Dave Yost
Auditor of State

February 3, 2012



Dave Yost • Auditor of State

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

Midview Local School District
Lorain County
1010 Vivian Drive
Grafton, Ohio 44044

To the Board of Education:

Compliance

We have audited the compliance of the Midview Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. 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 opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 these 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 these requirements.

As described in finding 2011-01 in the accompanying schedule of findings, the District did not comply with requirements regarding cash management applicable to its State Fiscal Stabilization Fund major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Midview Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2011-01 to be a material weakness.

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

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 3, 2012.

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



Dave Yost
Auditor of State

February 3, 2012

**MIDVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A - 133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified – Cash Management – State Fiscal Stabilization Fund; Unqualified – All other requirements
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	ARRA State Fiscal Stabilization Fund – CFDA #84.394 <u>Special Education Cluster:</u> ARRA and non-ARRA Special Education Grants to States – CFDA #84.391 and 84.207 <u>Title I Cluster:</u> ARRA and non-ARRA Title I, Grants to Local Educational Agencies – CFDA #84.389 and 84.010 <u>Child Nutrition Cluster:</u> National School Lunch Program – CFDA #10.555; National School Breakfast Program – CFDA #10.553
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**MIDVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(CONTINUED)**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Cash Management – Noncompliance and Material Weakness

Finding Number	2011-01
CFDA Title and Number	#84.394 ARRA State Fiscal Stabilization Fund
Federal Award Number / Year	2011
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

The District received State Fiscal Stabilization Funds (SFSF) which were passed through the Ohio Department of Education. These SFSF monies were advanced bi-monthly to the District along with State Foundation Payments as indicated in the ODE Pathway to Student Success (PASS) form, a new form in fiscal year 2010 that shows funding information for the components of the Evidenced Based Funding Model (EBM). The PASS form breaks out the individual components of the EBM, including the amount representing SFSF. 34 CFR 80.21 (b)(7) states in part: "When advances are made by letter of credit or electronic transfer of funds methods, the grantee must make draw downs as close as possible to the time of making disbursement." The Ohio Department of Education subsequently stated local educational agencies must have formal control systems in place to ensure advance SFSF payments are spent timely (i.e., within 30 days or by the end of the month in which the monies were received, whichever occurs first). The Ohio Department of Education sent further guidance allowing Districts to spend the last payment received in June of 2011 until July 31, 2011.

The District began receiving SFSF funding in July 2009. In total, the District received \$1,671,674 and as of June 30, 2011 had only spent \$1,192,728. The level of this balance allowed the District to earn interest on these funds. We noted unencumbered balances ranging from \$0 to \$465,553 for the months of July 2010 to June 2011. The unencumbered balance of \$465,553 was outstanding at the end of July 2011. We determined the District earned an estimated \$469 of interest from these excess funds. The interest must be remitted to the U.S. Department of Education through the Ohio Department of Education. An amount of \$100 per entity may be retained under 34 CFR 80.21 for administrative expenses.

We recommend the District monitor available cash fund balances to ensure advanced grant monies are spent timely. We also recommend the District contact the Ohio Department of Education so they can review the calculation of interest earned and remit the additional \$369 of estimated interest earned on the excess SFSF balances to the United States Department of Education.

Officials' Response:

I now understand how the funds should have been spent on a more timely schedule. This was not made clear in the seminar I attended in 2009. I will put procedures in place to prevent this from happening again. We do not have any Federal Stimulus funds at this time to monitor.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Midview Local School District
Lorain County
1010 Vivian Drive
Grafton, Ohio 44044

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Midview Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on December 21, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

February 3, 2012

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Dave Yost • Auditor of State

MIDVIEW LOCAL SCHOOL DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 13, 2012**