

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Medina City School District
Medina County
120 W. Washington Street
Medina, Ohio 44256

To the Board of Education:

We have audited the accompanying general purpose financial statements of Medina City School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 1999, as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 1999, 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 grants.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

December 17, 1999

Medina City School District

Medina City School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 As of June 30, 1999

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Assets and Other Debits:						
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$16,037,652	\$971,258	\$1,397,593	\$1,295,033	\$394,322	\$18,265
Investment in Common Stock	0	0	0	0	0	0
Receivables:						
Taxes	28,401,939	0	1,379,058	463,757	0	0
Accounts	1,293	0	0	0	0	0
Intergovernmental	0	0	0	0	44,826	0
Inventory Held for Resale	0	0	0	0	17,584	0
Due From Other Funds	53,200	0	189,300	0	0	0
Materials and Supplies Inventory	44,411	0	0	0	9,641	0
Prepaid Items	241,224	6,748	0	0	9,946	0
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	2,146,714	0	0	0	0	0
Fixed Assets (Net, where applicable, of accumulated depreciation)	0	0	0	0	82,974	0
Other Debits:						
Amount Available in Debt Service Fund for Retirement of General Long Term Obligations	0	0	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	505,000	0	0
Total Assets and Other Debits	\$46,926,433	\$978,006	\$2,965,951	\$2,263,790	\$559,293	\$18,265
Liabilities, Fund Equity and Other Credits:						
Liabilities:						
Accounts Payable	\$220,610	\$37,597	\$0	\$33,489	\$2,210	\$0
Contracts Payable	0	0	0	712,772	0	0
Accrued Wages	3,420,573	87,050	0	0	76,500	0
Compensated Absences Payable	0	0	0	0	67,040	0
Due to Other Funds	189,300	53,200	0	0	0	0
Intergovernmental Payable	765,668	16,565	0	0	17,724	0
Deferred Revenue	27,106,436	0	1,305,972	447,495	17,584	0
Due to Students	0	0	0	0	0	0
Notes Payable	0	0	0	505,000	0	0
General Obligation Bonds Payable	0	0	0	0	0	0
Total Liabilities	31,702,587	194,412	1,305,972	1,698,756	181,058	0
Fund Equity and Other Credits:						
Investment in General Fixed Assets	0	0	0	0	0	0
Contributed Capital	0	0	0	0	104,727	0
Retained Earnings:						
Unreserved	0	0	0	0	273,508	18,265
Fund Balance:						
Reserved for Inventory	44,411	0	0	0	0	0
Reserved for Encumbrances	1,849,072	187,615	14,426	452,889	0	0
Reserved for Property Taxes	1,295,503	0	73,086	16,262	0	0
Reserved for Prepaid Items	241,224	6,748	0	0	0	0
Reserved for Budget Stabilization	2,146,714	0	0	0	0	0
Reserved for Endowment	0	0	0	0	0	0
Unreserved, Undesignated	9,646,922	589,231	1,572,467	95,883	0	0
Total Fund Equity and Other Credits	15,223,846	783,594	1,659,979	565,034	378,235	18,265
Total Liabilities, Fund Equity and Other Credits	\$46,926,433	\$978,006	\$2,965,951	\$2,263,790	\$559,293	\$18,265

The notes to the general purpose financial statements are an integral part of this statement.

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
\$740,893	\$0	\$0	\$20,855,016
12,674	0	0	12,674
0	0	0	30,244,754
0	0	0	1,293
0	0	0	44,826
0	0	0	17,584
0	0	0	242,500
0	0	0	54,052
0	0	0	257,918
0	0	0	2,146,714
0	39,124,655	0	39,207,629
0	0	1,659,979	1,659,979
0	0	17,397,522	17,902,522
<u>\$753,567</u>	<u>\$39,124,655</u>	<u>\$19,057,501</u>	<u>\$112,647,461</u>
\$5,045	\$0	\$0	\$298,951
0	0	0	\$712,772
0	0	0	3,584,123
0	0	4,301,322	4,368,362
0	0	0	242,500
0	0	367,233	1,167,190
0	0	0	28,877,487
134,698	0	0	134,698
0	0	0	505,000
0	0	14,388,946	14,388,946
<u>139,743</u>	<u>0</u>	<u>19,057,501</u>	<u>54,280,029</u>
0	39,124,655	0	39,124,655
0	0	0	104,727
0	0	0	291,773
0	0	0	44,411
0	0	0	2,504,002
0	0	0	1,384,851
0	0	0	247,972
0	0	0	2,146,714
388,732	0	0	388,732
225,092	0	0	12,129,595
<u>613,824</u>	<u>39,124,655</u>	<u>0</u>	<u>58,367,432</u>
<u>\$753,567</u>	<u>\$39,124,655</u>	<u>\$19,057,501</u>	<u>\$112,647,461</u>

Medina City School District
Combined Statement of Revenues, Expenditures and Changes in Fund
Balances - All Governmental Fund Types and Similar Trust Fund
Fiscal Year Ended June 30, 1999

