



Dave Yost • Auditor of State



**MIDVIEW LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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# Dave Yost • Auditor of State

## 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, 2012, 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, 2012, 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, Midview Local School District, Lorain County, Ohio restated the beginning fund balance as of July 1, 2011 in the Permanent Improvement, Classroom Facilities and Other Governmental funds to correctly identify the major funds based on the criteria described in Statements of the Governmental Accounting Standards Board 34.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2013, 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

March 15, 2013

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2012  
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, 2012. 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 2012 are as follows:

- In total, net assets increased \$7,907,190. Net assets of governmental activities increased \$7,908,774, which represents a 40.32% increase from 2011. Net assets of business-type activities decreased \$1,584 or 0.36% from 2011.
- General revenues accounted for \$28,224,881 in revenues or 69.67% 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 \$12,280,182 or 30.33% of total revenues of \$40,505,063.
- The District had \$31,470,177 in expenses related to governmental activities; only \$11,154,070 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and unrestricted grants and entitlements) and program revenues were adequate to provide for these programs resulting in an increase of net assets from a balance of \$19,616,812 to \$27,525,586.
- The District had \$1,127,696 in expenses related to business-type activities; a total of \$1,126,112 was offset by program specific charges for services, grants, and contributions. This resulted in a decrease to net assets of \$1,584.
- The District's major governmental funds are the general fund, the permanent improvement fund and the classroom facilities fund. The general fund had \$26,603,185 in revenues and other financing sources and \$26,628,216 in expenditures and other financing uses. The general fund's fund balance decreased \$25,031 from a balance of \$3,618,216 to \$3,593,185. The permanent improvement fund had \$2,402,613 in revenues and other financing sources and \$2,728,647 in expenditures. The fund balance decreased \$326,034 from \$3,373,162 to \$3,047,128. The classroom facilities fund had \$8,507,706 in revenues and \$11,269,981 in expenditures. The fund balance decreased \$2,762,275 from \$5,939,393 to \$3,177,118.

**Using these Basic Financial Statements**

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

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2012  
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 permanent improvement fund and classroom facilities 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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Management's Discussion & Analysis  
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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 26. 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 2012 and 2011.

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited**

**Table 1  
Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 23,102,593	\$ 24,215,907	\$ 388,898	\$ 363,075	\$ 23,491,491	\$ 24,578,982
Restricted assets	4,372,941	7,084,714	-	-	4,372,941	7,084,714
Capital assets, net	<u>44,015,239</u>	<u>33,599,619</u>	<u>192,826</u>	<u>219,719</u>	<u>44,208,065</u>	<u>33,819,338</u>
Total assets	<u>71,490,773</u>	<u>64,900,240</u>	<u>581,724</u>	<u>582,794</u>	<u>72,072,497</u>	<u>65,483,034</u>
Current liabilities	15,934,245	16,156,652	87,413	92,156	16,021,658	16,248,808
Long-term liabilities	<u>28,030,942</u>	<u>29,126,776</u>	<u>56,515</u>	<u>51,258</u>	<u>28,087,457</u>	<u>29,178,034</u>
Total liabilities	<u>43,965,187</u>	<u>45,283,428</u>	<u>143,928</u>	<u>143,414</u>	<u>44,109,115</u>	<u>45,426,842</u>
Invested in capital assets, net of related debt	19,660,239	8,434,619	192,826	219,719	19,853,065	8,654,338
Restricted for:						
Capital projects	3,972,863	9,343,270	-	-	3,972,863	9,343,270
Debt service	5,400	5,400	-	-	5,400	5,400
Other purposes	872,075	1,083,504	-	-	872,075	1,083,504
Unrestricted (deficit)	<u>3,015,009</u>	<u>750,019</u>	<u>244,970</u>	<u>219,661</u>	<u>3,259,979</u>	<u>969,680</u>
Total net assets	<u>\$ 27,525,586</u>	<u>\$ 19,616,812</u>	<u>\$ 437,796</u>	<u>\$ 439,380</u>	<u>\$ 27,963,382</u>	<u>\$ 20,056,192</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 \$27,963,382 at the close of the most recent fiscal year.

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

Total assets increased by \$6,589,463 from 2011 to 2012, while the District's total liabilities decreased by \$1,317,727. The main sources for the increase in assets related to an increase in capital assets, net offset by a decrease in restricted cash. Net capital assets increased \$10,388,727 during fiscal year 2012 due to the ongoing construction of the new middle school. Restricted cash decreased by \$2,711,773 in the current year. The decrease is due to the use of the funds received from the Classroom Facilities Assistance Program to construct the new middle school. The middle school project is approaching completion. The most significant change in liabilities was a decrease in long-term liabilities of \$1,090,577. This decrease in long-term liabilities was mainly due to the repayment of debt obligations without issuing any new debt during the year.

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

**Table 2  
Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 803,878	\$ 793,523	\$ 535,122	\$ 553,302	\$ 1,339,000	\$ 1,346,825
Operating grants and contributions	1,844,373	2,534,545	590,990	597,112	2,435,363	3,131,657
Capital grants and contributions	<u>8,505,819</u>	<u>4,775,303</u>	<u>-</u>	<u>-</u>	<u>8,505,819</u>	<u>4,775,303</u>
Total program revenues	<u>11,154,070</u>	<u>8,103,371</u>	<u>1,126,112</u>	<u>1,150,414</u>	<u>12,280,182</u>	<u>9,253,785</u>
General revenues:						
Property taxes	12,218,373	12,119,465	-	-	12,218,373	12,119,465
Grants and entitlements	15,444,063	14,946,869	-	-	15,444,063	14,946,869
Investment earnings	16,879	17,932	-	266	16,879	18,198
Other	<u>545,566</u>	<u>494,451</u>	<u>-</u>	<u>-</u>	<u>545,566</u>	<u>494,451</u>
Total general revenues	<u>28,224,881</u>	<u>27,578,717</u>	<u>-</u>	<u>266</u>	<u>28,224,881</u>	<u>27,578,983</u>
Total revenues	<u>39,378,951</u>	<u>35,682,088</u>	<u>1,126,112</u>	<u>1,150,680</u>	<u>40,505,063</u>	<u>36,832,768</u>
<b>Expenses:</b>						
Program expenses:						
Instruction:						
Regular	15,904,869	14,441,153	-	-	15,904,869	14,441,153
Special	2,949,357	3,250,783	-	-	2,949,357	3,250,783
Vocational	140,019	121,399	-	-	140,019	121,399
Other	<u>126,540</u>	<u>45,619</u>	<u>-</u>	<u>-</u>	<u>126,540</u>	<u>45,619</u>
Support services:						
Pupil	1,729,112	1,518,050	-	-	1,729,112	1,518,050
Instructional staff	463,355	445,516	-	-	463,355	445,516
Board of education	319,619	908,237	-	-	319,619	908,237
Administration	2,725,147	2,677,749	-	-	2,725,147	2,677,749
Fiscal	722,976	624,684	-	-	722,976	624,684
Business	364,161	649,468	-	-	364,161	649,468
Operation and maintenance - plant	2,428,318	2,418,293	-	-	2,428,318	2,418,293
Pupil transportation	<u>1,520,000</u>	<u>1,515,194</u>	<u>-</u>	<u>-</u>	<u>1,520,000</u>	<u>1,515,194</u>
Operation of non - instructional services:						
Community services	4,326	5,918	-	-	4,326	5,918
Extracurricular activities	747,281	661,466	-	-	747,281	661,466
Interest and fiscal charges	1,325,097	1,355,768	-	-	1,325,097	1,355,768
Food service	<u>-</u>	<u>-</u>	<u>1,127,696</u>	<u>1,123,738</u>	<u>1,127,696</u>	<u>1,123,738</u>
Total expenses	<u>31,470,177</u>	<u>30,639,297</u>	<u>1,127,696</u>	<u>1,123,738</u>	<u>32,597,873</u>	<u>31,763,035</u>
Change in net assets	7,908,774	5,042,791	(1,584)	26,942	7,907,190	5,069,733
Net assets at beginning 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>
Net assets at end of year	<u>\$ 27,525,586</u>	<u>\$ 19,616,812</u>	<u>\$ 437,796</u>	<u>\$ 439,380</u>	<u>\$ 27,963,382</u>	<u>\$ 20,056,192</u>

