

Midview Local School District

Basic Financial Statements

June 30, 2005



**Auditor of State
Betty Montgomery**

Board of Education
Midview Local School District
1010 Vivian Dr.
Grafton, OH 44044

We have reviewed the *Independent Auditors' Report* of the Midview Local School District, Lorain County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 11, 2006

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Midview Local School District

For The Fiscal Year Ended June 30, 2005

<u>Table of Contents</u>	<u>Page</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government – wide Financial Statements:	
Statement of Net Assets.....	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual – General Fund	22
Statement of Fund Net Assets – Proprietary Funds.....	24
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	25
Statement of Cash Flows – Proprietary Funds.....	26
Statement of Fiduciary Net Assets – Fiduciary Funds	27
Notes to Basic Financial Statements.....	28
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance With OMB Circular A-133	63

Midview Local School District

For The Fiscal Year Ended June 30, 2005

<u>Table of Contents (continued)</u>	<u>Page</u>
Schedule of Expenditures of Federal Awards	65
Notes to Schedule of Expenditures of Federal Awards.....	66
Schedule of Findings	67
Schedule of Prior Audit Findings.....	69
Response to Findings Associated with Audit Conducted in Accordance with <i>Government Auditing Standards</i>	70

Independent Auditors' Report

Board of Education
Midview Local School District
Grafton, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Midview Local School District, (“the District”) as of and for the year ended June 30, 2005, which collectively comprise the District’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District’s management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Midview Local School District, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2005, the District implemented Governmental Accounting Statement No. 40, “Deposit and Investment Risk Disclosures” and Government Accounting Standards Board Technical Bulletin No. 2004-2, “Recognition of Pension and Other Post Employment Benefit Expenditures/Expense and Liability by Cost-Sharing Employers”.

Board of Education
Midview Local School District

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Cioni & Panichi, Inc.

Cleveland, Ohio
February 17, 2006

Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Our discussion and analysis of the Midview Local School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets increased \$4,020,614. Net assets of governmental activities increased \$4,013,344, which represents a 37% increase from 2004. Net assets of business-type activities increased \$7,270 or 3% from 2004.
- General revenues accounted for \$25,870,067 in revenues or 89% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,016,133 or 11% of total revenues of \$28,886,200.
- The District had \$23,980,515 in expenses related to governmental activities; only \$2,432,686 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$25,563,878 were adequate to provide for these programs resulting in an increase of net assets from \$10,866,859 to \$14,880,203.
- The District had \$885,071 in expenses related to business-type activities; a total of \$583,447 was offset by program specific charges for services, grants and contributions. Total revenues were adequate to provide for these programs by \$7,270 resulting in an increase to net assets from \$213,926 to \$221,196.
- The District's major governmental funds are the general fund and the capital improvement capital projects funds fund. The general fund had \$24,514,076 in revenues and other financing sources and \$22,546,543 in expenditures and other financing uses. The general fund's fund balance increased \$1,967,623 from \$2,521,461 to \$4,489,084. The capital improvements capital projects fund had \$3,240,066 in revenues and other financing sources and \$17,037,492 in expenditures and other financing uses. The capital improvement capital projects fund's fund balance decreased \$13,797,426 from \$20,156,749 to \$6,359,323.

Using these Basic Financial Statements

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

Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

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

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

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

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

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

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

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

Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major governmental funds begins on page 15. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's three types of funds, governmental, proprietary and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. This is the third year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior years is available in this Management's Discussion and Analysis. The table below provides a summary of the District's net assets for 2005 and 2004.

Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 23,055,010	\$ 17,991,614	\$ 228,786	\$ 228,432	\$ 23,283,796	\$ 18,220,046
Restricted Assets	2,637,437	19,877,467	-	-	2,637,437	19,877,467
Capital assets net	<u>35,343,625</u>	<u>19,270,585</u>	<u>119,767</u>	<u>130,552</u>	<u>35,463,392</u>	<u>19,401,137</u>
Total assets	<u>61,036,072</u>	<u>57,139,666</u>	<u>348,553</u>	<u>358,984</u>	<u>61,384,625</u>	<u>57,498,650</u>
Current liabilities	14,632,256	17,164,632	76,511	145,058	14,708,767	17,309,690
Long-term liabilities	<u>31,523,613</u>	<u>29,108,175</u>	<u>50,846</u>	<u>-</u>	<u>31,574,459</u>	<u>29,108,175</u>
Total liabilities	<u>46,155,869</u>	<u>46,272,807</u>	<u>127,357</u>	<u>145,058</u>	<u>46,283,226</u>	<u>46,417,865</u>
Invested in capital assets, net of related debt	9,625,689	9,213,670	119,767	130,552	9,745,456	9,344,222
Restricted for:						
Capital projects	6,359,323	18,778,085	-	-	6,359,323	18,778,085
Debt service	100,092	100,092	-	-	100,092	100,092
Other purposes	(212,616)	(504,054)	-	-	(212,616)	(504,054)
Unrestricted (deficit)	<u>(992,285)</u>	<u>(16,720,934)</u>	<u>101,429</u>	<u>83,374</u>	<u>(890,856)</u>	<u>(16,637,560)</u>
Total net assets	\$ <u>14,880,203</u>	\$ <u>10,866,859</u>	\$ <u>221,196</u>	\$ <u>213,926</u>	\$ <u>15,101,399</u>	\$ <u>11,080,785</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the District, total assets exceed total liabilities by \$ 15,101,399 at the close of the most recent fiscal year.

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

Total assets increased by \$3,885,975 from 2004 to 2005, while the District's total liabilities decreased by \$134,639. The most significant change in assets was an increase in capital assets, where there was an increase of \$15,661,021 in construction in progress during the year. The most significant change in liabilities was a decrease in current liabilities due to the District completing three new school buildings.

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

Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program revenues:						
Charges for services	\$ 330,251	\$ 319,995	\$ 583,447	\$ 864,309	\$ 913,698	\$ 1,184,304
Operating grants	<u>2,102,435</u>	<u>1,668,409</u>	<u>-</u>	<u>-</u>	<u>2,102,435</u>	<u>1,668,409</u>
Total program revenues	<u>2,432,686</u>	<u>1,988,404</u>	<u>583,447</u>	<u>864,309</u>	<u>3,016,133</u>	<u>2,852,713</u>
General revenue and special items:						
Property taxes	12,482,589	10,568,282	-	-	12,482,589	10,568,282
Grants and entitlements	12,573,498	11,801,423	290,125	-	12,863,623	11,801,423
Investment earnings	366,817	228,505	16,323	-	383,140	228,505
Other	<u>140,974</u>	<u>390,648</u>	<u>(259)</u>	<u>-</u>	<u>140,715</u>	<u>390,648</u>
Total general revenues and special items	<u>25,563,878</u>	<u>22,988,858</u>	<u>306,189</u>	<u>-</u>	<u>25,870,067</u>	<u>22,988,858</u>
Total revenues	<u>27,996,564</u>	<u>24,977,262</u>	<u>889,636</u>	<u>864,309</u>	<u>28,886,200</u>	<u>25,841,571</u>
Expenses:						
Program expenses:						
Instruction:						
Regular	10,850,901	11,346,653	-	-	10,850,901	11,346,653
Special	2,187,750	1,860,458	-	-	2,187,750	1,860,458
Vocational	180,434	236,648	-	-	180,434	236,648
Adult/continuing	-	2,271	-	-	-	2,271
Other	11,362	11,277	-	-	11,362	11,277
Support Services:						
Pupil	1,339,585	1,504,398	-	-	1,339,585	1,504,398
Instructional staff	375,452	427,013	-	-	375,452	427,013
Board of education	439,480	407,542	-	-	439,480	407,542
Administration	2,193,636	1,897,632	-	-	2,193,636	1,897,632
Fiscal	754,332	734,345	-	-	754,332	734,345
Business	660,977	612,374	-	-	660,977	612,374
Operation and maintenance - plant	1,992,527	1,755,436	-	-	1,992,527	1,755,436
Pupil transportation	1,497,292	1,343,000	-	-	1,497,292	1,343,000
Central services	-	900	-	-	-	900
Extracurricular activities	636,395	660,755	-	-	636,395	660,755
Facilities acquisition and construction	-	379,534	-	-	-	379,534
Interest and fiscal charges	860,392	1,741,535	-	-	860,392	1,741,535
Food service	-	-	778,320	739,966	778,320	739,966
Uniform school supplies	-	-	74,830	106,949	74,830	106,949
Adult and community education	<u>-</u>	<u>-</u>	<u>31,921</u>	<u>23,007</u>	<u>31,921</u>	<u>23,007</u>
Total expenses	<u>23,980,515</u>	<u>24,921,771</u>	<u>885,071</u>	<u>869,922</u>	<u>24,865,586</u>	<u>25,791,693</u>
Increase (decrease) in net assets before transfers	4,016,049	55,491	4,565	(5,613)	4,020,614	49,878
Transfers	<u>(2,705)</u>	<u>(59,326)</u>	<u>2,705</u>	<u>59,326</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>\$ 4,013,344</u>	<u>\$ (3,835)</u>	<u>\$ 7,270</u>	<u>\$ 53,713</u>	<u>\$ 4,020,614</u>	<u>\$ 49,878</u>

Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Governmental Activities

Net assets of the District's governmental activities increased by \$4,013,344. Total governmental expenses of \$23,980,515 was primarily offset by program revenues of \$2,432,686 and general revenues of \$25,563,878. Program revenues supported 10.14% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 89.50% of total governmental revenue. Property taxes support 44.6% of total expenses while grants and entitlements supported 44.9% of total expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants off setting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2005 and 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Table 3
Total Cost of Program Services

	Governmental Activities			
	Total Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2005	Net Cost of Services 2004
Program expenses:				
Instruction:				
Regular	\$ 10,850,901	\$ 11,346,653	\$ 10,583,924	\$ 10,821,308
Special	2,187,750	1,860,458	620,206	992,337
Vocational	180,434	236,648	129,784	191,413
Adult/continuing	-	2,271	-	2,271
Other	11,362	11,277	11,362	11,277
Support services:				
Pupil	1,339,585	1,504,398	1,335,185	1,504,398
Instructional staff	375,452	427,013	287,485	309,053
Board of education	439,480	407,542	439,480	407,542
Administration	2,193,636	1,897,632	2,190,301	1,892,383
Fiscal	754,332	734,345	754,332	722,088
Business	660,977	612,374	645,977	597,374
Operation and maintenance - plant	1,992,527	1,755,436	1,992,527	1,755,436
Pupil transportation	1,497,292	1,343,000	1,390,730	1,244,358
Central services	-	900	-	900
Extracurricular activities	636,395	660,755	306,144	360,160
Facilities acquisition and construction	-	379,534	-	379,534
Interest and fiscal charges	<u>860,392</u>	<u>1,741,535</u>	<u>860,392</u>	<u>1,741,535</u>
Total expenses	\$ <u>23,980,515</u>	\$ <u>24,921,771</u>	\$ <u>21,547,829</u>	\$ <u>22,933,367</u>

The dependence upon tax revenues during fiscal year 2005 for governmental activities is apparent, as 88.71% of 2005 instruction activities are supported through taxes and other general revenues. The District's taxpayers, as a whole, are by far the primary support for District's students.

Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Business-Type Activities

Business-type activities include food service operation, uniform supplies and adult and community education. These programs had revenues of \$889,636 and expenses of \$885,071 for fiscal year 2005. The food service operations had expenses of \$778,320 and revenues of \$797,400. This resulted in an increase to net assets for the fiscal year of \$18,821. The uniform supplies operations had expenses of \$74,830 and revenues of \$88,135. This resulted in an increase to net assets for the fiscal year of \$13,305. The adult and community education operations had expenses of \$31,921 and revenues of \$10,065. This resulted in a decrease to net assets for the fiscal year of \$24,856. Management assesses the performance of each of these funds to ensure that they are run efficiently.

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$10,913,161 which is below last year's total of \$22,791,670. In addition, the capital improvement fund had a decrease of revenue of \$13,797,426 due to fiscal year 2004 issuance of bonds related to the construction of the three new schools. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance <u>June 30, 2005</u>	Restated Fund Balance <u>June 30, 2004</u>	Increase <u>(Decrease)</u>
General	\$ 4,489,084	\$ 2,521,461	\$ 1,967,623
Capital improvement	6,359,323	20,156,749	(13,797,426)
Other governmental	<u>64,754</u>	<u>113,460</u>	<u>(48,706)</u>
Total	\$ <u>10,913,161</u>	\$ <u>22,791,670</u>	\$ <u>(11,878,509)</u>

General Fund

The District's general fund balance increased by \$1,967,623, due to an increase in tax revenue and intergovernmental revenues during 2005. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2005 Amount</u>	<u>2004 Amount</u>	<u>Percentage Change</u>
Revenues:			
Taxes	\$ 10,942,093	\$ 9,143,384	19.67%
Interest earnings	90,465	38,587	134.44
Intergovernmental	13,275,067	12,348,357	7.50
Other revenue	<u>206,451</u>	<u>270,100</u>	(23.57)
Total	\$ <u>24,514,076</u>	\$ <u>21,800,428</u>	

Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The property tax revenue is up \$1,798,709 due to an increase in property valuations, which generates additional revenue because the District is at the 20 mill floor and new construction. The county treasurer's certifying greater than the usual percentage of taxes available for advance at June 30, which affects the accrual method of accounting in this comparison. The District anticipates tax collections will be larger in fiscal year 2006 than in fiscal year 2005.

Intergovernmental revenue increased \$926,710 or 7.50 % from the prior year. This increase is attributed to an increase in the number of students enrolled in the District compared to 2004. The increase in investment income is due to small increases in interest rates by the Federal Reserve Bank throughout the year and larger investments. All other revenue decreased due to reimbursements received in 2004 that did not occur in 2005.

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

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Expenditures by Object:			
Instruction	\$ 13,768,423	\$ 12,062,597	\$ 14.14%
Support services	8,075,689	8,591,029	(5.90)
Facilities acquisition and construction	301,728	-	100.00
Extracurricular activities	<u>397,908</u>	<u>430,496</u>	(7.57)
 Total	 \$ <u>22,543,748</u>	 \$ <u>21,084,122</u>	

The most significant increase was in the area of facilities acquisition and construction. This increase is due to the fact that the district bought laptops for instructors in the middle and high school. The district also bought twelve computers for the three elementary Learning Resource Centers.

General Fund Budget Information

The District's budget is prepared in accordance with Ohio law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The District amended its revenue estimates to reflect greater than originally anticipated revenues from taxes, interest and state foundation. There was an increase of more than \$500,000 in revenue from the district real estate taxes over the previous year. The final budget for expenditures decreased \$1,461,180 over the original budget. This was due to decreases in several areas. The most significant decrease was in regular education cost. The costs have continued to fluctuate each year. There were lower than expected expenditures in the areas of salaries and benefits. There were increases in the area of supplies and capital improvements. New textbooks were ordered for the K to 12 grade levels. Some of the plans to purchase additional educational supplies and equipment were completed. Services and capital expenditures that were paid from the capital improvement fund were now paid for from the general fund. There were also increased costs from the maintenance supply area.

The District utilizes the five-year forecast as the original document from which to form the operating budget. After updating of the forecast for changes in revenue and expenditure assumptions the operating budget begins at the school level. Each school in the district receives an allocation augmented with resources for daily operation in the specific buildings. The site and department budgets are reviewed periodically to ensure management becomes aware of any significant variations during the year.

Midview Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Capital Assets

The District has \$35,463,392 invested in capital assets net of depreciation, with \$35,343,625 attributed to governmental activities. Acquisitions for governmental activities totaled \$16,880,505 and depreciation was \$800,920. The majority of the acquisitions were related to construction of the new schools for the District. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 9).

Debt

At June 30, 2005, the District had \$28,015,000 in outstanding certificates of participation. The District paid \$405,000 in principal on certificates of participation outstanding payable during the fiscal year. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements (Note 14).

The certificates of participation have increased the debt service to ensure resources can be preserved as long as possible. The five-year forecast of the general fund and the five-year capital plan is utilized by management as a tool to manage resources effectively. In fiscal years 2003 and 2004, the School District entered into certificates of participation with the Lorain County Port Authority for three new schools. The certificates are annual leases subject to renewal for 28 years through December 30, 2030.