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$28,420,392	\$0	\$1,369,232	\$465,967	\$0	\$30,255,591
Intergovernmental	12,872,397	1,507,172	154,013	32,543	0	14,566,125
Interest	1,212,478	6,823	0	24,147	3,807	1,247,255
Tuition and Fees	372,220	0	0	0	0	372,220
Charges for Services	20,373	0	0	0	0	20,373
Rent	33,413	0	0	0	0	33,413
Gifts and Donations	460	121,387	0	0	1,510	123,357
Extracurricular Activities	0	593,359	0	0	1,871	595,230
Miscellaneous	58,360	92,620	0	0	0	150,980
Total Revenue	42,990,093	2,321,361	1,523,245	522,657	7,188	47,364,544
Expenditures:						
Current:						
Instruction:						
Regular	19,119,000	68,882	0	609,979	0	19,797,861
Special	4,744,258	373,688	0	0	0	5,117,946
Vocational	503,760	0	0	0	0	503,760
Other	1,283,229	0	0	0	0	1,283,229
Support Services:						
Pupils	2,084,782	242,821	0	0	0	2,327,603
Instructional Staff	1,789,033	493,010	0	0	0	2,282,043
Board of Education	55,282	0	0	0	0	55,282
Administration	2,663,702	387,314	0	0	0	3,051,016
Fiscal	905,692	0	21,969	7,899	0	935,560
Business	652,137	15,662	0	0	0	667,799
Operation and Maintenance	3,704,048	0	0	201,356	0	3,905,404
Pupil Transportation	1,733,485	0	0	0	0	1,733,485
Central	159,883	64,153	0	0	0	224,036
Non-Instructional Services	0	384,255	0	0	6,800	391,055
Extracurricular Activities	656,927	342,677	0	0	0	999,604
Capital Outlay	215,804	3,060	0	1,048,964	0	1,267,828
Debt Service:						
Principal Retirement	0	0	1,120,000	150,000	0	1,270,000
Interest and Fiscal Charges	0	0	527,050	39,300	0	566,350
Total Expenditures	40,271,022	2,375,522	1,669,019	2,057,498	6,800	46,379,861
Excess of Revenues Over (Under) Expenditures	2,719,071	(54,161)	(145,774)	(1,534,841)	388	984,683
Other Financing Sources (Uses):						
Operating Transfers In	0	0	0	189,300	0	189,300
Proceeds from the Sale of Fixed Assets	45,128	0	0	0	0	45,128
Refund of Prior Year Expenditures	3,575	430	0	100	0	4,105
Other Financing Sources	0	71,843	0	0	0	71,843
Operating Transfers Out	(195,300)	0	0	0	0	(195,300)
Refund of Prior Year Receipts	0	(634)	0	0	0	(634)
Total Other Financing Sources (Uses)	(146,597)	71,639	0	189,400	0	114,442
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,572,474	17,478	(145,774)	(1,345,441)	388	1,099,125
Fund Balances at Beginning of Year	12,651,372	766,116	1,805,753	1,910,475	47,208	17,180,924
Fund Balances at End of Year	\$15,223,846	\$783,594	\$1,659,979	\$565,034	\$47,596	\$18,280,049

The notes to the general purpose financial statements are an integral part of this statement.

Medina City School District
 Combined Statement of Revenues, Expenditures and Changes in
 Fund Balances - Budget (Non-GAAP Basis) and Actual
 All Governmental Fund Types and Similar Trust Fund
 For Fiscal Year Ended June 30, 1999

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$28,372,687	\$28,372,685	(\$2)	\$0	\$0	\$0
Intergovernmental	12,690,492	12,898,086	207,594	1,586,848	1,507,033	(79,815)
Interest	1,100,000	1,184,833	84,833	8,079	6,823	(1,256)
Extracurricular Activities	0	0	0	625,154	500,115	(125,039)
Tuition and Fees	460,000	372,220	(87,780)	0	0	0
Gifts and Donations	0	460	460	287,939	120,067	(167,872)
Miscellaneous	201,000	106,853	(94,147)	0	92,620	92,620
Total Revenue	42,824,179	42,935,137	110,958	2,508,020	2,226,658	(281,362)
Expenditures:						
Current:						
Instruction:						
Regular	19,542,875	19,228,274	314,601	222,354	74,421	147,933
Special	4,782,148	4,752,676	29,472	481,845	376,932	104,913
Vocational	501,105	511,672	(10,567)	0	0	0
Other	1,903,050	1,393,950	509,100	0	0	0
Support Services:						
Pupils	2,105,221	2,121,136	(15,915)	300,630	246,662	53,968
Instructional Staff	1,834,206	1,804,432	29,774	649,893	513,053	136,840
Board of Education	87,875	75,417	12,458	0	0	0
Administration	2,784,373	2,749,140	35,233	565,331	413,422	151,909
Fiscal	1,021,473	1,020,745	728	0	0	0
Business	648,785	626,982	21,803	83,283	16,409	66,874
Operation and Maintenance	4,484,543	4,343,693	140,850	0	0	0
Pupil Transportation	2,694,022	2,376,893	317,129	0	0	0
Central	205,094	204,002	1,092	99,178	90,477	8,701
Non-Instructional Services	0	0	0	445,242	427,942	17,300
Extracurricular Activities	603,975	651,121	(47,146)	375,251	316,480	58,771
Capital Outlay	258,545	258,200	345	92,767	3,059	89,708
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	43,457,290	42,118,333	1,338,957	3,315,774	2,478,857	836,917
Excess of Revenues Over (Under) Expenditures	(633,111)	816,804	1,449,915	(807,754)	(252,199)	555,555
Other Financing Sources (Uses):						
Operating Transfers In	0	4,000	4,000	48,256	0	(48,256)
Proceeds from the Sale of Fixed Assets	0	45,128	45,128	0	0	0
Refund of Prior Year Expenditures	0	3,575	3,575	37,237	430	(36,807)
Advances In	0	0	0	100,000	53,200	(46,800)
Other Financing Sources	0	0	0	74,790	71,843	(2,947)
Operating Transfers Out	(251,202)	(6,000)	245,202	0	0	0
Refund of Prior Year Receipts	0	0	0	0	(635)	(635)
Advances Out	(89,068)	(53,200)	35,868	0	0	0
Total Other Financing Sources (Uses)	(340,270)	(6,497)	333,773	260,283	124,838	(135,445)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(973,381)	810,307	1,783,688	(547,471)	(127,361)	420,110
Fund Balances at Beginning of Year	13,391,560	13,391,560	0	768,386	768,386	0
Fund Balances at End of Year	\$12,418,179	\$14,201,867	\$1,783,688	\$220,915	\$641,025	\$420,110

The notes to the general purpose statements are an integral part of this statement.