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited**

***Governmental Activities***

Net assets of the District's governmental activities increased \$7,908,774. Total governmental expenses of \$31,470,177 were offset by program revenues of \$11,154,070 and general revenues of \$28,224,881. Program revenues supported 35.45% 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 70.25% of total governmental revenue. Property taxes support 38.83% of total expenses while grants and entitlements not restricted to specific purposes supported 49.08% of total expenses. Grants and entitlements not restricted to specific purposes increased \$497,194 due to an increase in payments in lieu of taxes funding for fiscal year 2012.

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 2012 and 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Table 3  
Total Cost of Program Services**

	<u>Governmental Activities</u>			
	<u>Total Cost of Services 2012</u>	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2012</u>	<u>Net Cost of Services 2011</u>
Program expenses:				
Instruction:				
Regular	\$ 15,904,869	\$ 14,441,153	\$ 14,561,110	\$ 12,819,137
Special	2,949,357	3,250,783	2,339,890	2,232,454
Vocational	140,019	121,399	122,855	108,986
Other	126,540	45,619	126,540	45,619
Support services:				
Pupil	1,729,112	1,518,050	1,725,933	1,513,741
Instructional staff	463,355	445,516	357,611	359,158
Board of education	319,619	908,237	319,619	908,237
Administration	2,725,147	2,677,749	2,725,147	2,672,749
Fiscal	722,976	624,684	722,976	624,684
Business	364,161	649,468	364,161	638,093
Operations and maintenance - plant	2,428,318	2,418,293	(6,077,501)	(2,357,010)
Pupil transportation	1,520,000	1,515,194	1,520,000	1,515,194
Operation of non - instructional services:				
Community services	4,326	5,918	4,326	5,918
Extracurricular activities	747,281	661,466	178,343	93,198
Interest and fiscal charges	<u>1,325,097</u>	<u>1,355,768</u>	<u>1,325,097</u>	<u>1,355,768</u>
Total expenses	<u>\$ 31,470,177</u>	<u>\$ 30,639,297</u>	<u>\$ 20,316,107</u>	<u>\$ 22,535,926</u>

The dependence upon general revenues during fiscal year 2012 for governmental activities is apparent, as 89.70% of 2012 instruction activities are supported by property taxes, grants and entitlements, investment earnings, and other general revenues. The District's taxpayers, as a whole, are the primary support for District's students.

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited**

***Business-Type Activities***

Business-type activities are comprised of the food service operations. The food service operations had expenses of \$1,127,696 and revenues of \$1,126,112. This resulted in a decrease to net assets for the fiscal year of \$1,584. 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 \$10,513,457 which is less than last year's total of \$13,944,611. This decrease in total fund balance is primarily due to a decrease in the classroom facilities fund. The decrease in fund balance can be explained by the decrease in restricted cash of approximately \$2.7 million. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	<u>Fund Balance June 30, 2012</u>	<u>Fund Balance June 30, 2011 Restated</u>	<u>Increase (Decrease)</u>
General	\$ 3,593,185	\$ 3,618,216	\$ (25,031)
Permanent improvement	3,047,128	3,373,162	(326,034)
Classroom facilities	3,177,118	5,939,393	(2,762,275)
Other governmental	<u>696,026</u>	<u>1,013,840</u>	<u>(317,814)</u>
Total	\$ <u>10,513,457</u>	\$ <u>13,944,611</u>	\$ <u>(3,431,154)</u>

***General Fund***

The District's general fund balance decreased \$25,031, due to the increases in revenue not quite offsetting the increases in expenditures. The table that follows assists in illustrating the revenues of the general fund.

	<u>2012 Amount</u>	<u>2011 Amount</u>	<u>Percentage Change</u>
Revenues:			
Property taxes	\$ 10,674,896	\$ 10,058,881	6.12%
Investment earnings	11,358	15,255	(25.55)
Intergovernmental	15,058,133	14,870,500	1.26
Other revenue	<u>840,191</u>	<u>890,502</u>	(5.65)
Total	\$ <u>26,584,578</u>	\$ <u>25,835,138</u>	

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Unaudited**

Property taxes revenue in the general fund increased 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 payments in lieu of taxes from the prior year. Other revenue decreased from the prior year mainly due to a decrease in receipts from the Positive Education Program.

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

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Expenditures by Function:			
Instruction	\$ 15,629,298	\$ 14,993,197	4.24%
Support services	9,793,061	9,957,484	(1.65)
Operation of non-instructional services	4,326	5,918	(26.90)
Facilities acquisition and construction	127,053	64,782	96.12
Extracurricular activities	<u>624,478</u>	<u>547,859</u>	13.99
Total	<u>\$ 26,178,216</u>	<u>\$ 25,569,240</u>	

Overall, general fund expenditures increased \$608,976 from the prior year due to increases in instruction costs. The increase in instruction expenditures during 2012 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 an increase of \$1,099,573 in intergovernmental state and federal revenue from the original budget to the final budgeted amount. The final budget for expenditures increased \$99,999 over the original budget. This increase was in the instruction functions, mainly regular education and special education.

**Capital Assets**

The District has \$44,208,065 invested in capital assets net of depreciation, with \$44,015,239 attributed to governmental activities. Acquisitions for governmental activities totaled \$11,960,853 and depreciation was \$1,520,989. 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, 2012, the District had \$24,150,000 in outstanding certificates of participation. The District paid \$775,000 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).

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

**Midview Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited**

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, 2012, the District had \$2,345,000 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**

Consistent with many school districts in Ohio, the Midview Local School District is faced with the challenge of maintaining a high standard of education for our students and services to our community, while striving to remain financially solvent. The District relies heavily upon real estate taxes, personal property taxes, and State funding as the major sources of revenue.

The District is not anticipating any significant growth in revenue. With the recent elimination of the tangible personal property tax reimbursements, reductions in State funding, and decreases of property valuations, these funding changes are having a negative financial impact on the District.

In fiscal year 2011 and 2012, operating expenses of the District exceeded operating revenue. This trend is projected to continue over the District's five-year forecast without the passage of a new levy. The current cash balance will be utilized to cover the operating deficit projected for fiscal year 2013.