Current Financial Related Activities

The first challenge facing the District is based in the local economy. The District has experienced significant growth over the last 15 years. If the growth patterns in student population change so additional students enter the District than currently anticipated, adjustments will have to be made to the financial models upon which assumptions have been made. Also, an economic slowdown could result in revenue forecasts having to be revised downward. Either of these scenarios could cause the District to scale down the educational program offerings or seek additional resources.

The last challenge facing the District is the future of state funding. On September 6, 2001 the Ohio Supreme Court found the Ohio School Funding system to be constitutional pending some modifications by the legislature. The District is unable to determine what effect, if any, this decision will have on future funding from the State. Additionally, the current State education budget has projected an increase in funding for the District, but the State is facing a deficit and uncertainty exists as to maintaining this increase into the future.

Contacting the District's Financial Management

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

Midview Local School District

Statement of Net Assets

June 30, 2005

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
Assets:			
Equity in pooled cash and cash equivalents	\$ 9,284,813	\$ 179,783	\$ 9,464,596
Cash with fiscal agent	325,030	-	325,030
Taxes receivable	12,739,294	-	12,739,294
Intergovernmental receivable	471,045	34,529	505,574
Materials and supplies inventory	195,100	14,474	209,574
Prepaid items	39,728	-	39,728
Restricted assets:			
Cash and cash equivalents	132,061	-	132,061
Investments	2,505,376	-	2,505,376
Nondepreciable capital assets	26,259,374	-	26,259,374
Depreciable capital assets, net	<u>9,084,251</u>	<u>119,767</u>	<u>9,204,018</u>
Total assets	<u>61,036,072</u>	<u>348,553</u>	<u>61,384,625</u>
Liabilities:			
Accounts payable	1,385,217	-	1,385,217
Accrued wages and benefits	2,301,314	48,413	2,349,727
Accrued pension	541,436	28,098	569,534
Deferred revenue	9,685,728	-	9,685,728
Accrued interest payable	223,765	-	223,765
Claims payable	492,096	-	492,096
Matured bonds payable	2,700	-	2,700
Long-term liabilities:			
Due within one year	829,010	7,627	836,637
Due in more than one year	<u>30,694,603</u>	<u>43,219</u>	<u>30,737,822</u>
Total liabilities	<u>46,155,869</u>	<u>127,357</u>	<u>46,283,226</u>
Net Assets:			
Invested in capital assets, net of related debt	9,625,689	119,767	9,745,456
Restricted (deficit) for:			
Capital projects	6,359,323	-	6,359,323
Debt service	100,092	-	100,092
Other purposes	(212,616)	-	(212,616)
Unrestricted (deficit)	<u>(992,285)</u>	<u>101,429</u>	<u>(890,856)</u>
Total net assets	\$ <u>14,880,203</u>	\$ <u>221,196</u>	\$ <u>15,101,399</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements

Midview Local School District

Statement of Activities

For The Fiscal Year Ended June 30, 2005

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Government activities:			
Instruction:			
Regular instruction	\$ 10,850,901	\$ -	\$ 266,977
Special instruction	2,187,750	-	1,567,544
Vocational instruction	180,434	-	50,650
Other instruction	11,362	-	-
Support services:			
Pupil	1,339,585	-	4,400
Instructional staff	375,452	-	87,967
Board of education	439,480	-	-
Administration	2,193,636	-	3,335
Fiscal	754,332	-	-
Business	660,977	-	15,000
Operation and maintenance - plant	1,992,527	-	-
Pupil transportation	1,497,292	-	106,562
Extracurricular activities	636,395	330,251	-
Interest and fiscal charges	860,392	-	-
Total governmental activities	<u>23,980,515</u>	<u>330,251</u>	<u>2,102,435</u>
Business-type activities:			
Food service	778,320	490,952	-
Uniform school supplies	74,830	88,135	-
Adult and community education	31,921	4,360	-
Total business-type activities	<u>885,071</u>	<u>583,447</u>	<u>-</u>
Totals	\$ <u>24,865,586</u>	\$ <u>913,698</u>	\$ <u>2,102,435</u>

General revenues:
 Property taxes levied for:
 General purpose
 Capital projects
 Grants and entitlements not restricted to specific programs
 Investment earnings
 Miscellaneous
 Loss on disposal of capital assets
 Transfers
 Total general revenues and transfers

Change in net assets
 Net assets at beginning of year, restated
 Net assets at end of year

The Accompanying Notes are an Integral Part of these Basic Financial Statements

<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
\$ (10,583,924)	\$ -	\$ (10,583,924)
(620,206)	-	(620,206)
(129,784)	-	(129,784)
(11,362)	-	(11,362)
(1,335,185)	-	(1,335,185)
(287,485)	-	(287,485)
(439,480)	-	(439,480)
(2,190,301)	-	(2,190,301)
(754,332)	-	(754,332)
(645,977)	-	(645,977)
(1,992,527)	-	(1,992,527)
(1,390,730)	-	(1,390,730)
(306,144)	-	(306,144)
<u>(860,392)</u>	<u>-</u>	<u>(860,392)</u>
<u>(21,547,829)</u>	<u>-</u>	<u>(21,547,829)</u>
-	(287,368)	(287,368)
-	13,305	13,305
<u>-</u>	<u>(27,561)</u>	<u>(27,561)</u>
<u>-</u>	<u>(301,624)</u>	<u>(301,624)</u>
<u>(21,547,829)</u>	<u>(301,624)</u>	<u>(21,849,453)</u>
10,930,823	-	10,930,823
1,551,766	-	1,551,766
12,573,498	290,125	12,863,623
366,817	16,323	383,140
147,519	-	147,519
(6,545)	(259)	(6,804)
<u>(2,705)</u>	<u>2,705</u>	<u>-</u>
<u>25,561,173</u>	<u>308,894</u>	<u>25,870,067</u>
4,013,344	7,270	4,020,614
<u>10,866,859</u>	<u>213,926</u>	<u>11,080,785</u>
\$ <u>14,880,203</u>	\$ <u>221,196</u>	\$ <u>15,101,399</u>

Midview Local School District

Balance Sheet – Governmental Funds

June 30, 2005

	<u>General</u>	<u>Capital Improvement</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 4,512,179	\$ 4,403,286
Cash with fiscal agent	-	-
Receivables:		
Taxes	11,151,822	1,587,472
Intergovernmental	-	-
Interfund	330,773	-
Materials and supplies inventory	195,100	-
Prepaid items	39,728	-
Restricted assets:		
Restricted cash and cash equivalents	-	132,061
Restricted investments	-	2,505,376
Total assets	<u>\$ 16,229,602</u>	<u>\$ 8,628,195</u>
Liabilities and fund balances:		
Liabilities:		
Accounts payable	\$ 340,356	\$ 1,030,750
Accrued wages and benefits	2,159,564	4,899
Interfund payable	-	-
Accrued pension	524,249	2,255
Deferred revenue	8,716,349	1,230,968
Matured bonds payable	-	-
Total liabilities	<u>11,740,518</u>	<u>2,268,872</u>
Fund balances:		
Reserve for prepaid items	39,729	-
Reserve for encumbrances	794,231	2,811,071
Reserve for inventory	195,100	-
Reserve for property taxes	2,435,473	356,504
Unreserved; undesignated (deficit) for:		
General fund	1,024,551	-
Special revenue funds	-	-
Debt service fund	-	-
Capital projects fund	-	3,191,748
Total fund balances	<u>4,489,084</u>	<u>6,359,323</u>
Total liabilities and fund balances	<u>\$ 16,229,602</u>	<u>\$ 8,628,195</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements

Other Governmental Funds	Total
\$ 369,348	\$ 9,284,813
2,773	2,773
-	12,739,294
471,045	471,045
-	330,773
-	195,100
-	39,728
-	132,061
-	2,505,376
\$ 843,166	\$ 25,700,963

\$ 14,111	\$ 1,385,217
136,851	2,301,314
330,773	330,773
14,932	541,436
279,045	10,226,362
2,700	2,700
778,412	14,787,802

-	39,729
35,524	3,640,826
-	195,100
-	2,791,977
-	1,024,551
(70,862)	(70,862)
100,092	100,092
-	3,191,748
64,754	10,913,161
\$ 843,166	\$ 25,700,963