Medina City School District
Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Similar Trust Fund
For Fiscal Year Ended June 30, 1999

	Debt Service			Capital Projects		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$1,517,157	\$1,549,901	\$32,744	\$483,608	\$469,596	(\$14,012)
Intergovernmental	154,013	154,013	0	0	32,543	32,543
Interest	0	0	0	21,626	24,147	2,521
Extracurricular Activities	0	0	0	0	0	0
Tuition and Fees	0	0	0	0	0	0
Gifts and Donations	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenue	1,671,170	1,703,914	32,744	505,234	526,286	21,052
Expenditures:						
Current:						
Instruction:						
Regular	0	0	0	674,675	674,675	0
Special	0	0	0	0	0	0
Vocational	0	0	0	0	0	0
Other	0	0	0	0	0	0
Support Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	0	0	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal	38,486	36,395	2,091	81,575	11,494	70,081
Business	0	0	0	0	0	0
Operation and Maintenance	0	0	0	567,359	567,359	0
Pupil Transportation	0	0	0	0	0	0
Central	0	0	0	0	0	0
Non-Instructional Services	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	901,673	631,673	270,000
Debt Service:						
Principal Retirement	952,500	1,270,000	(317,500)	0	0	0
Interest and Fiscal Charges	859,966	566,351	293,615	0	0	0
Total Expenditures	1,850,952	1,872,746	(21,794)	2,225,282	1,885,201	340,081
Excess of Revenues Over (Under) Expenditures	(179,782)	(168,832)	10,950	(1,720,048)	(1,358,915)	361,133
Other Financing Sources (Uses):						
Operating Transfers In	189,300	0	(189,300)	0	0	0
Proceeds from the Sale of Fixed Assets	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	100	100
Advances In	0	0	0	0	0	0
Other Financing Sources	0	0	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0
Refund of Prior Year Receipts	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	189,300	0	(189,300)	0	100	100
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	9,518	(168,832)	(178,350)	(1,720,048)	(1,358,815)	361,233
Fund Balances at Beginning of Year	1,530,753	1,530,753	0	1,047,508	1,047,508	0
Fund Balances at End of Year	\$1,540,271	\$1,361,921	(\$178,350)	(\$672,540)	(\$311,307)	\$361,233

The notes to the general purpose statements are an integral part of this statement.

Medina City School District
Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Similar Trust Fund
For Fiscal Year Ended June 30, 1999

	Expendable Trust			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$0	\$0	\$0	\$30,373,452	\$30,392,182	\$18,730
Intergovernmental	0	0	0	14,431,353	14,591,675	160,322
Interest	4,110	3,808	(302)	1,133,815	1,219,611	85,796
Extracurricular Activities	3,000	1,870	(1,130)	628,154	501,985	(126,169)
Tuition and Fees	0	0	0	460,000	372,220	(87,780)
Gifts and Donations	1,600	1,510	(90)	289,539	122,037	(167,502)
Miscellaneous	0	0	0	201,000	199,473	(1,527)
Total Revenue	8,710	7,188	(1,522)	47,517,313	47,399,183	(118,130)
Expenditures:						
Current:						
Instruction:						
Regular	0	0	0	20,439,904	19,977,370	462,534
Special	0	0	0	5,263,993	5,129,608	134,385
Vocational	0	0	0	501,105	511,672	(10,567)
Other	0	0	0	1,903,050	1,393,950	509,100
Support Services:						
Pupils	0	0	0	2,405,851	2,367,798	38,053
Instructional Staff	0	0	0	2,484,099	2,317,485	166,614
Board of Education	0	0	0	87,875	75,417	12,458
Administration	0	0	0	3,349,704	3,162,562	187,142
Fiscal	0	0	0	1,141,534	1,068,634	72,900
Business	0	0	0	732,068	643,391	88,677
Operation and Maintenance	0	0	0	5,051,902	4,911,052	140,850
Pupil Transportation	0	0	0	2,694,022	2,376,893	317,129
Central	0	0	0	304,272	294,479	9,793
Non-Instructional Services	13,460	9,300	4,160	458,702	437,242	21,460
Extracurricular Activities	0	0	0	979,226	967,601	11,625
Capital Outlay	0	0	0	1,252,985	892,932	360,053
Debt Service:						
Principal Retirement	0	0	0	952,500	1,270,000	(317,500)
Interest and Fiscal Charges	0	0	0	859,966	566,351	293,615
Total Expenditures	13,460	9,300	4,160	50,862,758	48,364,437	2,498,321
Excess of Revenues Over (Under) Expenditures	(4,750)	(2,112)	2,638	(3,345,445)	(965,254)	2,380,191
Other Financing Sources (Uses):						
Operating Transfers In	0	0	0	237,556	4,000	(233,556)
Proceeds from the Sale of Fixed Assets	0	0	0	0	45,128	45,128
Refund of Prior Year Expenditures	0	0	0	37,237	4,105	(33,132)
Advances In	0	0	0	100,000	53,200	(46,800)
Other Financing Sources	0	0	0	74,790	71,843	(2,947)
Operating Transfers Out	0	0	0	(251,202)	(6,000)	245,202
Refund of Prior Year Receipts	0	0	0	0	(635)	(635)
Advances Out	0	0	0	(89,068)	(53,200)	35,868
Total Other Financing Sources (Uses)	0	0	0	109,313	118,441	9,128
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,750)	(2,112)	2,638	(3,236,132)	(846,813)	2,389,319
Fund Balances at Beginning of Year	47,207	47,207	0	16,785,414	16,785,414	0
Fund Balances at End of Year	\$42,457	\$45,095	\$2,638	\$13,549,282	\$15,938,601	\$2,389,319

The notes to the general purpose statements are an integral part of this statement.