In response to the limited revenue and increasing costs, the District is evaluating cuts for the future and has placed a levy request on the February 2013 ballot. The administration is continuously searching for additional ways to save money in the daily operations of the district. The Board and administration will monitor these projections, updating them with pertinent information as it becomes available, and utilize these projections in the decision making process.

The Midview community has a long history of taking pride in its schools. The District has received an "Effective" rating by the Ohio Department of Education for the 2011-2012 school year. The Board, administration, and staff are committed to working with the community in order to maintain the high standard of education in a safe, effective, and efficient manner. Ultimately the continued success of the Midview will be dependent on the support of the community.

**Contacting the District's Financial Management**

This financial report is designed to demonstrate the District's accountability for the money it receives and to provide a general overview of the district's finances to our community, creditors, and investors. For additional information about this report, please contact Mrs. Nicole Spriggs, Treasurer, Midview Local Schools, 1010 Vivian Drive, Grafton, Ohio 44044.

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# Midview Local School District

## Statement of Net Assets

June 30, 2012

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 10,075,440	\$ 382,098	\$ 10,457,538
Cash with fiscal agents	3,555	-	3,555
Accounts receivable	39,727	-	39,727
Intergovernmental receivable	323,302	-	323,302
Prepaid items	19,167	-	19,167
Materials and supplies inventory	201,949	6,800	208,749
Property taxes receivable	12,439,453	-	12,439,453
Restricted assets:			
Cash and investments	4,372,941	-	4,372,941
Nondepreciable capital assets	16,559,910	-	16,559,910
Depreciable capital assets, net	<u>27,455,329</u>	<u>192,826</u>	<u>27,648,155</u>
Total assets	<u>71,490,773</u>	<u>581,724</u>	<u>72,072,497</u>
<b>Liabilities:</b>			
Accounts payable	1,693,615	-	1,693,615
Accrued wages and benefits	2,587,191	59,642	2,646,833
Accrued pension	672,020	27,771	699,791
Accrued interest payable	208,417	-	208,417
Matured compensated absences	271,353	-	271,353
Unearned revenue	10,501,649	-	10,501,649
Long-term liabilities:			
Due within one year	1,094,315	6,782	1,101,097
Due in more than one year	<u>26,936,627</u>	<u>49,733</u>	<u>26,986,360</u>
Total liabilities	<u>43,965,187</u>	<u>143,928</u>	<u>44,109,115</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	19,660,239	192,826	19,853,065
Restricted for:			
Capital projects	3,972,863	-	3,972,863
Debt service	5,400	-	5,400
Other purposes	872,075	-	872,075
Unrestricted	<u>3,015,009</u>	<u>244,970</u>	<u>3,259,979</u>
Total net assets	\$ <u>27,525,586</u>	\$ <u>437,796</u>	\$ <u>27,963,382</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, 2012**

	<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	\$ 15,904,869	\$ 217,776	\$ 1,125,983	\$ -
Special education	2,949,357	-	609,467	-
Vocational education	140,019	17,164	-	-
Other	126,540	-	-	-
Support services:				
Pupils	1,729,112	-	3,179	-
Instructional staff	463,355	-	105,744	-
Board of education	319,619	-	-	-
Administration	2,725,147	-	-	-
Fiscal services	722,976	-	-	-
Business	364,161	-	-	-
Operations and maintenance - plant	2,428,318	-	-	8,505,819
Pupil transportation	1,520,000	-	-	-
Operation of non - instructional services:				
Community services	4,326	-	-	-
Extracurricular activities	747,281	568,938	-	-
Interest and fiscal charges	<u>1,325,097</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	31,470,177	803,878	1,844,373	8,505,819
Business-type activities:				
Food service	<u>1,127,696</u>	<u>535,122</u>	<u>590,990</u>	<u>-</u>
Totals	\$ <u>32,597,873</u>	\$ <u>1,339,000</u>	\$ <u>2,435,363</u>	\$ <u>8,505,819</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

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
\$ (14,561,110)	\$ -	\$ (14,561,110)
(2,339,890)	-	(2,339,890)
(122,855)	-	(122,855)
(126,540)	-	(126,540)
(1,725,933)	-	(1,725,933)
(357,611)	-	(357,611)
(319,619)	-	(319,619)
(2,725,147)	-	(2,725,147)
(722,976)	-	(722,976)
(364,161)	-	(364,161)
6,077,501	-	6,077,501
(1,520,000)	-	(1,520,000)
(4,326)	-	(4,326)
(178,343)	-	(178,343)
<u>(1,325,097)</u>	<u>-</u>	<u>(1,325,097)</u>
(20,316,107)	-	(20,316,107)
-	(1,584)	(1,584)
<u>(20,316,107)</u>	<u>(1,584)</u>	<u>(20,317,691)</u>
10,409,871	-	10,409,871
1,563,844	-	1,563,844
244,658	-	244,658
15,444,063	-	15,444,063
16,879	-	16,879
<u>545,566</u>	<u>-</u>	<u>545,566</u>
<u>28,224,881</u>	<u>-</u>	<u>28,224,881</u>
7,908,774	(1,584)	7,907,190
<u>19,616,812</u>	<u>439,380</u>	<u>20,056,192</u>
\$ <u><u>27,525,586</u></u>	\$ <u><u>437,796</u></u>	\$ <u><u>27,963,382</u></u>

# Midview Local School District

## Balance Sheet – Governmental Funds

June 30, 2012

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 5,044,966	\$ 3,062,463	\$ -	\$ 1,525,593	\$ 9,633,022
Cash with fiscal agents	-	-		3,555	3,555
Receivables:					
Property taxes receivable	10,881,984	1,557,469	-	-	12,439,453
Intergovernmental receivable	42,786	-	-	280,516	323,302
Interfund receivable	414,250	-	-	-	414,250
Accounts receivable	39,727	-	-	-	39,727
Materials and supplies inventory	201,949	-	-	-	201,949
Prepaid items	19,167	-	-	-	19,167
Restricted assets:					
Restricted cash and investments	<u>324,889</u>	<u>-</u>	<u>4,048,052</u>	<u>-</u>	<u>4,372,941</u>
Total assets	<u>\$ 16,969,718</u>	<u>\$ 4,619,932</u>	<u>\$ 4,048,052</u>	<u>\$ 1,809,664</u>	<u>\$ 27,447,366</u>
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ 444,359	\$ 198,049	\$ 870,934	\$ 177,091	\$ 1,690,433
Accrued wages and benefits	2,374,605	-	-	212,586	2,587,191
Interfund payable	-	-	-	414,250	414,250
Accrued pension	642,824	-	-	29,196	672,020
Deferred revenue	9,643,392	1,374,755	-	280,515	11,298,662
Matured compensated absences	<u>271,353</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>271,353</u>
Total liabilities	<u>13,376,533</u>	<u>1,572,804</u>	<u>870,934</u>	<u>1,113,638</u>	<u>16,933,909</u>
Fund balances:					
Nonspendable	221,116	-	-	-	221,116
Restricted	422,306	3,047,128	3,177,118	843,092	7,489,644
Committed	204,134	-	-	-	204,134
Assigned	424,354	-	-	30,715	455,069
Unassigned (deficit)	<u>2,321,275</u>	<u>-</u>	<u>-</u>	<u>(177,781)</u>	<u>2,143,494</u>
Total fund balances	<u>3,593,185</u>	<u>3,047,128</u>	<u>3,177,118</u>	<u>696,026</u>	<u>10,513,457</u>
Total liabilities and fund balances	<u>\$ 16,969,718</u>	<u>\$ 4,619,932</u>	<u>\$ 4,048,052</u>	<u>\$ 1,809,664</u>	<u>\$ 27,447,366</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, 2012**