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Midview Local School District

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

June 30, 2005

Total Governmental Funds Balances \$ 10,913,161

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

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. 35,343,625

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

Property and other taxes	\$ 261,590	
Intergovernmental	<u>279,044</u>	
Total		540,634

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental Funds, an interest expenditure is reported when due. (223,765)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in Governmental Activities in the Statement of Net Assets. (169,839)

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

General obligation bonds	(28,015,000)	
Capital leases	(1,145,868)	
Compensated absences	<u>(2,362,745)</u>	
Total		<u>(31,523,613)</u>

Net assets of governmental activities \$ 14,880,203

Midview Local School District

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

For The Fiscal Year Ended June 30, 2005

	<u>General</u>	<u>Capital Improvement</u>
Revenues:		
Taxes	\$ 10,942,093	\$ 1,551,766
Earnings on investments	90,465	271,717
Extracurricular activities	61,841	-
Classroom materials and fees	20,937	-
Miscellaneous	123,673	-
Intergovernmental	<u>13,275,067</u>	<u>216,583</u>
Total revenues	<u>24,514,076</u>	<u>2,040,066</u>
Expenditures:		
Instruction:		
Regular education	11,022,965	28,736
Special education	1,266,669	-
Vocational education	185,144	-
Other instruction	11,362	-
Pupils	1,282,283	-
Support services:		
Instructional staff	359,335	-
Board of education	439,480	-
Administration	2,277,131	-
Fiscal services	729,677	20,399
Business	617,986	-
Operations and maintenance - plant	1,954,924	-
Pupil transportation	1,697,156	-
Extracurricular activities:		
Academic and subject oriented activities	51,521	-
Sports oriented	318,103	-
Co-curricular activities	28,284	-
Building acquisition and construction	-	15,225,336
Other facilities acquisition and construction	301,728	-
Debt service:		
Principal payment	-	405,000
Interest and fiscal charges	-	1,358,021
Total expenditures	<u>22,543,748</u>	<u>17,037,492</u>
Excess of revenues over (under) expenditures	<u>1,970,328</u>	<u>(14,997,426)</u>
Other financing sources (uses):		
Proceeds from the inception of capital lease	-	1,200,000
Transfers - in	-	-
Transfers - out	<u>(2,705)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,705)</u>	<u>1,200,000</u>
Net change in fund balances	1,967,623	(13,797,426)
Fund balances at beginning of year, restated	<u>2,521,461</u>	<u>20,156,749</u>
Fund balances at end of year	\$ <u>4,489,084</u>	\$ <u>6,359,323</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements

Other Governmental Funds	Total
\$ -	\$ 12,493,859
-	362,182
247,473	309,314
-	20,937
32,000	155,673
<u>1,130,055</u>	<u>14,621,705</u>
<u>1,409,528</u>	<u>27,963,670</u>
205,198	11,256,899
907,490	2,174,159
-	185,144
-	11,362
45,619	1,327,902
16,849	376,184
-	439,480
2,184	2,279,315
-	750,076
40,364	658,350
-	1,954,924
-	1,697,156
-	51,521
115,545	433,648
124,985	153,269
-	15,225,336
-	301,728
-	405,000
-	<u>1,358,021</u>
<u>1,458,234</u>	<u>41,039,474</u>
<u>(48,706)</u>	<u>(13,075,804)</u>
-	1,200,000
1,444	1,444
<u>(1,444)</u>	<u>(4,149)</u>
-	<u>1,197,295</u>
(48,706)	(11,878,509)
<u>113,460</u>	<u>22,791,670</u>
\$ <u>64,754</u>	\$ <u>10,913,161</u>

Midview Local School District

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

For The Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds \$ (11,878,509)

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

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

	\$	16,880,505	
Capital outlay		(800,920)	
Depreciation			
Total			16,079,585

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

Loss on disposal of capital assets			(6,545)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property and other taxes		(11,270)	
Intergovernmental		54,228	
Total			42,958

Purchase of asset through capital is an expenditure in the governmental funds but reported as a long-term liability in the statement of net assets.

(1,200,000)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

999,724

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

(3,518)

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

Compensated absences		(517,980)	
Accrued interest on bonds		497,629	
Total			(20,351)

Change in Net Assets of Governmental Activities \$ 4,013,344

Midview Local School District

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

For The Fiscal Year Ended June 30, 2005

	Budget		Actual	Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes	\$ 10,532,784	\$ 10,532,784	\$ 9,717,444	\$ (815,340)
Earnings on investment	78,138	85,084	90,465	5,381
Extracurricular activities	53,414	58,163	61,841	3,678
Classroom materials and fees	18,084	19,692	20,937	1,245
Miscellaneous	105,955	115,375	122,671	7,296
Intergovernmental-state	11,428,356	12,444,361	13,231,333	786,972
Intergovernmental-federal	<u>37,775</u>	<u>41,133</u>	<u>43,734</u>	<u>2,601</u>
Total revenues	<u>22,254,506</u>	<u>23,296,592</u>	<u>23,288,425</u>	<u>(8,167)</u>
Expenditures:				
Instruction:				
Regular education	12,148,119	11,864,491	11,176,132	688,359
Special education	1,464,326	1,430,137	1,347,163	82,974
Vocational education	186,894	200,293	188,672	11,621
Other instruction	16,914	16,519	15,561	958
Supporting services:				
Pupils	1,489,318	1,454,546	1,370,156	84,390
Instructional staff	419,400	409,608	385,843	23,765
Board of education	490,013	478,572	450,806	27,766
Administration	2,450,256	2,393,049	2,254,208	138,841
Fiscal service	887,528	866,807	816,516	50,291
Business	685,333	669,333	630,499	38,834
Operation and maintenance-plant	2,389,984	2,334,184	2,198,758	135,426
Pupil transportation	1,919,947	1,875,120	1,766,329	108,791
Extracurricular activities:				
Academic and subject oriented activities	56,076	54,766	51,589	3,177
Sports oriented	346,104	338,024	318,412	19,612
Co-curricular activities	30,910	30,188	28,437	1,751
Capital outlay	<u>428,326</u>	<u>418,326</u>	<u>394,055</u>	<u>24,271</u>
Total expenditures	<u>25,409,448</u>	<u>24,833,963</u>	<u>23,393,136</u>	<u>1,440,827</u>
Excess of revenues over (under) expenditures	<u>(3,154,942)</u>	<u>(1,537,371)</u>	<u>(104,711)</u>	<u>1,432,660</u>

continued

Midview Local School District

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

For The Fiscal Year Ended June 30, 2005

	Budget		Actual	Final Budget
	Original	Final		Positive (Negative)
Other financing sources (uses):				
Advances - in	88,413	96,273	102,361	6,088
Refund of prior year expenditures	865	942	1,002	60
Transfers - out	(2,940)	(2,872)	(2,705)	167
Advances - out	<u>(356,242)</u>	<u>(347,925)</u>	<u>(327,739)</u>	<u>20,186</u>
Total other financing sources (uses)	<u>(269,904)</u>	<u>(253,582)</u>	<u>(227,081)</u>	<u>26,501</u>
Net change in fund balance	(3,424,846)	(1,790,953)	(331,792)	1,459,161
Fund balance at beginning of year	3,443,033	3,443,033	3,443,033	-
Prior year encumbrances appropriated	<u>407,132</u>	<u>407,132</u>	<u>407,132</u>	-
Fund balance at end of year	\$ <u>425,319</u>	\$ <u>2,059,212</u>	\$ <u>3,518,373</u>	\$ <u>1,459,161</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements

Midview Local School District

Statement of Fund Net Assets – Proprietary Funds

June 30, 2005

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 179,783	\$ -
Cash with fiscal agent	-	322,257
Intergovernmental receivable	34,529	-
Materials and supplies inventory	<u>14,474</u>	<u>-</u>
Total current assets	<u>228,786</u>	<u>322,257</u>
Noncurrent assets:		
Furniture and equipment	397,347	-
Buildings and improvements	17,413	-
Accumulated depreciation	<u>(294,993)</u>	<u>-</u>
Total noncurrent assets	<u>119,767</u>	<u>-</u>
Total assets	<u>348,553</u>	<u>322,257</u>
Liabilities:		
Current liabilities:		
Accrued wages and benefits	48,413	-
Accrued pension	28,098	-
Claims payable	-	492,096
Current portion of long-term liabilities	<u>7,627</u>	<u>-</u>
Total current liabilities	84,138	492,096
Long-term liabilities:		
Compensated absences	<u>43,219</u>	<u>-</u>
Total liabilities	<u>127,357</u>	<u>492,096</u>
Net assets:		
Invested in capital assets, net of related debt	119,767	-
Unreserved; undesignated (deficit)	<u>101,429</u>	<u>(169,839)</u>
Total net assets (deficit)	<u>\$ 221,196</u>	<u>\$ (169,839)</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements

Midview Local School District

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

For The Fiscal Year Ended June 30, 2005

	Business-Type Activities <u>Enterprise Funds</u>	Governmental Activities <u>Internal Service Funds</u>
Operating revenues:		
Tuition and fees	\$ 4,360	\$ -
Charges for services	490,952	-
Classroom materials and fees	<u>88,135</u>	<u>-</u>
Total operating revenues	<u>583,447</u>	<u>-</u>
Operating expenses:		
Salaries and wages	286,844	-
Fringe benefits	65,932	-
Contract services	175	-
Materials and supplies	469,086	-
Claims	-	2,220,842
Other operating expenses	52,508	-
Depreciation expense	<u>10,526</u>	<u>-</u>
Total operating expenses	<u>885,071</u>	<u>2,220,842</u>
Operating loss	<u>(301,624)</u>	<u>(2,220,842)</u>
Non-operating revenues (expenses):		
Federal donated commodities	71,823	-
Earnings on investments	16,323	4,635
Operating grants	218,302	-
Other non operating revenues	-	2,212,689
Loss on disposal of assets	<u>(259)</u>	<u>-</u>
Total non-operating revenue (expenses)	<u>306,189</u>	<u>2,217,324</u>
Income (loss) before transfers	4,565	(3,518)
Transfers - in	<u>2,705</u>	<u>-</u>
Change in net assets	7,270	(3,518)
Net assets (deficit) at beginning of year	<u>213,926</u>	<u>(166,321)</u>
Net assets (deficit) at end of year	\$ <u>221,196</u>	\$ <u>(169,839)</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements

Midview Local School District

Statement of Cash Flows – Proprietary Funds

For The Fiscal Year Ended June 30, 2005

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	<u>Funds</u>	<u>Fund</u>
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Cash received from customers	\$ 490,952	\$ -
Cash received from classroom materials and fees	88,135	-
Cash received from tuition payments	4,360	-
Cash payments for contractual services	(175)	-
Cash payments for employees for services	(287,821)	-
Cash payments for employee benefits	(109,300)	-
Cash payments for materials and supplies	(407,339)	-
Cash payments for claims	-	(2,156,926)
Cash payments for other operating expenses	<u>(1,662)</u>	<u>-</u>
<i>Net cash used for operating activities</i>	<u>(222,850)</u>	<u>(2,156,926)</u>
Cash flows from noncapital financing activities:		
Operating grants received	227,903	-
Non-operating revenues	-	2,212,689
Transfers - in	<u>2,705</u>	<u>-</u>
<i>Net cash provided by noncapital financing</i>	<u>230,608</u>	<u>2,212,689</u>
Cash flows from investing activities:		
Interest on investments	<u>16,323</u>	<u>4,635</u>
Net increase in cash and cash equivalents	24,081	60,398
Cash and cash equivalents, beginning of year	<u>155,702</u>	<u>261,859</u>
Cash and cash equivalents, end of year	\$ <u><u>179,783</u></u>	\$ <u><u>322,257</u></u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (301,624)	\$ (2,220,842)
Adjustments:		
Depreciation	10,526	-
Donated commodities received during the year	71,823	-
Decrease in assets:		
Decrease in inventory	14,126	-
Increase (decrease) in liabilities:		
Decrease in accounts payable	(24,202)	-
Decrease in accrued wages	(296)	-
Increase in compensated absences payable	14,468	-
Decrease in accrued pension	(7,671)	-
Increase in claims payable	<u>-</u>	<u>63,916</u>
Total adjustments	<u>78,774</u>	<u>63,916</u>
Net cash used for operating activities:	\$ <u><u>(222,850)</u></u>	\$ <u><u>(2,156,926)</u></u>

Schedule of non-cash financing activities:

During the year, the food services enterprise fund received donated commodities of \$71,823.

Midview Local School District

Statement of Fiduciary Net Assets – Fiduciary Funds

June 30, 2005

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ <u>112,130</u>
Liabilities:	
Due to students	\$ <u>112,130</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements

Midview Local School District

Notes To Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 1: Description of the School District and Reporting Entity

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

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

The District currently operates 3 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 127 non-certified and 196 certified (including administrative) full-time and part-time employees to provide services to approximately 3,422 students in grades K through 12 and various community groups.

Note 2: Summary of Significant Accounting Policies

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

A. Basis of Presentation

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. Component units are legally separate organizations for which the District is financially accountable.

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

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

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

The District is also a participant in two public entity risk sharing pools, which are discussed in Note 13.

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

B. Fund Accounting

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

Governmental Funds

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

General Fund

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

Capital Improvement Capital Projects Fund

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

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

Proprietary Funds

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

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Proprietary Funds (continued)

Enterprise Funds

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

Internal Service Fund

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

Fiduciary Funds

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

C. Measurement Focus

Government-wide Financial Statements

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

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 2: Summary of Significant Accounting Policies (continued)

C. Measurement Focus (continued)

Government-wide Financial Statements (continued)

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

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

Fund Financial Statements

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

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

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

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 2: Summary of Significant Accounting Policies (continued)

C. Measurement Focus (continued)

Fund Financial Statements (continued)

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Deferred Revenue

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2005 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Lorain County Budget Commission for tax rate determination.

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2005.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, level of expenditures for all funds, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term inter-fund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the legal level of budgetary control for a fund must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2005.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the legal level of budgetary control for the fund.

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents

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

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

The District complies with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. As a governmental entity other than an external investment pool in accordance with GASB 31, the District’s investments are stated at fair value, except for interest-earning investment contracts, money market investments, and external investment pools (see Note 5).

In applying GASB Statement No. 31, the District utilized the following methods and assumptions as of June 30, 2005:

The portfolio was limited to nonparticipating interest-earning investment contracts, State Treasury Asset Reserve of Ohio (STAROhio), and U.S. Government Securities.

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

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

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

The gain/loss resulting from valuation will be reported within the investment earnings account on the Statement of Activities.

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents (continued)

Midview City School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2005. STAROhio is an investment pool managed by the State Treasurer's office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$90,465, which includes \$52,706 assigned from other School District funds.

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

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

G. Inventory

On the government-wide financial statements inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed/expensed when used.

On fund financial statements, inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis and is expensed/expensed when used. Inventories consist of donated food, purchased food, school supplies held for resale and materials and supplies held for consumption.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 2: Summary of Significant Accounting Policies (continued)

I. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the capital improvement capital projects fund include amounts required by debt restrictions to be set aside for the construction of three new schools. See Note 14 for additional information regarding the debt.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

Description	Governmental Activities Estimated Lives	Business Type Activities Estimated Lives
Land Improvements	30 years	N/A
Buildings and Improvements	10-50 years	N/A
Furniture and Equipment	5-12 years	12 years
Vehicles	25 years	N/A

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 2: Summary of Significant Accounting Policies (continued)

K. Interfund Balances

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

L. Compensated Absences

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

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 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 earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District’s past experience of making termination payments.

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

M. Accrued Liabilities and Long-term Obligations

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

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

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 2: Summary of Significant Accounting Policies (continued)

N. Fund Balance Reserves

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

The reserve for property taxes unavailable represents taxes recognized as revenue under GAAP but not available for appropriation under State statute. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five year period is presented as reserved.

O. Net Assets

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

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

P. Operating Revenues and Expenses

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

Q. Interfund Activity

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

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 2: Summary of Significant Accounting Policies (continued)

Q. Interfund Activity (continued)

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

R. Extraordinary and Special Items

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

S. Estimates

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

Note 3: Restatement of Fund Balance and Change in Accounting Principle

Materials and supplies inventory was misstated in the prior year due to a computer error. The error was corrected and the inventory balance was changed accordingly.