Medina City School District
 Combined Statement of Revenues, Expenses and Changes in Fund Equity
 All Proprietary Fund Types and Similar Trust Funds
 Fiscal Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
Operating Revenues:				
Sales	\$1,148,295	\$0	\$0	\$1,148,295
Interest	0	0	51,160	51,160
Other Revenues	0	39,931	0	39,931
Total Operating Revenues	1,148,295	39,931	51,160	1,239,386
Operating Expenses:				
Salaries	465,521	0	0	465,521
Fringe Benefits	209,523	0	0	209,523
Purchased Services	31,923	0	0	31,923
Materials and Supplies	540,110	151	0	540,261
Cost of Sales	87,150	0	0	87,150
Depreciation	13,289	0	0	13,289
Other Operating Expenses	0	36,903	28,250	65,153
Capital Outlay	9,225	0	0	9,225
Total Operating Expenses	1,356,741	37,054	28,250	1,422,045
Operating Income (Loss)	(208,446)	2,877	22,910	(182,659)
Non-Operating Revenues:				
Federal Donated Commodities	87,150	0	0	87,150
Federal and State Subsidies	182,541	0	0	182,541
Refund of Prior Year Expense	0	2,024	0	2,024
Interest	4,662	0	0	4,662
Total Non-Operating Revenues	274,353	2,024	0	276,377
Net Income	65,907	4,901	22,910	93,718
Retained Earnings/Fund Balance at Beginning of Year	207,601	13,364	543,318	764,283
Retained Earnings/Fund Balance at End of Year	273,508	18,265	566,228	858,001
Contributed Capital	104,727	0	0	104,727
Total Fund Equity/Fund Balance at End of Year	\$378,235	\$18,265	\$566,228	\$962,728

The notes to the general purpose financial statements are an integral part of this statement.

Medina City School District
 Combined Statement of Cash Flows All - Proprietary
 Fund Types and Similar Trust Funds
 Fiscal Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Increase/(Decrease) in Cash and Cash Equivalents				
Cash Flow from Operating Activities:				
Cash Received from Customers	\$1,148,295	\$0	\$0	\$1,148,295
Cash Received from Other Operating Sources	0	39,931	51,160	91,091
Cash Payments to Suppliers for Goods and Services	(585,273)	(351)	0	(585,624)
Cash Payments to Employees for Services	(436,042)	0	0	(436,042)
Cash Payments for Employee Benefits	(215,599)	0	0	(215,599)
Cash Payments for Other Expenses	0	(36,903)	(28,250)	(65,153)
Net Cash Provided by (Used For) Operating Activities	<u>(88,619)</u>	<u>2,677</u>	<u>22,910</u>	<u>(63,032)</u>
Cash Flows from Noncapital Financing Activities:				
Operating Grants Received	157,887	0	0	157,887
Refund of Prior Years Expenditures	0	2,024	0	2,024
Net Cash Provided by Noncapital Financing Activities	<u>157,887</u>	<u>2,024</u>	<u>0</u>	<u>159,911</u>
Cash Flow for Investing Activities:				
Interest on Investments	4,662	0	0	4,662
Net Increase in Cash and Cash Equivalents	73,930	4,701	22,910	101,541
Cash and Cash Equivalents at Beginning of Year	320,392	13,564	543,317	877,273
Cash and Cash Equivalents at End of Year	<u>\$394,322</u>	<u>\$18,265</u>	<u>\$566,227</u>	<u>\$978,814</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	(208,446)	2,877	22,910	(182,659)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Depreciation	13,289	0	0	13,289
Donated Commodities Used During Year	87,150	0	0	87,150
(Increase)/Decrease in Assets:				
Inventory Held for Resale	(3,742)	0	0	(3,742)
Materials and Supplies Inventory	(27)	0	0	(27)
Prepaid Items	(9,946)	0	0	(9,946)
Increase/(Decrease) in Liabilities:				
Accounts Payable	(1,779)	(200)	0	(1,979)
Accrued Wages	15,679	0	0	15,679
Compensated Absences Payable	3,870	0	0	3,870
Intergovernmental Payable	11,591	0	0	11,591
Deferred Revenue	3,742	0	0	3,742
Total Adjustments	<u>119,827</u>	<u>(200)</u>	<u>0</u>	<u>119,627</u>
Net Cash Provided by (Used for) Operating Activities	<u>(\$88,619)</u>	<u>\$2,677</u>	<u>\$22,910</u>	<u>(\$63,032)</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet				
Agency Fund	\$137,944			
Expendable Trust	49,396			
Non-Expendable Trust	566,227			
Total Cash and Cash Equivalents for Trust and Agency	<u>\$753,567</u>			

MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 1999

Note 1 - Description of the School District

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

The District is located in Medina County and encompasses the entire City of Medina and portions of surrounding townships. The District currently operates five elementary schools, two middle schools and one comprehensive high school staffed by 36 administrators, 397 certificated full-time teaching personnel, and 225 classified employees who provide services to 5,891 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool, and student-related activities of the District. The following activities are included within the reporting entity:

Non-public Schools - Within the District boundaries, The Nurtury, St. Francis Xavier, and First Baptist School are operated as non-public schools. Current State legislation provides funding to these schools. These monies are received and disbursed on behalf of the schools by the Treasurer of the District, as directed by the schools. The activity of these State monies is reflected in a special revenue fund by the District for financial reporting purposes.

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 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. The District does not have any component units.