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Total Governmental Funds Balances \$ 10,513,457

*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. 44,015,239

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

Property and other taxes	\$ 516,498	
Grants	<u>280,515</u>	
Total		797,013

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental Funds, an interest expenditure is reported when due. (208,417)

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. 439,236

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

General obligation debt	(26,495,000)	
Compensated absences	<u>(1,535,942)</u>	
Total		<u>(28,030,942)</u>

Net assets of governmental activities \$ 27,525,586

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, 2012**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Property taxes	\$ 10,674,896	\$ 1,563,844	\$ -	\$ 244,658	\$ 12,483,398
Intergovernmental	15,058,133	276,321	8,505,819	1,853,373	25,693,646
Earnings on investments	11,358	4,034	1,487	-	16,879
Extracurricular activities	368,571	-	-	149,444	518,015
Classroom materials and fees	267,408	-	-	-	267,408
Miscellaneous	204,212	198,414	400	142,388	545,414
Total revenues	<u>26,584,578</u>	<u>2,042,613</u>	<u>8,507,706</u>	<u>2,389,863</u>	<u>39,524,760</u>
<b>Expenditures:</b>					
<b>Instruction:</b>					
Regular education	12,923,554	322,498	-	1,628,901	14,874,953
Special education	2,423,507	-	-	597,114	3,020,621
Vocational education	155,697	-	-	-	155,697
Other	126,540	-	-	-	126,540
<b>Support services:</b>					
Pupils	1,594,164	-	-	154,359	1,748,523
Instructional staff	462,024	-	-	1,331	463,355
Board of education	319,619	-	-	-	319,619
Administration	2,531,846	37,793	-	2,000	2,571,639
Fiscal services	699,026	29,162	-	-	728,188
Business	348,786	-	-	15,375	364,161
Operations and maintenance - plant	2,387,823	-	-	112,881	2,500,704
Pupil transportation	1,449,773	7,978	-	-	1,457,751
<b>Operating on non-instructional services:</b>					
Community services	4,326	-	-	-	4,326
<b>Extracurricular activities:</b>					
Academic and subject oriented	37,651	-	-	-	37,651
Sports oriented	424,170	-	-	112,022	536,192
Co-curricular	162,657	-	-	-	162,657
<b>Capital outlay:</b>					
Architecture and engineering services	405	-	167,413	-	167,818
Building acquisition and construction	-	28,743	11,102,568	173,694	11,305,005
Other facilities acquisition and construction	126,648	101,715	-	-	228,363
<b>Debt services:</b>					
Principal	-	870,000	-	-	870,000
Interest and fiscal charges	-	1,330,758	-	-	1,330,758
Total expenditures	<u>26,178,216</u>	<u>2,728,647</u>	<u>11,269,981</u>	<u>2,797,677</u>	<u>42,974,521</u>
Total excess of revenues over (under) expenditures	<u>406,362</u>	<u>(686,034)</u>	<u>(2,762,275)</u>	<u>(407,814)</u>	<u>(3,449,761)</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, 2012**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):					
Transfers - in	-	360,000	-	90,000	450,000
Refund of prior year expenditures	18,607	-	-	-	18,607
Transfers - out	<u>(450,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(450,000)</u>
Total other financing sources (uses)	<u>(431,393)</u>	<u>360,000</u>	<u>-</u>	<u>90,000</u>	<u>18,607</u>
Net change in fund balance	(25,031)	(326,034)	(2,762,275)	(317,814)	(3,431,154)
Fund balance at beginning of year - restated	<u>3,618,216</u>	<u>3,373,162</u>	<u>5,939,393</u>	<u>1,013,840</u>	<u>13,944,611</u>
Fund balance at end of year	\$ <u>3,593,185</u>	\$ <u>3,047,128</u>	\$ <u>3,177,118</u>	\$ <u>696,026</u>	\$ <u>10,513,457</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, 2012

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Net Change in Fund Balances - Total Governmental Funds \$ (3,431,154)

*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	\$ 11,960,853	
Depreciation	<u>(1,520,989)</u>	
Total		10,439,864

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. (24,244)

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	(265,025)	
Grants	<u>100,609</u>	
Total		(164,416)

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. 870,000

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. (12,771)

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	225,834	
Accrued interest on bonds	<u>5,661</u>	
Total		<u>231,495</u>

*Change in Net Assets of Governmental Activities* \$ 7,908,774

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, 2012**

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 12,613,331	\$ 12,219,667	\$ 10,175,844	\$ (2,043,823)
Investment earnings	9,373	10,202	11,358	1,156
Extracurricular activities	203,114	221,088	246,136	25,048
Classroom materials and fees	46,898	51,048	56,832	5,784
Miscellaneous	154,113	167,751	186,756	19,005
Intergovernmental - state	12,341,027	13,433,068	14,954,984	1,521,916
Intergovernmental - federal	85,120	92,652	103,149	10,497
Total revenues	<u>25,452,976</u>	<u>26,195,476</u>	<u>25,735,059</u>	<u>(460,417)</u>
Expenditures:				
Instruction:				
Regular education	13,725,594	13,773,796	12,828,393	945,403
Special education	2,941,748	2,952,080	2,749,455	202,625
Vocational education	168,968	169,562	157,923	11,639
Adult Education	99,029	99,376	92,555	6,821
Other	38,844	38,981	36,305	2,676
Supporting services:				
Pupils	1,699,005	1,704,972	1,587,947	117,025
Instructional staff	492,883	494,614	460,665	33,949
Board of education	376,535	377,857	351,922	25,935
Administration	2,808,940	2,818,804	2,625,328	193,476
Fiscal services	781,718	784,463	730,619	53,844
Business	397,725	399,122	371,727	27,395
Operation and maintenance - plant	2,670,362	2,679,740	2,495,809	183,931
Pupil transportation	1,626,624	1,632,336	1,520,296	112,040
Community services	4,469	4,485	4,177	308
Extracurricular activities:				
Academic and subject oriented	40,284	40,426	37,651	2,775
Sports oriented	416,674	418,137	389,437	28,700
Co-curricular	39,704	39,843	37,108	2,735
Capital outlay	145,623	146,134	136,104	10,030
Total expenditures	<u>28,474,729</u>	<u>28,574,728</u>	<u>26,613,421</u>	<u>1,961,307</u>
Excess revenues over (under) expenditures	<u>(3,021,753)</u>	<u>(2,379,252)</u>	<u>(878,362)</u>	<u>1,500,890</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, 2012**

