



Dave Yost • Auditor of State

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Medina City School District
Medina County
739 Weymouth Road
Medina, Ohio 44256

To the Board of Education:

Report on the Financial Statements

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 Medina City School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 Medina City School District, Medina County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the District restated its Other Governmental Funds' fund balance and Internal Service Funds' net position to account for a fund-type reclassification. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Dave Yost". The signature is fluid and cursive, with the first name "Dave" and last name "Yost" clearly distinguishable.

Dave Yost
Auditor of State
Columbus, Ohio

April 28, 2015

Medina City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The discussion and analysis of Medina City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- Governmental revenues totaled \$86,688,491, a 3.47 percent increase over the prior fiscal year. The increase is primarily attributable to a 6.55 percent increase in property tax revenue over the prior fiscal year due to the passage of an emergency levy in November 2013.
- Governmental expenses totaled \$79,261,754, a 2.21 percent decrease from the prior fiscal year. Instructional expenses made up 59.61 percent of this total while support services accounted for 27.99 percent. Other expenses rounded out the remaining 12.40 percent.
- The School District's capital assets decreased by \$2,142,783 from the prior fiscal year. This decrease was the result of depreciation expense outpacing new capital outlay.
- Outstanding certificates of participation and general obligation bonded debt decreased from \$90,561,485 in fiscal year 2013 to \$85,971,089 in fiscal year 2014.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2014?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources except fiduciary funds using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Medina City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

In the Statement of Net Position and the Statement of Activities, the School District is divided into two major activities:

- *Governmental Activities* – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and general administration.
- *Business-Type Activity* – This service is provided on a fee basis to recover all of the expenses of the goods or services provided. The School District's business-type activity is a transportation enterprise fund.

Reporting the School District's Most Significant Funds

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and bond retirement debt service fund.

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

Proprietary Fund Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

Medina City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The School District as a Whole

You may recall that the *Statement of Net Position* provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for 2014 compared to 2013:

Table 1 Net Position						
	Governmental Activities		Business-Type Activity		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and Other Assets	\$100,294,363	\$91,789,991	\$16,707	\$9,368	\$100,311,070	\$91,799,359
Capital Assets, Net	99,412,643	101,555,426	0	0	99,412,643	101,555,426
Total Assets	199,707,006	193,345,417	16,707	9,368	199,723,713	193,354,785
Deferred Outflows of Resources	2,267,482	4,439,591	0	0	2,267,482	4,439,591
Liabilities						
Current and Other Liabilities	7,771,202	8,660,007	0	0	7,771,202	8,660,007
Long-Term Liabilities:						
Due Within One Year	5,179,057	4,776,666	0	0	5,179,057	4,776,666
Due in More than One Year	88,836,436	93,031,315	0	0	88,836,436	93,031,315
Total Liabilities	101,786,695	106,467,988	0	0	101,786,695	106,467,988
Deferred Inflows of Resources	48,077,553	46,633,517	0	0	48,077,553	46,633,517
Net Position						
Net Investment in Capital Assets	15,766,687	15,373,793	0	0	15,766,687	15,373,793
Restricted:						
Capital Projects	3,133,532	3,858,526	0	0	3,133,532	3,858,526
Debt Service	6,575,066	7,118,395	0	0	6,575,066	7,118,395
Other Purposes	495,532	846,950	0	0	495,532	846,950
Unrestricted	26,139,423	17,485,839	16,707	9,368	26,156,130	17,495,207
Total Net Position	\$52,110,240	\$44,683,503	\$16,707	\$9,368	\$52,126,947	\$44,692,871

Total governmental assets increased by over \$6.3 million. The majority of this increase can be attributed to the increase in current and other assets of \$8.5 million, which was partly offset by a decrease in capital assets. The increase in current and other assets was primarily due to a \$7.8 million increase in cash and cash equivalents, which is primarily due to increases in property tax and intergovernmental receipts, and a \$1.1 million increase in property taxes receivable. The increase in property taxes is due to the new 5.9 mil emergency levy that was approved in November 2013.