The District is associated with two jointly governed organizations and an insurance purchasing pool. These organizations are the Medina County Career Center, the Ohio Schools Council, and the Ohio School Boards Association Workers' Compensation Rating Program. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

MEDINA CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 1999

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation - Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District activities or functions.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's Governmental Fund Types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

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As of June 30, 1999

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are 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).

Proprietary Fund Types

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent 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 it 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.

Internal Service Fund - Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The District has expendable trust and nonexpendable trust funds. The District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. As a result, transfers in and out do not balance in the amount of \$6,000.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds and nonexpendable trust funds.

MEDINA CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 1999

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary funds and nonexpendable trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds types and expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) in net current assets, and decreases (expenditures and other financing uses) in net current assets.

All proprietary fund types and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after the fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and miscellaneous accounts (student fees and rent).

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 1999

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. Allocation of cost, such as depreciation and amortization are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and 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 revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established time-table. 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 appropriations resolutions are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund, function, and object level within the general fund, capital projects funds, and debt service fund, and at the fund level for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Tax Budget

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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Medina County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County 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 the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 1999

the preceding year. 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 statements reflect the amounts in the final amended certificate of resources issued during the fiscal year 1999.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based upon final assessed values and tax rates or a certification saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures within the general fund, debt service fund, and the capital projects fund and at the fund level of expenditures for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statement of budgetary comparison represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary controls, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as reservations of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements (Note 17) for proprietary funds.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

MEDINA CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 1999

D. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Monies for all governmental and proprietary funds, except trust fund investments, are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 1999, investments included repurchase agreements, certificates of deposit, State Treasury Asset Reserve of Ohio (STAR Ohio), U.S. Treasurer Notes, Federal Home Loan Bank, mutual funds, and common stock. Except for nonparticipating investment contracts, investments are reported at fair value which is based upon quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the fiscal year 1999. 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, 1999.

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 the fiscal year 1999 amounted to \$1,212,478.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies for consumption. The cost of inventory items is recorded as expenditures in governmental fund types when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 1999

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized. All fixed 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 values as of the date received. The District maintains a capitalization threshold of one thousand dollars. The District does not possess any infrastructure.

Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over a period of five to forty years, depending upon the classification of the asset. Improvements to enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

MEDINA CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 1999

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Venture Capital
Local Professional Development
Gifted Program
Educational Management Information System
SchoolNet
Data Communication
Test/Instructional Material Subsidy
Learn and Serve America
Goals 2000
Eisenhower Math/Science
Auxiliary Services
Title VI-B
Title I
Title VI
Drug Free Schools
EHA Preschool
Medina County Drug Abuse Commission (MCDAC)

Reimbursable Grants

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to thirty percent of the District's governmental fund revenue during the 1999 fiscal year.

I. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No.16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 1999

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 termination payment method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than thirty days after year-end are generally considered not to have been paid with current available financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt retirement fund must be created and used for the payment of tax anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the activity of the District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers or advances.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 1999

L. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriation for expenditures. Unreserved fund balance indicate that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, property taxes, endowment, and budget stabilization.

Under Ohio law, the reserve for budget stabilization must be established for certain revenues but is not expendable without permission of the Ohio Department of Education. The following table reflects changes in the reserve for budget stabilization during the year.

	Textbook Instructional Material Reserve	Capital Improvement Maintenance Reserve	Budget Stabilization Reserve	Total
Balance 7-1-98	\$0	\$0	\$1,993,376	\$1,993,376
Required set-aside	683,835	683,835	153,338	1,521,008
Offset Credits	0	0	0	0
Qualifying Expenditures	683,835	683,835	0	1,367,670
Balance 6-30-99	<u>\$0</u>	<u>\$0</u>	<u>\$2,146,714</u>	<u>\$2,146,714</u>

Expenditures for capital activity during the year were \$2,597,189, and expenditures for textbooks and instructional supplies during the year were \$1,175,004, which exceeded the required set-asides and reserve balance.

M. 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 could differ from those estimates.

N. Total Memorandum Only Columns

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 1999

Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 - Stewardship, Compliance and Accountability

A. Legal Compliance

Contrary to Section 5705.41(B), Ohio Revised Code, the following funds/functions had expenditures plus encumbrances in excess of appropriations at June 30, 1999:

<u>Fund/Function</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General Fund:			
Current: Instruction:			
Vocational	\$ 501,105	\$ 511,672	\$ (10,567)
Current: Support Services			
Pupils	2,105,221	2,121,136	(15,915)
Current: Extracurricular Activities	603,975	651,121	(47,146)
Debt Service:			
Principal Retirement	952,500	1,270,000	(317,500)

Contrary to Section 5705.39, Ohio Revised Code, the Capital Project Fund had total appropriations in excess of total estimated resources at June 30, 1999 of \$672,540.

Note 4 - Budgetary Basis of Accounting

While the District is reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursement, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types and Similar Trust Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Similar Trust Fund

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$2,572,474	\$17,478	(\$145,774)	(\$1,345,441)	\$388
Net Adjustment for Revenue Accruals	(50,956)	(94,703)	180,669	(185,671)	0
Net Adjustment for Expenditures Accruals	328,911	111,851	(189,301)	699,480	(700)
Net Adjustments for Interfund Loan Transactions	(53,200)	53,200	0	0	0
Adjustment for Encumbrances	(1,986,922)	(215,187)	(14,426)	(527,183)	(1,800)
Budget Basis	<u>\$810,307</u>	<u>(\$127,361)</u>	<u>(\$168,832)</u>	<u>(\$1,358,815)</u>	<u>(\$2,112)</u>

Note 5 - Deposits and Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion is displayed on the combined Balance Sheet - All Fund Types and Account Groups

Deposits and investments are restricted by provisions of the Ohio Revised Code. State statutes classify monies held by the District into three categories.