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Other financing sources (uses):				
Advances - in	80,300	80,300	130,300	50,000
Refund of prior year expenditures	15,355	16,713	18,607	1,894
Transfers - out	(794,355)	(794,355)	(450,000)	344,355
Advances - out	(130,300)	(130,300)	(414,250)	(283,950)
Total other financing sources (uses)	<u>(829,000)</u>	<u>(827,642)</u>	<u>(715,343)</u>	<u>112,299</u>
Net change in fund balance	(3,850,753)	(3,206,894)	(1,593,705)	1,613,189
Fund balance at beginning of year	5,194,096	5,194,096	5,194,096	-
Prior year encumbrances appropriated	<u>599,383</u>	<u>599,383</u>	<u>599,383</u>	-
Fund balance at end of year	\$ <u>1,942,726</u>	\$ <u>2,586,585</u>	\$ <u>4,199,774</u>	\$ <u>1,613,189</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, 2012

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Food Service</u>	<u>Internal Service Fund</u>
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 382,098	\$ 442,418
Materials and supplies inventory	<u>6,800</u>	<u>-</u>
Total current assets	388,898	442,418
Non-current assets:		
Depreciable capital assets, net	<u>192,826</u>	<u>-</u>
Total assets	<u>581,724</u>	<u>442,418</u>
Liabilities:		
Current liabilities:		
Accounts payable	-	3,182
Accrued wages and benefits	59,642	-
Accrued pension	27,771	-
Current portion of compensated absences	<u>6,782</u>	<u>-</u>
Total current liabilities	94,195	3,182
Long-term liabilities:		
Compensated absences	<u>49,733</u>	<u>-</u>
Total liabilities	<u>143,928</u>	<u>3,182</u>
Net assets:		
Invested in capital assets	192,826	-
Unrestricted	<u>244,970</u>	<u>439,236</u>
Total net assets	\$ <u>437,796</u>	\$ <u>439,236</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, 2012**

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	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Food Service</u>	<u>Internal Service Fund</u>
Operating revenues:		
Charges for services	\$ <u>535,122</u>	\$ <u>51,328</u>
Operating expenses:		
Salaries and wages	387,621	-
Fringe benefits	72,590	-
Contractual services	-	64,099
Materials and supplies	636,320	-
Other operating expenses	4,134	-
Depreciation expense	<u>27,031</u>	<u>-</u>
Total operating expenses	<u>1,127,696</u>	<u>64,099</u>
Operating loss	<u>(592,574)</u>	<u>(12,771)</u>
Non-operating revenues:		
Federal donated commodities	56,930	-
Grant revenue	<u>534,060</u>	<u>-</u>
Total non-operating revenues	<u>590,990</u>	<u>-</u>
Net loss	(1,584)	(12,771)
Total net assets at beginning of year	<u>439,380</u>	<u>452,007</u>
Total net assets at end of year	\$ <u><u>437,796</u></u>	\$ <u><u>439,236</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, 2012**

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	Food Service	Internal Service Funds
<b>Increase (decrease) in cash and cash equivalents:</b>		
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 535,122	\$ 54,709
Cash payments for contractual services	-	(62,692)
Cash payments for materials and supplies	(496,020)	-
Cash payments to employees for services	(387,586)	-
Cash payments for employee benefits	(147,074)	-
Cash payments for other operating expenses	(4,134)	-
<i>Net cash used for operating activities</i>	<u>(499,692)</u>	<u>(7,983)</u>
<b>Cash flows from non-capital financing activities:</b>		
Operating grants received	534,060	-
<b>Cash flows from capital financing activities:</b>		
Capital additions	<u>(138)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	34,230	(7,983)
Cash and cash equivalents at beginning of year	<u>347,868</u>	<u>450,401</u>
Cash and cash equivalents at end of year	\$ <u><u>382,098</u></u>	\$ <u><u>442,418</u></u>
<b>Reconciliation of operating loss to net cash from operating activities:</b>		
Operating loss	\$ (592,574)	\$ (12,771)
Adjustments:		
Depreciation	27,031	-
Federal donated commodities	56,930	-
Changes in assets/liabilities:		
Decrease in accounts receivable	-	3,381
Increase in inventory	8,407	-
Increase (decrease) in accounts payable	(3,396)	1,407
Decrease in accrued wages and benefits	(1,999)	-
Increase in accrued compensated absences	5,257	-
Increase in accrued pension	652	-
Total adjustments	<u>92,882</u>	<u>4,788</u>
<i>Net cash used for operating activities</i>	\$ <u><u>(499,692)</u></u>	\$ <u><u>(7,983)</u></u>

### Schedule of non-cash, non-capital financing activities:

During the year, the food services enterprise fund received donated commodities of \$56,930.

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, 2012**

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	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 137,810
Taxes receivable	<u>522,322</u>
Total assets	\$ <u>660,132</u>
Liabilities:	
Accounts payable	\$ 7,926
Due to others	192,629
Deferred revenue	<u>459,577</u>
Total liabilities	\$ <u>660,132</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, 2012

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

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

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

The District currently operates 3 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 140 non-certified and 202 certified (including administrative) full-time and part-time employees to provide services to approximately 3,410 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, 2012

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

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

The District participates in four jointly governed organizations, which are discussed in Note 17. The District is also a participant in a public-entity risk-sharing pool, which is discussed in Note 17.

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.

##### *Permanent Improvement Fund*

The permanent 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).

##### *Classroom Facilities Fund*

The classroom facilities fund is used to account for monies received and expended in connection with contracts provided into by the District for the building and equipping of classroom facilities.

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.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2012

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

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

###### *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.

###### *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, 2012

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

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

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

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

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

###### *Fund Financial Statements*

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures and Changes in Fund Balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Assets. The Statement of Revenues, Expenses, and 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, 2012

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

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

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

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

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

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

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

###### *Revenues - Exchange and Non-exchange Transactions*

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 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, 2012

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

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

###### *Deferred Revenue*

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 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 2012 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, 2012

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

##### *E. Budgetary Process (continued)*

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2012.
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 2012.
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, 2012

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

##### F. Cash and Cash Equivalents

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

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, 2012:

The portfolio was limited to repurchase agreements, government securities, money market accounts, 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, 2012

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

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

Midview City School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2012. 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, 2012.

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 2012 amounted to \$11,358, which includes \$5,267 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, 2012, 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, 2012

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

##### *I. Restricted Assets*

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund include amounts required by state Statute to be set-aside for capital acquisition (Note 19). 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, 2012

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

##### ***K. Interfund Balances***

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

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

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

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 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, 2012

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#### 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, 2012, net assets restricted were \$4,850,338 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, 2012

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#### 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 sales and miscellaneous for food service 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 2012, 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, 2012

#### Note 3: Restatement of Prior Year's Fund Balance

During 2012, it was determined that the District should report all capital project funds separately for financial reporting purposes. The separation of these funds had the following effect on the fund balances of the major and nonmajor funds as they were previously reported.