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposits and Investment Risk Disclosures," which establishes disclosure requirements for investment credit risk, interest rate risk, deposit custodial risk and foreign currency risk. The implementation of GASB 40 did not affect the presentation of the financial statements of the District.

Based on guidance issued in GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Post Employment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers", it was determined that unpaid pension expenditures due at year-end should be recorded as a fund liability on the balance sheet. As a result, fund balances have been restated as follows:

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 3: Restatement of Fund Balance and Change in Accounting Principle (continued)

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balance, June 30, 2004	\$ 2,608,712	\$ 20,157,089	\$ 113,891	\$ 22,879,692
Restatement of inventory balance	100,099	-	-	100,099
Restatement of accrued pension	<u>(187,350)</u>	<u>(340)</u>	<u>(431)</u>	<u>(188,121)</u>
Fund Balance, June 30, 2004, restated	\$ <u>2,521,461</u>	\$ <u>20,156,749</u>	\$ <u>113,460</u>	\$ <u>22,791,670</u>
	<u>Governmental Activities</u>			
Fund Balance, June 30, 2005	\$ 10,766,760			
Restatement of inventory balance	<u>100,099</u>			
Fund Balance, June 30, 2004, restated	\$ <u>10,866,859</u>			

Note 4: Budgetary Basis of Accounting

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 4: Budgetary Basis of Accounting (continued)

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

	<u>Net Change In Fund Balance</u>
GAAP Basis	\$ 1,967,623
Net Adjustment for Revenue Accruals	(1,224,649)
Advances In	102,361
Net Adjustment for Expenditure Accruals	144,418
Advances Out	(327,739)
Adjustment for Encumbrances	<u>(993,806)</u>
Budget Basis	\$ <u><u>(331,792)</u></u>

Note 5: Deposits and Investments

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

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 5: Deposits and Investments (continued)

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio)
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Deposits

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

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 5: Deposits and Investments (continued)

Deposits (continued)

At year-end, the carrying amount of the District's deposits was \$7,361,508 and the bank balance was \$7,614,486. Of the District's deposits, \$325,030 was cash held with a fiscal agent. Of the bank balance, \$200,000 was covered by Federal depository insurance and \$7,414,486 was uninsured. Of the uninsured bank balance, \$5,000,000 was collateralized with securities held by the pledging institution's agent in the District's name and \$2,414,486 was collateralized with securities held by the pledging institution's trust department, not in the District's name. The District also had \$2,773 cash on hand at fiscal year-end.

Investments

Investments are reported as fair value. As of June 30, 2005, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity (Days)</u>
Repurchase Agreements	\$ 405,000	July 2005
Federal Home Loan Mortgage Bonds	748,129	July 29, 2005
Federal National Mortgage Association Bonds	1,889,312	October 19, 2009
STAROhio	<u>2,132,471</u>	July 2005
Total Portfolio	<u>\$ 5,174,912</u>	

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

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

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

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 5: Deposits and Investments (continued)

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

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Federal Home Loan Mortgage Bonds	14.46%
Federal National Mortgage Association Bonds	36.51%
First Merit Repurchase Agreements	7.83%
STAROhio	41.20%

Note 6: Receivables

Receivables at June 30, 2005 consisted of taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities

Taxes - current and delinquent	\$ 12,739,294
Intergovernmental	471,045

Business-type Activities

Intergovernmental	<u>34,529</u>
Total receivables	\$ <u>13,244,868</u>

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

Note 7: Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2005 for real and public utility property taxes represents collections of calendar 2004 taxes. Property tax payments received during calendar 2005 for tangible personal property (other than public utility property) are for calendar 2005 taxes.

2005 real property taxes are levied after April 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 7: Property Taxes (continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2005 public utility property taxes became a lien December 31, 2004, are levied after April 1, 2005 and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after April 1, 2006, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2004 Second-Half Collections		2005 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 374,880,350	91.54%	\$ 391,198,000	91.37%
Public Utility Personal	19,376,830	4.73%	20,080,440	4.69%
Tangible Personal Property	<u>15,251,880</u>	<u>3.73%</u>	<u>16,862,010</u>	<u>3.94%</u>
	<u>\$ 409,509,060</u>	<u>100.00%</u>	<u>\$ 428,140,450</u>	<u>100.00%</u>

	2004 Second-Half Collections	2005 First-Half Collections
	Amount	Amount
Tax rate per \$1,000 of assessed valuation		
Operations	\$ 43.48	\$ 43.23
Capital Improvement	3.64	3.64

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits 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 semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30 and are intended to finance the fiscal year in which they are paid. This year, the June 2006 tangible personal property tax settlement was not received until July of 2005.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Midview Local School District. The County Auditor periodically advances to the District its portion of the taxes. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 7: Property Taxes (continued)

Accrued property taxes receivable include the late settlement of personal property, real, personal and public utility taxes which became measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current year fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current fiscal year operations. The late settlement and the amount available to the District as an advance at June 30, 2005 is recognized as revenue.

At June 30, 2005, \$2,435,473 was available as an advance to the general fund and \$356,504 for the capital improvement capital projects fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

Note 8: Interfund Transfers and Balances

A. Interfund loans receivable/payable consisted of the following at June 30, 2005, as reported on the fund statement.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other governmental funds	\$ 330,773

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

B. Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund statements.

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor business-type funds	\$ 2,705
Transfers from nonmajor governmental funds to nonmajor governmental funds	<u>1,444</u>
	<u>\$ 4,149</u>

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

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 9: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance June 30, 2004	Additions	Disposals	Balance June 30, 2005
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 541,438	\$ -	\$ -	\$ 541,438
Construction in progress	<u>10,056,915</u>	<u>15,661,021</u>	<u>-</u>	<u>25,717,936</u>
Total capital assets, not being depreciated	<u>10,598,353</u>	<u>15,661,021</u>	<u>-</u>	<u>26,259,374</u>
Capital assets, being depreciated:				
Land improvements	1,094,674	-	-	1,094,674
Buildings and improvements	16,911,572	26,105	-	16,937,677
Furniture and equipment	4,009,756	891,909	(51,463)	4,850,202
Vehicles	<u>2,276,245</u>	<u>301,470</u>	<u>-</u>	<u>2,577,715</u>
Total capital assets, being depreciated	<u>24,292,247</u>	<u>1,219,484</u>	<u>(51,463)</u>	<u>25,460,268</u>
Less accumulated depreciation:				
Land improvements	(95,111)	(31,104)	-	(126,215)
Buildings and improvements	(11,404,077)	(385,724)	-	(11,789,801)
Furniture and equipment	(2,691,397)	(242,176)	44,918	(2,888,655)
Vehicles	<u>(1,429,430)</u>	<u>(141,916)</u>	<u>-</u>	<u>(1,571,346)</u>
Total accumulated depreciation	<u>(15,620,015)</u>	<u>(800,920)</u>	<u>44,918</u>	<u>(16,376,017)</u>
Total capital assets being depreciated, net	<u>8,672,232</u>	<u>418,564</u>	<u>(6,545)</u>	<u>9,084,251</u>
Governmental activities capital assets, net	\$ <u>19,270,585</u>	\$ <u>16,079,585</u>	\$ <u>(6,545)</u>	\$ <u>35,343,625</u>
Business-type activities:				
Building improvements	\$ 17,413	\$ -	\$ -	\$ 17,413
Furniture and equipment	398,203	-	(856)	397,347
Less: accumulated depreciation	<u>(285,064)</u>	<u>(10,526)</u>	<u>597</u>	<u>(294,993)</u>
Business-type activities capital assets, net	\$ <u>130,552</u>	\$ <u>(10,526)</u>	\$ <u>(259)</u>	\$ <u>119,767</u>

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 9: Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular education	\$ 517,078
Special education	976
Vocational education	440

Support services:

Pupil	2,123
Instructional staff	161
Administration	88,767
Fiscal	643
Business	126
Operation and maintenance – plant	55,559
Pupil transportation	94,425
Extracurricular activities	1,957
Co-curricular activities	2,600
Site improvement	9,093
Building acquisition and construction	20,474
Building improvement	<u>6,498</u>

Total \$ 800,920

Note 10: Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 10: Pension Plans (continued)

A. School Employees Retirement System (continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$480,443, \$479,346 and \$454,148, respectively; 77 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 10: Pension Plans (continued)

B. State Teachers Retirement System (continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased member who participated in the Defined Benefit Plan. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2004, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,441,498, \$1,475,971, and \$1,422,419, respectively; 84 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$2,319 made by the School District and \$2,435 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining Board members contribute to SERS.