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two 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.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United State Treasury, or other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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 be 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) of (2) 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); and
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

The District has received various donations in the form of stocks and mutual funds to be used in providing scholarships to students, and are accounted for in the nonexpendable trust fund. Per the trust agreements, these funds must remain in stocks or mutual funds, and therefore are exempt from the above requirements.

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 expectations that it

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will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made 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.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At year end, the carrying amount of the District's deposits was \$(247,422) and the bank balance was \$254,220. The District had unposted deposits of \$1,287 which is not included on the balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents." Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$154,220 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

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Investments	1	2	3	Carrying Amount	Fair Value
Repurchase Agreements	\$0	\$0	\$585,000	\$585,000	\$585,000
Tenneco Stock	8,356			8,356	8,356
Newport News Shipbuilding Inc.	2,065			2,065	2,065
Elpaso Natural Gas Co.	2,253			2,253	2,253
Scudder Funds		311,673		311,673	311,673
T. Rowe Price Funds		264,416		264,416	264,416
Investment in State Treasurer's Investment Pool				22,088,063	22,088,063
Total Investments	\$12,674	\$576,089	\$585,000	\$23,261,826	\$23,261,826

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of pooled cash and cash equivalents and investments on the Combined Balance Sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$23,001,730	\$12,674
Investments of the Cash Management Pool:		
Repurchase Agreements	(585,000)	585,000
Scudder	(311,673)	311,673
T. Rowe Price	(264,416)	264,416
Star Ohio	(22,088,063)	22,088,063
GASB Statement No. 3	<u>\$(247,422)</u>	<u>\$23,261,826</u>

Note 6 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used

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in business) property which is located within the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and real property at 35 percent of true value. Tangible personal property taxes are levied after April 1, on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true 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 earlier or later payment dates to be established.

Tangible personal property taxes paid 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.

The District receives property taxes from Medina County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$1,295,503 in the general fund, \$73,086 in the bond retirement debt service fund, and \$16,262 in the permanent improvement capital projects fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$587,804,460	84.85%	\$639,515,700	85.20%
Public Utilities Personal	33,146,280	4.78	33,111,330	4.41
Tangible Personal Property	71,838,705	10.37	77,959,316	10.39
Total	\$692,789,445	100%	\$750,586,346	100%

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Tax rate per \$1,000 of assessed valuation	81.97	81.66
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Note 7 - Interfund Receivables and Payables

Individual fund interfund receivable and payable balances as of June 30, 1999 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$53,200	\$189,300
Special Revenue Funds:		
Student Activity		53,200
Debt Service	189,300	
Totals	\$242,500	\$242,500

Note 8 - Fixed Assets

A summary of the changes in the general fixed assets during fiscal year 1999 is as follows:

	Balance 7/1/98	Additions	Retirements	Balance 6/30/99
Land	\$819,508	\$0	\$0	\$819,508
Buildings	28,680,426	1,249,487	0	29,929,913
Furniture and Equipment	4,274,490	539,739	0	4,814,229
Vehicles	3,271,140	289,865	0	3,561,005
Total	\$37,045,564	\$2,079,091	\$0	\$39,124,655

A summary of enterprise fund fixed assets as of June 30, 1999, is as follows:

	Enterprise
Furniture and Equipment	\$261,247
Less: Accumulated Depreciation	(178,273)
Net Fixed Assets	\$82,974

There was no significant construction in progress at June 30, 1999.

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Note 9 - Operating Leases

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the District's account groups.

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 1999.

Fiscal Year Ending June 30,	Amounts
2000	\$53,810
2001	43,251
2002	20,803
2003	17,890
2004	13,877
Total Minimum payments required	\$149,631

The District had no capital leases outstanding at June 30, 1999.

Note 10 - Long-Term Obligations

The changes in the District's long-term obligations during fiscal year 1999, were as follows:

	Outstanding 7/1/98	Additions	Reductions	Outstanding 6/30/99
General Obligation Bonds:				
1977 5.375% School Improvement	\$35,000	\$0	\$35,000	\$0
1992 Various School Improvement	4,464,245	0	790,000	3,674,245
1998 3.6 - 15.7% Refunding Bonds	11,009,701	0	295,000	10,714,701
Total General Obligation Bonds	15,508,946	0	1,120,000	14,388,946
Compensated Absences	4,298,833	2,489	0	4,301,322
Intergovernmental Payable	539,520	0	172,287	367,233
Capital Leases	300,466	0	300,466	0
Totals	\$20,647,765	\$2,489	\$1,592,753	\$19,057,501

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General Obligation bonds will be paid from property taxes. Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents pension obligations paid outside the available period and will be paid from the fund from which the person is paid.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2000	\$533,855	\$929,536	\$1,463,391
2001	505,542	962,189	1,467,731
2002	474,556	991,998	1,466,554
2003	615,243	849,773	1,465,016
2004	589,867	873,241	1,463,108
2005-2009	2,680,182	4,644,472	7,324,654
2010-2014	2,609,701	4,695,674	7,305,375
2015-2019	6,380,000	828,500	7,208,500
Total	<u>\$14,388,946</u>	<u>\$14,775,383</u>	<u>\$29,164,329</u>

Notes Payable

A summary of the note activity for the year ended June 30, 1999, follows:

	Outstanding 7/1/98	Additions	Reductions	Outstanding 6/30/99
1992 6.0% Energy Conservation Note - Permanent Improvement	\$655,000	\$0	\$150,000	\$505,000

Fiscal Year Ending June 30	Principal	Interest	Total
2000	\$160,000	\$30,300	\$190,300
2001	165,000	20,700	185,700
2002	180,000	10,800	190,800
Total	<u>\$505,000</u>	<u>\$61,800</u>	<u>\$566,800</u>

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Note 11 - Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 1999, the District contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>
Wausau Insurance Companies	Education Liability (a)	\$1,000
	Fleet Insurance	\$50/\$250
Crum & Forster Insurance Company	Property	\$1,000
	Inland Marine	\$250
Ohio Casualty	Crime	\$1,000/\$250
CNA Insurance	Boiler & Machinery	\$1,000

- (a) includes errors and omissions, directors and officers, general liability, professional liability, products completed operations, premises-operations, and inventory.

Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

For the fiscal year 1999, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefits 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 Districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control, and actuarial services to the GRP.

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Note 12 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The District contributes to the State Teachers Retirement System (STRS), a cost-sharing multiple employer defined benefit pension plan. STRS provides retirement and disability benefits, health care benefits and death benefits to plan members and beneficiaries. State statute assigns the authority to establish and amend benefit provisions to the STRS Board of Trustees. The State Teachers Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the STRS Board of Trustees. The District's contributions to STRS for the years ending June 30, 1999, 1998, and 1997 were \$4,961,145, \$4,599,670, and \$4,716,268, respectively. The full amount has been contributed for 1998 and 1997. For 1999, 91 percent has been contributed with the remainder being reported as a fund liability.

B. School Employees Retirement System

The District also contributes to the School Employees Retirement Plan (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. State statute assigns the authority to establish and amend benefit provisions to the SERS Board of Trustees. The School Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to School Employees Retirement Systems, 45 North Fourth Street, Columbus, Ohio 43215

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended, up to statutory maximum amounts, by the SERS Board of Trustees. The District's contributions to SERS for the years ending June 30, 1999, 1998, and 1997 were \$1,448,735, \$1,355,788, and \$1,324,877, respectively. The full amount has been contributed for 1998 and 1997. For 1999, 72.4 percent has been contributed with the remainder being reported as a fund liability and within the General Long Term Obligations Account Group.

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

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Retirement System/State Teachers Retirement System. As of June 30, 1999, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Postemployment Benefits

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System and to retired non-certified employees and their dependents through the School Employees Retirement System.

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS fund shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Board currently allocates employer contributions equal to 2 percent of covered payroll to health care reserve fund was \$2,156 million at June 30, 1998. The Healthcare Reserve Fund allocation for the year ended June 30, 1999, was 8 percent of covered payroll. For the year ended June 30, 1998, the net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients statewide.

The Districts actual contributions for the 1999 fiscal year were \$755,604.

The Ohio Revised Code gives SERS the discretionary authority to provide post retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retire on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainders of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1998, the allocation rate was 4.98 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1997, the minimum pay was established as \$12,400. The surcharge rate, added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million.

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At June 30, 1998, the Retirement System's net assets available for payment of health care benefits was \$160.3 million, at cost. The number of participants currently receiving health care benefits is approximately 50,000 statewide.

The Districts actual contributions for the 1999 fiscal year were \$302,836.

June 30, 1998 is the latest date for which information is available.

Note 14 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation, personal, and sick leave benefits are derived from negotiated agreements and State laws. Employees may earn up to a maximum of four days of personal leave per year. Personal leave may not be accumulated. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred eighty (180) days. Sick leave is computed using the termination method. Upon retirement, certified and classified employees with at least five years' experience with the District, receive payment for up to a maximum of eighty days computed according to negotiated agreements. Administrative employees receive one hundred percent of sick leave days accumulated for the first forty days and fifty percent of sick leave days accumulated from the next eighty days up to a maximum of eighty days. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

B. Insurance

The District provides life insurance and accidental death and dismemberment insurance to most employees through commercial life insurance companies. The District has elected to provide employee medical/surgical, and prescription benefits through QualChoice, a medical care program sponsored by University Hospitals of Cleveland. Dental benefits are provided by the District through Coresource, Inc. The School Board pays the cost of insurance coverage for all employees.

Note 15 - School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$10,126,536 of school foundation support for its general fund.

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Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court, has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and as such, school districts are still operating under laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the District is unable to determine what effect, if any this ongoing litigation will have on its future State funding under this program and on its financial operations.

Note 16 - Contingencies

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

B. Litigation

The District is party to legal proceedings. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

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Note 17 - Segment Information for Enterprise Funds

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Total
Operating Revenues	\$993,273	\$155,022	\$1,148,295
Operating Expenses Before Depreciation	1,198,622	144,830	1,343,452
Depreciation Expense	13,289	0	13,289
Operating Income (Loss)	(218,637)	10,191	(208,446)
Donated Commodities	87,150	0	87,150
Operating Grants	182,541	0	182,541
Net Income	55,716	10,191	65,907
Net Working Capital	227,755	67,506	295,261
Total Assets	491,787	67,506	559,293
Total Equity	310,729	67,506	378,235
Encumbrances at 6/30/99	2,903	16,853	19,756

Note 18 - Jointly Governed Organizations

Medina County Career Center - The Medina County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each participating school district's elected board, which possesses its own budgeting and taxing authority. Accordingly, the Medina County Career Center is not part of the District and its operations are not included as part of the reporting entity. Financial information can be obtained by contacting the Treasurer at the Medina County Career Center, 1101 West Liberty Street, Medina, Ohio 44256.

Ohio School's Council - The Ohio School's Council (OSC) is a jointly governed organization comprised of seventy-two school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as media center, gas consumption, food service, and insurance. Each member provides operating resources to OSC via a monthly administrative fee and an actual usage charge, except for insurance.

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The OSC assembly consists of a superintendent or designated representative from each participating school district and the fiscal agent. OSC is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Ohio Schools' Council at 8001 Brecksville Road, Brecksville, Ohio 44141.

Note 19 - Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Program - The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as 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 20 - Year 2000 Issue

The year 2000 is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting and payroll. The District utilizes an external service organization for these systems. This organization is responsible for remediating these systems. Management has been advised that the external service organization has tested and validated the systems related to the District's financial reporting and payroll as of June 30, 1999.