Total governmental liabilities decreased by almost \$4.7 million. Current and other liabilities decreased by about \$0.9 million, primarily due to decreases of over \$0.5 million in intergovernmental payable and \$0.4 million in matured compensated absences payable. Long-term liabilities decreased by about \$3.8 million mainly due to decreases in general obligation bonds outstanding.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$78.1 million or 90.14 percent of the total revenue. General revenue increased by \$4.3 million from the prior fiscal year. The increase in property tax revenue was the primary reason for this increase. The remaining amount of revenue received was in the form of program revenues, which equaled \$8.5 million or only 9.86 percent of total revenue.

Medina City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

In order to further understand what makes up the changes in net position for the current year, the following tables gives further details regarding the results of activities for the current year.

Table 2 shows total revenues, expenses and changes in net position for fiscal years 2014 and 2013:

Table 2 Change in Net Position						
	Governmental Activities		Business-Type Activity		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for Services	\$3,358,551	\$4,566,514	\$7,442	\$13,037	\$3,365,993	\$4,579,551
Operating Grants, Contributions, and Interest	5,190,329	5,233,146	0	0	5,190,329	5,233,146
Capital Grants and Contributions	0	116,632	0	0	0	116,632
Total Program Revenues	8,548,880	9,916,292	7,442	13,037	8,556,322	9,929,329
General Revenue:						
Property Taxes	49,709,198	46,653,934	0	0	49,709,198	46,653,934
Grants and Entitlements, not Restricted	24,940,962	24,016,390	0	0	24,940,962	24,016,390
Grants and Entitlements, Restricted to Permanent Improvement	2,787,963	2,529,018	0	0	2,787,963	2,529,018
Unrestricted Contributions	375	4,788	0	0	375	4,788
Investment Earnings	46,121	32,413	0	0	46,121	32,413
Gain on Sale of Capital Assets	11,601	0	0	0	11,601	0
Miscellaneous	643,391	628,550	17,966	14,131	661,357	642,681
Total General Revenues	78,139,611	73,865,093	17,966	14,131	78,157,577	73,879,224
Total Revenues	86,688,491	83,781,385	25,408	27,168	86,713,899	83,808,553
Program Expenses						
Instruction:						
Regular	36,810,423	37,720,960	0	0	36,810,423	37,720,960
Special	10,011,676	9,197,250	0	0	10,011,676	9,197,250
Vocational	337,421	298,711	0	0	337,421	298,711
Student Intervention Services	88,390	44,288	0	0	88,390	44,288
Support Services:						
Pupils	3,694,102	3,883,227	0	0	3,694,102	3,883,227
Instructional Staff	840,854	3,106,618	0	0	840,854	3,106,618
Board of Education	106,543	101,747	0	0	106,543	101,747
Administration	5,103,235	5,339,033	0	0	5,103,235	5,339,033
Fiscal	1,511,799	1,465,805	0	0	1,511,799	1,465,805
Business	274,355	321,562	0	0	274,355	321,562
Operation and Maintenance of Plant	7,709,948	7,652,668	0	0	7,709,948	7,652,668
Pupil Transportation	2,588,617	2,434,265	0	0	2,588,617	2,434,265
Central	359,060	460,776	0	0	359,060	460,776
Operation of Non-Instructional Services	519,141	701,715	0	0	519,141	701,715
Food Service Operations	2,242,904	2,402,280	0	0	2,242,904	2,402,280
Extracurricular Activities	1,811,126	1,659,961	0	0	1,811,126	1,659,961
Interest and Fiscal Charges	5,252,160	4,264,681	0	0	5,252,160	4,264,681
Business-Type Activity	0	0	18,069	26,232	18,069	26,232
Total Program Expenses	79,261,754	81,055,547	18,069	26,232	79,279,823	81,081,779
Increase in Net Position	7,426,737	2,725,838	7,339	936	7,434,076	2,726,774
Net Position Beginning of Year	44,683,503	41,957,665	9,368	8,432	44,692,871	41,966,097
Net Position End of Year	\$52,110,240	\$44,683,503	\$16,707	\$9,368	\$52,126,947	\$44,692,871

Medina City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Governmental Activities

The School District carefully tracks its revenues and expenses in order to avoid creating a deficit. Although the School District relies heavily upon local property taxes to support its operations, the School District relies upon and actively solicits and receives additional grant and entitlement funding to help offset some operating costs.