Note 11: Post-Employment Benefits

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

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 11: Post-Employment Benefits (continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory 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. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$107,166 for fiscal year 2005.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Members retiring 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 remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2003, the health care allocation is 5.83 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$252,304.

The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 12: Other Employee Benefits

A. *Compensated Absences*

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

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 12: Other Employee Benefits (continued)

A. *Compensated Absences (continued)*

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum. Upon retirement, payment is made for one fourth of the total sick leave accumulation, up to a maximum accumulation of 292 days for certified and 240 days for classified employees. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

B. *Life Insurance*

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life and Insurance Company. The amounts provided for all employees equal the employee's annual salary times 2 up to \$100,000 and up to \$200,000 for Administrators.

Note 13: Risk Management

A. *Property and Liability*

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and nature disasters. During fiscal year 2005, the District has contracted with the Ryan St. Marie Insurance Agency Inc. for property and general liability insurance. Professional liability is provided by the Wausau National Insurance Company, with a \$5,000,000 aggregate limit.

Vehicles are covered by the Ryan St. Marie Insurance Agency Inc. Automobile liability has a \$2,000,000 combined single limit of liability.

Performance bonds of \$20,000 are maintained for the superintendent, the treasurer and the school board president by Ryan St. Marie Insurance Agency Inc.

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

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 13: Risk Management (continued)

B. Worker's Compensation

For fiscal year 2005, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement 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 & Co. provides administrative, cost control and actuarial services to the GRP.

C. Medical

The District has contracted with Lake Erie Regional Employee Protection Plan (LERC) to provide medical/surgical and dental benefits for its employees and their covered dependents. LERC is a shared risk pool comprised of eleven school districts with Lorain County.

The participating districts pay monthly contributions that are placed in a common fund, from which eligible claims and expenses are paid for employees (and their covered dependents) of participating school districts. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$165,000 per participant.

Premium contributions are determined annually based on the claims experience of the individual districts. Premiums can be increased or decreased by up to 15% of the prior year's contribution unless approved by council. Member districts may become liable for additional contributions to fund the liability of the pool. In the event of termination, all participating districts' claims would be paid without regard to their individual account balances. The LERC Board of Directors has authority to return monies to an exiting district subsequent to the settlement of all claims and expenses. This plan provides a medical/surgical and dental plan with a \$100 deductible for family coverage and \$50 deductible for single coverage.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement system discussed in Note 11. As such, no funding provisions are required by the District.

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 14: Long-Term Liabilities

Changes in long-term debt activity for the year ended June 30, 2005 was as follows:

	Interest Rate	Issue Date	Balance 06/30/04	Issued	Retired	Balance 06/30/05	Amounts Due in One Year
Governmental activities:							
Certificates of participation	2.1% - 5.25%	04/01/04	\$ 8,500,000	\$ -	\$ -	\$ 8,500,000	\$ -
Certificates of participation	1.3% - 5.25%	04/15/03	19,920,000	-	405,000	19,515,000	415,000
Lighting system capital loan	7%	10/01/03	540,592	-	540,592	-	-
Technology equipment lease			-	1,200,000	54,132	1,145,868	224,989
Compensated absences	n/a	n/a	<u>1,844,765</u>	<u>2,362,745</u>	<u>1,844,765</u>	<u>2,362,745</u>	<u>189,021</u>
Total governmental activities			\$ <u>30,805,357</u>	\$ <u>3,562,745</u>	\$ <u>2,844,489</u>	\$ <u>31,523,613</u>	\$ <u>829,010</u>
Business-type activities:							
Compensated absences	n/a	n/a	\$ <u>36,378</u>	\$ <u>50,846</u>	\$ <u>36,378</u>	\$ <u>50,846</u>	\$ <u>7,627</u>

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

The Leasing Corporation entered an agreement with a trustee through which it assigned and transferred rights and interest under the lease to Fifth Third National Bank as Trustee. The Trustee issued Certificates of Participation in the lease agreement enabling holders of the Certificates to receive a portion of the semi-annual lease payments. Proceeds from the issuance are mainly being used to construct three new schools. In addition, terms of the trust indenture require a portion of the proceeds to be set aside for current and future certificate payments. The current certificate payment account is used to account for resources accumulated for payment over the next twelve months. The reserve account was established solely to make rent payments if a deficiency exists in the current certificate payment and, if all payments are current, to make payment of the last certificate payments.

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

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

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 14: Long-Term Liabilities (continued)

	Governmental Activities					
	2003 Certificates of Participation		2004 Certificates of Participation		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 415,000	\$ 929,079	\$ -	\$ 406,758	\$ 415,000	\$ 1,335,837
2007	420,000	916,736	20,000	406,548	440,000	1,323,284
2008	435,000	898,549	10,000	406,218	445,000	1,304,767
2009	455,000	878,524	40,000	405,548	495,000	1,284,072
2010	480,000	858,086	65,000	404,023	545,000	1,262,109
2011-2015	2,700,000	3,971,406	1,350,000	1,890,720	4,050,000	5,862,126
2016-2020	3,425,000	3,220,716	1,655,000	1,571,456	5,080,000	4,792,172
2021-2025	4,355,000	2,263,625	2,075,000	1,134,876	6,430,000	3,398,501
2026-2030	5,550,000	1,040,750	2,665,000	526,969	8,215,000	1,567,719
2031	<u>1,280,000</u>	<u>32,000</u>	<u>620,000</u>	<u>16,275</u>	<u>1,900,000</u>	<u>48,275</u>
Total	\$ <u>19,515,000</u>	\$ <u>15,009,471</u>	\$ <u>8,500,000</u>	\$ <u>7,169,391</u>	\$ <u>28,015,000</u>	\$ <u>22,178,862</u>

The District has entered into capital leases for technology/electrical upgrades, vehicles and acquisition of equipment. These leases meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reflected as program/function expenditures in the basic financial statements.

Lighting System Capital Loan – In September 2003, the School District entered into a lease purchase agreement with the Lorain-Medina Rural Electric Cooperative, Inc. for exterior lighting systems for the three new schools. The lease is a one year lease to be completed in September, 2004.

Technology Equipment Lease – In September 2004, the School District entered into a lease purchase agreement with Sound Com Systems for technology equipment for the three new schools. The lease is a five year lease to be completed in September, 2010.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2005:

<u>Year Ending June 30,</u>	<u>Governmental Activities Amount</u>
2006	\$ 263,178
2007	263,179
2008	263,178
2009	263,179
2010	<u>197,384</u>
Total minimum lease payment	1,250,098
Less: amount representing interest	<u>(104,230)</u>
Present value of minimum lease payments	\$ <u><u>1,145,868</u></u>

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 15: Jointly Governed Organizations and Public Entity Risk Pool

A. Jointly Governed Organizations

Lake Erie Regional Council (LERC)

The Lake Erie Regional Council (LERC) is a jointly governed organization among fourteen school districts. LERC was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, natural gas consumption, driver education, food service, and insurance. Each member provides operating resources to LERC on a per pupil or actual usage charge (except for insurance). The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information is available from the Treasurer of the Educational Service Center of Lorain County, located at 1885 Lake Avenue, Elyria, Ohio 44035. During fiscal year 2005, the District paid \$2,301,387 (including insurance premiums) to LERC.

Lorain County Joint Vocational School District

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

Lake Erie Educational Computer Association (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. LEECA was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions for member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge, dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district, and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Fiscal information is available from the Treasurer of the Educational Service Center of Lorain County (fiscal agent), located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2005, the District paid \$351,337 to LEECA for basic service charges.

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 15: Jointly Governed Organizations and Public Entity Risk Pool (continued)

A. Jointly Governed Organizations (continued)

Ohio Schools' Council Association

The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2005 the District paid \$200,741 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary/Treasurer of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

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

B. Public Entity Risk Pool

The School 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 the 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.