The State of Ohio distributes a portion of the District's operating monies in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through their Education Management and Information System (EMIS). The State is responsible for remediating these systems and is solely responsible for any associated costs.

Local property taxes also provide a portion of the District's operating monies. Tax collection for the District is handled by Medina County. The County is responsible for remediating this system, and is solely responsible for any costs associated with this project.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
As of June 30, 1999

Note 21 - Defeased Debt

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is considered defeased and therefore removed as a liability from the Districts General Long Term Obligation Account Group. As of June 30, 1999, the amount of defeased debt outstanding but removed from the General Long Term Obligation Account Group amounted to \$11,576,194.

Note 22 - Subsequent Events

In May of 1999, the voters of the District approved a bond issue authorizing the issuance of not to exceed \$77,650,000 of bonds for the purpose of renovating, expanding, and providing new facilities and equipment. On July 19, 1999 the Board authorized the issuance of \$77,649,923 of the bonds. The bonds were sold and the proceeds collected in August of 1999. The District had approximately \$640,822 in invoices payable to Fanning/Howey Associates, Inc., for which payment was contingent upon receipt of these proceeds. Once these monies were received, the District properly certified these funds and the invoices were paid in August of 1999.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$93,517	\$0	\$87,150
National School Lunch Program	N/A	10.555	<u>151,434</u>	<u>0</u>	<u>151,434</u>	<u>0</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>151,434</u>	<u>93,517</u>	<u>151,434</u>	<u>87,150</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Title VI-B	044388 6B-SF98	84.027	(384)	0	58,877	0
	044388 6B-SF99	84.027	318,937	0	271,075	0
Preschool VI-B	044388 PG-S198	84.173	(143)	0	4,736	0
	044388 PG-S199	84.173	<u>30,927</u>	<u>0</u>	<u>25,209</u>	<u>0</u>
Total Special Education Cluster			<u>349,337</u>	<u>0</u>	<u>360,897</u>	<u>0</u>
Title I	044388 C1-S98	84.010	7,059	0	71,468	0
	044388 C1-S99	84.010	<u>331,759</u>	<u>0</u>	<u>274,584</u>	<u>0</u>
Total Title I			<u>338,818</u>	<u>0</u>	<u>346,052</u>	<u>0</u>
Emergency Immigrant	044388	84.162	2,814	0	2,766	0
Drug Free Schools	044388 DR-S198	84.186	0	0	10,291	0
	044388 DR-S199	84.186	<u>32,238</u>	<u>0</u>	<u>28,962</u>	<u>0</u>
Total Drug Free Schools			<u>32,238</u>	<u>0</u>	<u>39,253</u>	<u>0</u>
Capital Expenses	N/A	84.216	8,600	0	3,059	0
Continuous Improvement Grant	044388 G2-52-98	84.276	75,000	0	127,905	0
	044388 G2-52-99	84.276	43,650	0	0	0
	044388 G2-A2-99	84.276	2,899	0	2,899	0
	044388 G2-S4-97	84.276	<u>(4)</u>	<u>0</u>	<u>33,613</u>	<u>0</u>
Total Continuous Improvement Grant			<u>121,545</u>	<u>0</u>	<u>164,417</u>	<u>0</u>
Dwight D. Eisenhower	044388 MS-S197	84.281	(12)	0	484	0
	044388 MS-S198	84.281	0	0	723	0
	044388 MS-S199	84.281	<u>23,426</u>	<u>0</u>	<u>9,685</u>	<u>0</u>
Total Dwight D. Eisenhower			<u>23,414</u>	<u>0</u>	<u>10,892</u>	<u>0</u>

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
(Continued)**

Innovative Education Program	044388 C2-S98	84.298	0	0	6,256	<u>0</u>
	044388 C2-S99	84.298	<u>25,948</u>	0	<u>18,637</u>	0
Total Innovative Education Program			<u>25,948</u>	<u>0</u>	<u>24,893</u>	<u>0</u>
Serve America	044388 SVS198C	94.004	0	0	4,677	0
	044388 SVS199C	94.004	<u>10,192</u>	<u>0</u>	<u>7,427</u>	<u>0</u>
			<u>10,192</u>	<u>0</u>	<u>12,104</u>	<u>0</u>
Total U.S. Department of Education			<u>912,906</u>	<u>0</u>	<u>964,333</u>	<u>0</u>
Total Federal Assistance			<u>\$1,064,340</u>	<u>\$93,517</u>	<u>\$1,115,767</u>	<u>\$87,150</u>

See Notes to the Schedule of Federal Awards Receipts and Expenditures

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. At June 30, 1999, the School District had \$17,584 of food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Medina City School District
Medina County
120 W. Washington Street
Medina, Ohio 44256

To the Board of Education:

We have audited the general purpose financial statements of Medina City School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 17, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 17, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over the financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 17, 1999.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and "P".

JIM PETRO
Auditor of State

December 17, 1999



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

Medina City School District
Medina County
120 W. Washington Street
Medina, Ohio 44256

To the Board of Education:

Compliance

We have audited the compliance of Medina County City School District, Medina County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Medina City School District
Medina County
Report on Compliance With Requirements Applicable to Each Major
Federal Program and Internal Control Over Compliance
In Accordance With OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



JIM PETRO
Auditor of State

December 17, 1999

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**Medina City School District
Medina County
June 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster Goals 2000
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY
JUNE 30, 1999

SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-10952-001	5705.41(B) Expenditures exceeded appropriations	No	Significantly Corrected. Management letter comment for FY 1999



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MEDINA CITY SCHOOL DISTRICT, MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

By: _____
Clerk of the Bureau

Date: **JAN 11 2000**