As one can see, 59.61 percent of the School District's expenses are used towards instructional purposes. Additional supporting services for pupils, instructional staff and business operations encompass an additional 27.99 percent. The remaining amount of program expenses, 12.40 percent, is budgeted to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

Several cost categories decreased from the prior fiscal year. Some notable changes were a decrease of 72.93 percent in instructional staff due to a reduction in staffing levels and a decrease of 26.02 percent in operation of non-instructional services due to lower materials and supplies and capital outlay purchases and lower intergovernmental payables related to retirement systems.

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

Table 3
Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Instruction:				
Regular	\$36,810,423	(\$36,160,583)	\$37,720,960	(\$36,665,635)
Special	10,011,676	(7,063,225)	9,197,250	(6,378,455)
Vocational	337,421	(329,229)	298,711	(262,927)
Student Intervention Services	88,390	(59,816)	44,288	(34,695)
Support Services:				
Pupils	3,694,102	(3,173,849)	3,883,227	(3,177,748)
Instructional Staff	840,854	(686,290)	3,106,618	(2,856,611)
Board of Education	106,543	(105,833)	101,747	(101,152)
Administration	5,103,235	(5,036,891)	5,339,033	(5,011,417)
Fiscal	1,511,799	(1,502,702)	1,465,805	(1,412,025)
Business	274,355	(272,457)	321,562	(315,292)
Operation and Maintenance of Plant	7,709,948	(7,672,061)	7,652,668	(7,607,514)
Pupil Transportation	2,588,617	(2,427,991)	2,434,265	(2,291,465)
Central	359,060	(338,784)	460,776	(437,995)
Operating of Non-Instructional Services	519,141	16,373	701,715	(102,393)
Food Service Operations	2,242,904	(121,378)	2,402,280	(129,828)
Extracurricular Activities	1,811,126	(525,998)	1,659,961	(89,422)
Interest and Fiscal Charges	5,252,160	(5,252,160)	4,264,681	(4,264,681)
Total Expenses	<u>\$79,261,754</u>	<u>(\$70,712,874)</u>	<u>\$81,055,547</u>	<u>(\$71,139,255)</u>

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 62.72 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 31.47 percent of expenses; grants and entitlements restricted to permanent improvement projects support 3.52 percent of expenses. Unrestricted contributions, investment earnings, gain on sale of capital assets and other miscellaneous type revenues support 0.89 percent of activity costs. Program revenues only account for 10.79 percent of all governmental expenses.

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Business-Type Activity

Business-type activity includes the transportation enterprise fund. Fiscal year 2011 was the first year for this fund. The purpose of this fund is to account for monies received from outside school districts for repair work done to their vehicles. The business-type net position at fiscal year-end was \$16,707. Revenues consisted of charges for services for \$7,442 and other miscellaneous revenues of \$17,966.

School District's Funds

Information regarding the School District's major funds can be found beginning on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$86,620,503 and expenditures of \$79,970,008. Property taxes increased by \$2.79 million, primarily due to the new emergency levy.

The fiscal year end fund balance for the general fund was \$28,014,457 on a modified accrual basis. This is an increase of \$8,407,631 from the prior fiscal year's ending balance. This increase was primarily due to increases in property taxes and intergovernmental revenue due to collections from the 2013 emergency levy and higher foundation revenue, respectively, which resulted in a larger ending cash balance.

The bond retirement fund saw a decrease of \$835,792 in fund balance due to decreased property tax and intergovernmental revenues and higher expenditures due to increased debt service requirements.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the School District amended its general fund budget numerous times, none significant. The School District uses a site-based style of budgeting and has in place systems that are designed to tightly control expenditures but provide flexibility for site-based decision and management.