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance at June 30, 2011	\$ 3,618,216	\$ 9,343,270	\$ -	\$ 983,125	\$ 13,944,611
Change in Fund Structure	<u>-</u>	<u>(5,970,108)</u>	<u>5,939,393</u>	<u>30,715</u>	<u>-</u>
Restated Fund Balance at June 30, 2011	\$ <u>3,618,216</u>	\$ <u>3,373,162</u>	\$ <u>5,939,393</u>	\$ <u>1,013,840</u>	\$ <u>13,944,611</u>

#### 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>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Nonspendable:					
Inventory	\$ 201,949	\$ -	\$ -	\$ -	\$ 201,949
Prepays	<u>19,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,167</u>
Total nonspendable	<u>221,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,116</u>
Restricted for:					
Debt service payments	-	-	-	5,400	5,400
Community activities	-	-	-	67,597	67,597
Athletics	-	-	-	68,351	68,351
Capital improvements	324,889	3,047,128	3,177,118	699,237	7,248,372
Other purposes	<u>97,417</u>	<u>-</u>	<u>-</u>	<u>2,507</u>	<u>99,924</u>
Total restricted	<u>422,306</u>	<u>3,047,128</u>	<u>3,177,118</u>	<u>843,092</u>	<u>7,489,644</u>
Committed to:					
Other purposes	<u>204,134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,134</u>
Total committed	<u>204,134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,134</u>
Assigned to:					
Capital improvements	-	-	-	30,715	30,715
Other purposes	<u>424,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>424,354</u>
Total assigned	<u>424,354</u>	<u>-</u>	<u>-</u>	<u>30,715</u>	<u>455,069</u>
Unassigned (deficit)	<u>2,321,275</u>	<u>-</u>	<u>-</u>	<u>(177,781)</u>	<u>2,143,494</u>
Total fund balance	\$ <u>3,593,185</u>	\$ <u>3,047,128</u>	\$ <u>3,177,118</u>	\$ <u>696,026</u>	\$ <u>10,513,457</u>

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2012

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#### **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.

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); and
- (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	\$ (25,031)
Net Adjustment for Revenue Accruals	(497,020)
Advances - in	130,300
Net Adjustment for Expenditure Accruals	93,403
Advances - out	(414,250)
Adjustment for Encumbrances	(906,306)
To reclassify the net change in fund balance for funds combined with the general fund for GASB 54	<u>25,199</u>
Budget Basis	\$ <u>(1,593,705)</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, 2012

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#### **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, 2012

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#### 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 \$2,692,890 and the bank balance was \$2,765,140. Of the bank balance, \$2,570,649 was covered by Federal depository insurance and \$194,491 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, 2012, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
STAR Ohio	\$ 2,895,856	Less than 6 months
Government National Mortgage Association	7,380,000	Greater than 5 years
Fifth Third money market	<u>2,003,098</u>	Less than 6 months
Total investments	\$ <u>12,278,954</u>	



# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2012

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#### 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	23.6%
Government National Mortgage Association	60.1
Fifth Third money market	16.3

#### Note 7: Receivables

Receivables at June 30, 2012 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	\$ 144,457
Education Jobs	77,098
Title I	55,107
Ohio PSEO Reimbursement	42,786
Miscellaneous federal grants	<u>3,854</u>
Total governmental activities	\$ <u>323,302</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, 2012

#### 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 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, are levied after April 1, 2011 and are collected in 2012 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 2012 were levied after October 1, 2011, on the value as of December 31, 2011. 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 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, 2012, are available to finance fiscal year 2012 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 2012 taxes were collected are:

	2011 Second-Half Collections		2012 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 454,070,368	96.64%	\$ 455,622,200	96.55%
Public Utility Personal	<u>15,778,070</u>	<u>3.36%</u>	<u>16,285,130</u>	<u>3.45%</u>
	\$ <u>469,848,438</u>	<u>100.00%</u>	\$ <u>471,907,330</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, 2012

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#### **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, 2012 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, 2012 are recognized as revenue.

At June 30, 2012, \$1,238,592 was available as an advance to the general fund, \$182,714 for the permanent improvement fund, and \$62,745 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, 2012, as reported on the fund statement.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other governmental funds	\$ 414,250

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, 2012, consisted of the following, as reported on the fund statements.

	<u>Amount</u>
Transfers from general fund to:	
Permanent improvement fund	\$ 360,000
Other governmental funds	<u>90,000</u>
	\$ <u>450,000</u>

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

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2012

#### Note 10: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Disposals	Balance June 30, 2012
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,899,121	\$ 10,000	\$ -	\$ 1,909,121
Construction in progress	<u>3,200,759</u>	<u>11,450,030</u>	<u>-</u>	<u>14,650,789</u>
Total capital assets, not being depreciated	<u>5,099,880</u>	<u>11,460,030</u>	<u>-</u>	<u>16,559,910</u>
Capital assets, being depreciated:				
Land improvements	5,113,940	40,199	-	5,154,139
Buildings and improvements	38,391,968	169,433	-	38,561,401
Furniture and equipment	5,323,078	186,749	(20,924)	5,488,903
Vehicles	<u>2,700,962</u>	<u>104,442</u>	<u>(242,447)</u>	<u>2,562,957</u>
Total capital assets, being depreciated	<u>51,529,948</u>	<u>500,823</u>	<u>(263,371)</u>	<u>51,767,400</u>
Less accumulated depreciation:				
Land improvements	(2,240,887)	(245,479)	-	(2,486,366)
Buildings and improvements	(14,809,391)	(917,987)	-	(15,727,378)
Furniture and equipment	(4,265,192)	(196,791)	20,924	(4,441,059)
Vehicles	<u>(1,714,739)</u>	<u>(160,732)</u>	<u>218,203</u>	<u>(1,657,268)</u>
Total accumulated depreciation	<u>(23,030,209)</u>	<u>(1,520,989)</u>	<u>239,127</u>	<u>(24,312,071)</u>
Total capital assets being depreciated, net	<u>28,499,739</u>	<u>(1,020,166)</u>	<u>(24,244)</u>	<u>27,455,329</u>
Governmental activities capital assets, net	\$ <u>33,599,619</u>	\$ <u>10,439,864</u>	\$ <u>(24,244)</u>	\$ <u>44,015,239</u>
Business-type activities:				
Furniture and equipment	\$ 731,289	\$ 138	\$ -	\$ 731,427
Less: accumulated depreciation	<u>(511,570)</u>	<u>(27,031)</u>	<u>-</u>	<u>(538,601)</u>
Business-type activities capital assets, net	\$ <u>219,719</u>	\$ <u>(26,893)</u>	\$ <u>-</u>	\$ <u>192,826</u>

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2012

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#### **Note 10: Capital Assets (continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular education	\$ 1,182,549
Special education	18,184
Vocational education	1,770

Support services:

Pupils	10,730
Administration	23,502
Fiscal services	887
Operations and maintenance - plant	26,189
Pupil transportation	140,364

Extracurricular activities:

Sports oriented	6,610
Co-curricular activities	4,171

Capital outlay:

Site improvement	66,535
Building acquisition and construction	801
Building improvement	493
Other facilities acquisition and construction	<u>38,204</u>

Total \$ 1,520,989

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](http://www.ohsers.org) under *Employers/Audit Resources*.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2012

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#### **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 employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the system. For fiscal year ended June 30 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate was allocated to the Health Care and Medicare B Funds.

The District's total contributions to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$466,653, \$533,076 and \$526,815, respectively; 89.73 percent has been contributed for fiscal year 2012 and 100 percent has been contributed for 2011 and 2010.

##### **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 or by calling toll free 1-888-227-7877 or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

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, 2012

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#### 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 until 100 percent 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.

In 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 to a lifetime monthly annuity at age 50.

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

Benefits are increased annually by 3 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care 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, 2012

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#### **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.