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 16: Contingencies

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2005.

B. Litigation

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

Note 17: Set-Aside Calculations

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

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

	Textbooks Instructional Materials Reserve	Capital Improvements Reserve
Set-Aside Reserve Balance as of June 30, 2004	\$ (552,969)	\$ -
Current Year Set-Aside Requirements	475,580	475,580
Qualifying Disbursements	<u>(302,454)</u>	<u>(3,487,641)</u>
Total	<u>(379,843)</u>	<u>(3,012,061)</u>
Set-Aside Reserve Balance as of June 30, 2005	\$ <u>(379,843)</u>	\$ <u>-</u>

Midview Local School District

Notes To Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2005

Note 17: Set-Aside Calculations (continued)

The District had qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amounts below zero. This amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

Note 18: School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Note 19: Fund Deficits

Fund balances at June 30, 2005 included the following individual fund deficits:

<u>Funds</u>	<u>Deficit Fund Balance</u>
Nonmajor Special Revenue Funds:	
Student intervention	\$ 263
IDEA grant	118,533
Title I	95,256
Drug free grant	8,184
Title VI	12,707
Reducing class size	42,059
Health internal service fund	169,839
Consumer services rotary fund	197

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

**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Education
Midview Local School District
Grafton, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Midview Local School District, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 17, 2006, wherein we noted that the District adopted Government Accounting Standards Board Technical Bulletin No. 2004-2. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Midview Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-01.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In addition, we noted other matters involving the internal control over financial reporting that we have reported to management of the Midview Local School District in a separate letter dated February 17, 2006.

Board of Education
Midview Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Midview Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance and other matters which we have reported to management of the District in a separate letter dated February 17, 2006.

This report is intended solely for the information and use of the District's Board of Education, management, finance committee, the Auditor of State's Office, 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.

Cini & Parichi, Inc.

Cleveland, Ohio
February 17, 2006

**Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control over
Compliance in Accordance with OMB Circular A-133**

Board of Education
Midview Local School District
Grafton, Ohio

Compliance

We have audited the compliance of the Midview Local School District (the “District”), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Midview Local School District’s major federal program is identified in the summary of auditors’ results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Midview Local School District’s management. Our responsibility is to express an opinion on the Midview Local School District’s compliance based on our audit.

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

In our opinion, the Midview Local School District complied, in all material respects, with the requirements referred to above that are applicable to its of its major federal programs for the year ended June 30, 2005.

Internal Control over Compliance

The management of the Midview Local School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Midview Local School 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 the internal control over compliance in accordance with OMB Circular A-133.

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 reportable 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 caused by error or fraud 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 operations that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Midview Local School District as of and for the year ended June 30, 2005, and have issued our report there dated February 17, 2006, wherein we noted the District adopted Government Accounting Standards Board Technical Bulletin No. 2004-2.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the District's finance committee, Board of Education, the Auditor of State's Office, management, 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.

Cini & Paricki, Inc.

Cleveland, Ohio
February 17, 2006

Midview Local School District

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Non-cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture:						
Passed-Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program	10.550	N/A	\$ -	\$ 71,823	\$ -	\$ 71,823
National School Lunch Program	10.555	N/A	<u>219,566</u>	<u>-</u>	<u>219,566</u>	<u>-</u>
Total U.S. Department of Agriculture – Nutrition Cluster			<u>219,566</u>	<u>71,823</u>	<u>219,566</u>	<u>71,823</u>
U.S. Department of Education:						
Passed-Through Ohio Department of Education:						
Individuals with Disabilities Education Act	84.027	6B-SF-2004	86,135	-	63,716	-
		6B-SF-2005	<u>401,224</u>	<u>-</u>	<u>531,536</u>	<u>-</u>
Total Individuals with Disabilities Act			<u>487,359</u>	<u>-</u>	<u>595,252</u>	<u>-</u>
Chapter I - Education Consolidation and Improvement Act	84.010	C1-S1-2004	67,993	-	58,597	-
		C1-S1-2005	<u>186,354</u>	<u>-</u>	<u>244,057</u>	<u>-</u>
Total Chapter I			<u>254,347</u>	<u>-</u>	<u>302,654</u>	<u>-</u>
Title V – Innovative Education Program Strategies	84.298	C2-S1-2004	-	-	532	-
		C2-S1-2005	<u>1,411</u>	<u>-</u>	<u>15,325</u>	<u>-</u>
Total Innovative Education Program Strategies			<u>1,411</u>	<u>-</u>	<u>15,857</u>	<u>-</u>
Drug-Free Schools Grant	84.186	DR-S1-2004	3,729	-	470	-
		DR-S1-2005	<u>2,675</u>	<u>-</u>	<u>10,337</u>	<u>-</u>
Total Drug-Free Schools Grant			<u>6,404</u>	<u>-</u>	<u>10,807</u>	<u>-</u>
Title IIA - Improving Teacher Quality State Grants	84.367	MS-S1-2004	15,253	-	13,296	-
		MS-S1-2005	<u>64,036</u>	<u>-</u>	<u>94,294</u>	<u>-</u>
Total Improving Teacher Quality State Grants			<u>79,289</u>	<u>-</u>	<u>107,590</u>	<u>-</u>
Title IID – Education Technology State Grants	84.318	TJ-51-2005	<u>7,494</u>	<u>-</u>	<u>4,805</u>	<u>-</u>
Total U.S. Department of Education			<u>836,304</u>	<u>-</u>	<u>1,036,965</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u>1,055,870</u>	\$ <u>71,823</u>	\$ <u>1,256,531</u>	\$ <u>71,823</u>

The accompanying notes are an integral part of this schedule

Midview Local School District

Notes to the Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2005

Note 1: Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the Midview Local School District (the "District") and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Non-Cash Support

The District receives non-cash support in the form of food subsidies from the National School Lunch Program ("NSLP"), CFDA 10.550. The value of the food subsidies is determined by using the fair market value of the food items quoted by local food suppliers.

CFDA - Catalog of Federal Domestic Assistance.

Midview Local City School District

Schedule of Findings
OMB Circular A-133 Section .505

June 30, 2005

1. SUMMARY OF AUDITOR'S RESULTS

(d)(I)(i)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(I)(iii)	Was there any material reported noncompliance at the financial statement level (GAGAS)?	No
(d)(I)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(I)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(I)(vi)	Are there any reportable findings under Section .501?	No
(d)(I)(vii)	Major Programs	Special Education Cluster CFDA No. 84.027; Chapter I Education Consolidation and Improvement Act CFDA No. 84.010
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	Yes

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

2005-01 Requirements of SAS 70

The District has delegated employees' health care claims processing, which is a significant accounting function, to a third-party administrator. The District has not established procedures to determine whether this service organization has sufficient controls in place and operating effectively to reduce the risk that the health insurance claims have not been completely and accurately processed in accordance with the health insurance contract.

Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting service organizations. An unqualified Type II Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness in accordance with SAS No. 70 should provide the District with reasonable assurance that health insurance claim transactions conform to the contract.

Midview Local City School District

Schedule of Findings (Continued)
OMB Circular A-133 Section .505

June 30, 2005

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

2005-01 Requirements of SAS 70 (Continued)

We recommend the District require a Type II SAS 70 Report in its contract with the third-party administrator. The District should review the SAS 70 Report timely. The Report should follow American Institute of Certified Public Accountants Standards and be performed by a firm registered and considered in good standings with the Accountancy Board of the respective state. If the third-party administrator refuses to furnish the District with a Type II SAS 70 Report, we recommend the District contract with a third-party administrator that will provide such a report.

3. FINDINGS FOR FEDERAL AWARDS

There were no findings for federal awards to report in 2005.

Midview Local School District

Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(B)

June 30, 2005

There were no findings for federal awards to report in 2004.

Midview Local School District

**1010 Vivian Drive
Grafton, Ohio 44044
(440) 926-3737**

**Response To Findings Associated With Audit Conducted
In Accordance With *Government Auditing Standards***

June 30, 2005

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
-------------------	------------------------------	-----------------------------------	----------------------------------

As of January 1, 2006 the District has changed it claims processing to Medical Mutual of Ohio. Medical Mutual has a SAS 70 Report prepared.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**MIDVIEW LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 4, 2006**