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 Ohio 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, 2012, 2011, and 2010, 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, 2012, 2011, and 2010 were \$1,659,905, \$1,735,257, and \$1,689,128, respectively; 93.25 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$22,237 made by the District and \$15,884 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, 2012, 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



# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2012

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

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

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 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is 0.75 percent. The District's contributions for the years ended June 30, 2012, 2011, and 2010 were \$29,135, \$28,938, and \$28,599, respectively; 89.73 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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 HMOs, 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, 2012, the health care allocation is 0.55 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 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 2012, 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, 2012, 2011, and 2010 were \$77,204, \$112,033, and \$73,641, respectively; 89.73 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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](http://www.ohsers.org) under *Employers/Audit Resources*.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2012

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#### **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](http://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, 2012, 2011, and 2010. 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, 2012, 2011, and 2010 were \$127,685, \$123,947, and \$120,652, respectively; 93.25 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

#### **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, 2012

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#### **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 2012, 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 2012, 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, 2012

#### 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 \$75 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, 2012 was as follows:

	Interest Rate	Issue Date	Balance 6/30/11	Issued	Retired	Balance 6/30/12	Amounts Due in One Year
Governmental activities:							
Certificates of participation	2.1% - 5.25%	04/01/04	\$ 8,115,000	\$ -	\$ 260,000	\$ 7,855,000	\$ 270,000
Certificates of participation	1.3% - 5.25%	04/15/03	16,810,000	-	515,000	16,295,000	540,000
GO Judgment bonds	4.97%	06/26/07	2,200,000	-	60,000	2,140,000	65,000
GO Equipment bonds	4.78%	06/26/07	240,000	-	35,000	205,000	35,000
Compensated absences	n/a	n/a	<u>1,761,776</u>	<u>198,274</u>	<u>424,108</u>	<u>1,535,942</u>	<u>184,315</u>
Total governmental activities			\$ <u>29,126,776</u>	\$ <u>198,274</u>	\$ <u>1,294,108</u>	\$ <u>28,030,942</u>	\$ <u>1,094,315</u>
Business-type activities:							
Compensated absences	n/a	n/a	\$ <u>51,258</u>	\$ <u>11,408</u>	\$ <u>6,151</u>	\$ <u>56,515</u>	\$ <u>6,782</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, 2012

#### 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 permanent 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 permanent improvement fund.

	Governmental Activities					
	2003 Certificates of Participation		2004 Certificates of Participation		GO Judgment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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	650,000	679,931	315,000	329,478	80,000	90,454
2018-2022	3,780,000	2,859,647	1,805,000	1,413,666	455,000	387,783
2023-2027	4,795,000	1,812,875	2,290,000	914,094	580,000	260,181
2028-2032	<u>4,770,000</u>	<u>491,500</u>	<u>2,300,000</u>	<u>249,376</u>	<u>745,000</u>	<u>96,295</u>
Total	\$ <u>16,295,000</u>	\$ <u>8,870,857</u>	\$ <u>7,855,000</u>	\$ <u>4,352,210</u>	\$ <u>2,140,000</u>	\$ <u>1,233,059</u>

	GO Equipment Bonds		Totals	
	Principal	Interest	Principal	Interest
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	45,000	1,075	1,090,000	1,100,938
2018-2022	-	-	6,040,000	4,661,096
2023-2027	-	-	7,665,000	2,987,150
2028-2032	<u>-</u>	<u>-</u>	<u>7,815,000</u>	<u>837,171</u>
Total	\$ <u>205,000</u>	\$ <u>25,692</u>	\$ <u>26,495,000</u>	\$ <u>14,481,818</u>

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2012

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#### **Note 16: Lease Obligations**

The District entered into a lease for a postage meter. This lease does not meet the criteria of a capital lease in accordance with the “Leases” topic of FASB ASC.

The following is a schedule of the future minimum lease payments required under the operating lease at year-end:

	Operating Leases
2013	\$ 1,668
2014	1,668
2015	1,668
2016	<u>1,251</u>
Total minimum lease payments	<u>\$ 6,255</u>

Rental expense related to operating leases for equipment totaled \$1,668 for the year ended June 30, 2012.

#### **Note 17: 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 2012, the District paid \$2,516,179 (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.



# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2012

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#### **Note 17: Jointly Governed Organizations and Public Entity Risk Pool (continued)**

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

###### *North Coast Council Ohio*

The North Coast Council Ohio (“NCCO”), formerly Lake Erie Educational Computer Association (“LEECA”) as of June 30, 2012, is a jointly governed organization comprised of 31 school districts. NCCO 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 NCCO based upon a per pupil charge, dependent upon the software package utilized. The NCCO assembly consists of a superintendent or designated representative from each participating district, and a representative from the fiscal agent. NCCO is governed by a board of directors chosen from the general membership of the NCCO assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Fiscal information for LEECA is available from the Treasurer of the Educational Service Center of Lorain County (fiscal agent), located at 5700 West Canal, Valley View, Ohio 44125. During the year ended June 30, 2012, the District paid \$586,085 to NCCO for basic service charges.

###### *Ohio Schools’ Council Association*

The Ohio Schools’ Council Association (the “Council”) is a jointly governed organization among 176 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 2012 the District paid \$43,140 to the Council. Financial information can be obtained by contacting William J. Zelei, 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 147 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.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2012

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#### **Note 17: Jointly Governed Organizations and Public Entity Risk Pool (continued)**

##### ***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.

#### **Note 18: 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.

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

The District is not involved in any other litigation that, in the opinion of management, would have a material effect on the financial statements.

#### **Note 19: Fund Deficits**

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Funds</u>	<u>Deficit Fund Balance</u>
Nonmajor special revenue funds:	
Education jobs	\$ 77,098
Title VI-B Special education IDEA	45,958
Title I	50,873
Classroom reduction fund	3,852

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.



# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2012

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#### **Note 20: 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 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 capital acquisition. Disclosure of this information is required by State Statute.

	Capital Improvements Reserve
Set-Aside Reserve Balance as of June 30, 2011	\$ 191,796
Current Year Set-Aside Requirements	588,703
Qualifying Disbursements	<u>(455,610)</u>
Total	\$ <u>324,889</u>
Set-Aside Reserve Balance as of June 30, 2012	\$ <u>324,889</u>

The total reserve balance for the set asides at the end of the fiscal year was \$324,889.

#### **Note 21: Fair Value Measurements**

In accordance with the “Fair Value Measurements” topic of the FASB Accounting Standards Codification (“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, to non-financial assets and liabilities, except for those items that are recognized or disclosed at fair value in an entity’s financial statements on a recurring basis.

# Midview Local School District

## Notes to Basic Financial Statements (continued)

### For the Fiscal Year Ended June 30, 2012

#### Note 21: Fair Value Measurements (continued)

Financial assets consisted of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>6/30/12</u>
STAR Ohio	\$ 2,868,849	\$ -	\$ -	\$ 2,868,849
Sweep/Money Market Accounts	<u>9,295,049</u>	<u>-</u>	<u>-</u>	<u>9,295,049</u>
	<u>\$ 12,163,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,163,898</u>

#### Note 22: Construction Commitments and Other Significant Commitments

The District has active construction projects as of June 30, 2012. As of June 30, 2012, the District's construction commitments with contractors were as follows:

<u>Project</u>	<u>Project Expenditures as of 6/30/2012</u>	<u>Remaining Commitment</u>
Land improvements		
Wetlands migration project	\$ 122,696	\$ 3,100
Stadium turf project	173,694	474,762
Buildings and improvements		
Middle school project	<u>14,354,399</u>	<u>885,258</u>
Total projects	<u>\$ 14,650,789</u>	<u>\$ 1,363,120</u>

Other significant commitments include the encumbrances outstanding for the general fund, permanent improvement fund, classroom facilities fund and other governmental funds other than capital projects were as follows:

	<u>Encumbrances</u>
General fund	\$ 561,141
Permanent improvement fund	50,508
Other governmental funds	<u>109,877</u>
Total other significant commitments	<u>\$ 721,526</u>

## **Midview Local School District**

### **Notes to Basic Financial Statements (continued)**

#### **For the Fiscal Year Ended June 30, 2012**

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##### **Note 23: Subsequent Event**

On July 2, 2012, the District issued School Facilities Construction and Improvement Notes in the amount of \$267,000 with an interest rate of 3.25%. The notes mature on June 1, 2016, and were issued to acquire, construct, improve, furnish and equip school facilities, including the construction and installation of a new athletic field at Adelsberg Stadium, with related site improvements.

On August 13, 2012, the District signed a new capital lease agreement with Wells Fargo Financial Leasing, Inc. in the amount of \$336,998 with an interest rate of 3.09%. The lease expires on August, 13, 2017 and was for new office equipment throughout the District.

In February 2013, the District passed a 10-year emergency levy in the amount of \$4.6 million to be used for the operations of the District.

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MIDVIEW LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor Pass Through Grantor Program Title	Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department of Agriculture</b>						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
National School Lunch Program	2012	10.555	\$ 417,847	\$ 56,939	\$ 417,847	\$ 56,939
National School Breakfast Program	2012	10.553	104,459	-	104,459	-
Total Child Nutrition Cluster			<u>522,306</u>	<u>56,939</u>	<u>522,306</u>	<u>56,939</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>522,306</u></b>	<b><u>56,939</u></b>	<b><u>522,306</u></b>	<b><u>56,939</u></b>
<b>U.S. Department of Education</b>						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education-Grants to States	2011	84.027	97,889	-	91,509	-
	2012	84.027	511,578	-	471,764	-
ARRA Special Education-Grants to States	2011	84.391	-	-	27,778	-
Total Special Education Cluster			<u>609,467</u>	<u>-</u>	<u>591,051</u>	<u>-</u>
Title I Cluster:						
Title I Grants to Local Educational Agencies	2011	84.010	6,648	-	57,711	-
Title I Grants to Local Educational Agencies	2012	84.010	437,488	-	430,721	-
ARRA Title I Grants to Local Educational Agencies	2011	84.389	64,416	-	6,916	-
Total Title I Cluster			<u>508,552</u>	<u>-</u>	<u>495,348</u>	<u>-</u>
Safe and Drug-Free Schools and Communities State Grants	2011	84.186	-	-	47	-
Title IID Education Technology State Grants	2011	84.318	-	-	592	-
	2012	84.318	3,179	-	3,179	-
Total Title IID Education Technology State Grants			<u>3,179</u>	<u>-</u>	<u>3,771</u>	<u>-</u>
Improving Teacher Quality State Grants	2011	84.367	10,953	-	20,446	-
	2012	84.367	94,791	-	93,474	-
Total Improving Teacher Quality State Grants			<u>105,744</u>	<u>-</u>	<u>113,920</u>	<u>-</u>
ARRA State Fiscal Stabilization Funding	2011	84.394	-	-	478,965	-
Education Jobs Grant	2012	84.410	602,431	-	583,758	-
<b>Total U.S. Department of Education</b>			<b><u>1,829,373</u></b>	<b><u>-</u></b>	<b><u>2,266,860</u></b>	<b><u>-</u></b>
<b>Total Federal Assistance</b>			<b><u>\$ 2,351,679</u></b>	<b><u>\$ 56,939</u></b>	<b><u>\$ 2,789,166</u></b>	<b><u>\$ 56,939</u></b>

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 SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (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.



# 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 15, 2013, wherein we noted the District restated the beginning fund balance as of July 1, 2011 in the Permanent Improvement, Classroom Facilities and Other Governmental funds. 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.

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

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2012-01 described in the accompanying schedule of findings to be a material weakness.

### **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 March 15, 2013.

The District's response to the finding identified in our audit 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 intend this report solely for the information and use of management, the audit committee, the Board of Education, and federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

March 15, 2013





# 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, OH 44044

To the Board of Education:

### Compliance

We have audited the compliance of 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 Midview Local School District's major federal programs for the year ended June 30, 2012. 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.

In our opinion, 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, 2012.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining 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.

**Internal Control Over Compliance  
(Continued)**

*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.

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

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



**Dave Yost**  
Auditor of State

March 15, 2013

**MIDVIEW LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	UNQUALIFIED
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	YES
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	NO
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	NO
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	NO
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	NO
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	UNQUALIFIED
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	NO
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<p>Special Education Cluster: Special Education Grants to States (CFDA# 84.027), ARRA Special Education Grants to States (CFDA# 84.391), and Special Education Preschool Grants (CFDA# 84.173)</p> <p>State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund) (CFDA# 84.394)</p> <p>Education Job Fund (CFDA# 84.410)</p>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**MIDVIEW LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)**

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

**FINDING NUMBER 2012-01**

**Material Weakness – Major Fund Determination**

Statements of the Governmental Accounting Standards Board (GASBS) 34 — Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments Paragraph 76 sets forth the requirements for a government to determine its major funds. The reporting government's main operating fund (the general fund or its equivalent) should always be reported as a major fund. Other individual governmental and enterprise funds should be reported in separate columns as major funds based on these criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is, total government or total enterprise funds), and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The District presented all of its capital projects funds as one fund in its determination of major funds contrary to the requirements above. This resulted in the capital project fund meeting the percentage determination as a major fund. Consequently, the District had to reevaluate its major funds to ensure they were properly presented in the financial statements which resulted in the following restatement of prior year's fund balance:

	Permanent Improvement	Classroom Facilities	Nonmajor Governmental Funds
Fund Balance at June 30, 2011	\$ 9,343,270	\$ -	\$ 983,125
Change in Fund Structure	(5,970,108)	5,939,393	30,715
Restated Fund Balance at June 30, 2011	\$ 3,373,162	\$ 5,939,393	\$ 1,013,840

We recommend the District carefully review GASBS 34 and the major fund criteria discussed therein to ensure all major funds are properly identified and presented.

**MIDVIEW LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)**

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

**FINDING NUMBER 2012-01**

**Material Weakness – Major Fund Determination (Continued)**

**Officials Response:**

As had been done in previous fiscal years, Midview Local School District used the same methodology to determine the major funds for fiscal year 2012. It came to the District's attention during the audit that this methodology was incorrect. It led to the District restating the June 30, 2011 fund balances on the fund financial statements to create two separate capital projects funds major funds. The District has established and implemented controls to ensure the major fund determination will be performed properly in future years.

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

None

**MIDVIEW LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	Cash Management Violation in CFDA #84.394 ARRA State Fiscal Stabilization Fund	Yes	No longer valid



# 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 28, 2013