For the general fund, the final budget basis revenue estimate totaled \$71,975,552; this was 1.42 percent above the original budget estimates of \$70,968,972. The main difference between the original and final estimates was due to an underestimation in intergovernmental revenues in the original budget. The final budget basis expenditures estimate totaled \$68,918,954, compared to original estimates of \$65,916,608. The final budget is 4.55 percent more than the original budget. Actual revenues were \$752,939 higher than final budgeted revenues due to higher intergovernmental and miscellaneous revenues. Actual expenditures were \$3,669,425 lower than final budgeted expenditures due to lower than expected expenditures in every function, especially instruction, pupils, and operation and maintenance of plant. The School District's general fund unencumbered balance totaled \$28,432,131.

Medina City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2014 values compared to 2013.

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

	Governmental Activities		
	2014	2013	Change
Land	\$3,251,882	\$3,251,882	\$0
Construction in Progress	33,312	0	33,312
Land Improvements	1,784,284	1,841,265	(56,981)
Buildings and Improvements	92,399,669	95,054,991	(2,655,322)
Furniture and Equipment	499,366	786,203	(286,837)
Vehicles	1,444,130	621,085	823,045
Totals	<u>\$99,412,643</u>	<u>\$101,555,426</u>	<u>(\$2,142,783)</u>

All capital assets, except land and construction in progress, are reported net of depreciation. For more information on capital assets refer to Note 9 of the basic financial statements.

Debt

The following Table 5 summarizes the School District's outstanding bonds and certificates of participation for fiscal years 2014 and 2013.

Table 5
Outstanding Debt at Year End

	Governmental Activities		
	2014	2013	Change
<i>Certificates of Participation:</i>			
2008 Certificates of Participation	\$25,174,939	\$25,213,123	(\$38,184)
<i>General Obligation Bonds:</i>			
2005 Refunding Bonds	6,852,061	9,103,091	(2,251,030)
2009 Refunding Bonds	6,361,913	7,501,782	(1,139,869)
2012 Refunding Bonds	2,730,000	2,995,000	(265,000)
2013 Refunding Bonds	44,852,176	45,748,489	(896,313)
Totals	<u>\$85,971,089</u>	<u>\$90,561,485</u>	<u>(\$4,590,396)</u>

The 2008 certificates of participation were issued for constructing, renovating, expanding, improving, and furnishing the various buildings within the School District. This debt will be fully repaid in fiscal year 2038.

The 2005 refunding bonds were issued to advance refund a portion of the 1999 various school improvement bonds. This debt will be fully repaid in fiscal year 2029.

The 2009 refunding bonds were issued to advance refund a portion of the 1998 refunding bonds. This debt will be fully repaid in fiscal year 2019.

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The 2012 refunding bonds were issued to pay down the 2007 energy conservation note and the transportation facilities note. This debt will be fully repaid in fiscal year 2023.

The 2013 refunding bonds were issued to refund a portion of the 2005 refunding bonds. This debt will be fully repaid in fiscal year 2028.

The School District's overall legal debt margin was \$55,479,631 with an unvoted debt margin of \$1,161,652. The School District maintains an Aa2 bond rating. For more information on debt, refer to Note 10 of the basic financial statements.

In addition to the long-term debt, the School District's long-term obligations include a capital lease and compensated absences. Additional information for these items can be found in Notes 11 and 14, respectively.

School District Outlook

The Board of Education and administration closely monitor the School District's revenues and expenditures in accordance with its financial forecast and the School District Continuous Improvement Plan. The School District has set a goal of balancing the general fund long-range budget for fiscal year 2018.

The financial future of the School District is not without its challenges. These challenges are internal and external in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio reacts to the Governor sponsored funding for school districts. The slow growth of the economy continues to have a negative impact on this goal. Reductions have been implemented in the past to maintain a positive unencumbered balance for future years. With the recent passage of the 5.9 mill five-year emergency levy, the School District has been able to continue current operations and add needed educational programming and transportation.

Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong. The School District has communicated to the community its reliance upon their tax support for the majority of its operations, and will continue to work diligently to plan expenditures, staying carefully within the School District's five-year forecast. The community also realizes the income generated by local levies remains relatively constant, therefore forcing the School District to come back to the voters from time to time to ask for additional support.

In May 2007, Medina County voters passed a countywide 30-year 0.5 percent sales tax to pay for school permanent improvements. The tax is allocated among the public schools within the county based upon their numbers of students. The allocation for Medina City School District for fiscal year 2014 was \$2.7 million. Medina County is the only county in Ohio that has levied a sales tax for school districts.

Beginning in fiscal year 2010, the State General Assembly adopted a new funding method called the Ohio Evidence-Based Model (OEBM). This funding method was used for fiscal year 2011 as well, but was not continued in fiscal year 2012. The Ohio Evidence-Based Model was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount is the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor

Medina City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

(a school district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge-off amount).

Beginning in fiscal year 2012, the administration of Governor John Kasich proposed a move away from the Ohio Evidence Based Model to a new funding method; however, fiscal year 2012 and 2013 funding was based on a transitional approach, referred to as the Bridge formula. The Bridge formula divides the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding is then multiplied by the fiscal year ADM. The adequacy amount is offset by the school district share, which is equal to 21 mills of property taxes for fiscal year 2012. More recently, the State has implemented a new funding formula that targets funding based on economic factors called the Opportunity Grant formula. This formula also establishes spending requirements in such areas as "economic disadvantaged funding" and "special education funding". The School District has seen an increase in State funding due to the growth of the School District as compared to growth of the States.

The growth in State funding will help the School District's financial situation, but the School District will not ever make up the loss of revenues from the elimination of tangible personal property tax and State funding of the prior years.

Regardless of funding levels, the School District's management will continue to carefully and prudently plan to provide effective and efficient programs and services to meet the needs of our students over the next several years.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact David Chambers, Treasurer, at Medina City School District, 739 Weymouth Road, Medina, Ohio 44256, or email at chambersd@mcsd.org.

Medina City School District

Statement of Net Position

June 30, 2014

	Governmental Activities	Business-Type Activity	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$45,165,099	\$16,707	\$45,181,806
Cash and Cash Equivalents With Fiscal Agents	111,738	0	111,738
Accounts Receivable	6,574	0	6,574
Intergovernmental Receivable	1,857,419	0	1,857,419
Inventory Held for Resale	70,171	0	70,171
Materials and Supplies Inventory	49,139	0	49,139
Property Taxes Receivable	53,034,223	0	53,034,223
Nondepreciable Capital Assets	3,285,194	0	3,285,194
Depreciable Capital Assets, Net	96,127,449	0	96,127,449
<i>Total Assets</i>	<u>199,707,006</u>	<u>16,707</u>	<u>199,723,713</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	<u>2,267,482</u>	<u>0</u>	<u>2,267,482</u>
Liabilities			
Accounts Payable	580,210	0	580,210
Contracts Payable	137,783	0	137,783
Accrued Wages and Benefits	5,186,177	0	5,186,177
Matured Compensated Absences Payable	214,857	0	214,857
Intergovernmental Payable	878,830	0	878,830
Accrued Interest Payable	471,633	0	471,633
Claims Payable	301,712	0	301,712
Long-Term Liabilities:			
Due Within One Year	5,179,057	0	5,179,057
Due In More Than One Year	<u>88,836,436</u>	<u>0</u>	<u>88,836,436</u>
<i>Total Liabilities</i>	<u>101,786,695</u>	<u>0</u>	<u>101,786,695</u>
Deferred Inflows of Resources			
Property Taxes	<u>48,077,553</u>	<u>0</u>	<u>48,077,553</u>
Net Position			
Net Investment in Capital Assets	15,766,687	0	15,766,687
Restricted for:			
Capital Projects	3,133,532	0	3,133,532
Debt Service	6,575,066	0	6,575,066
Food Service	7,134	0	7,134
Other Purposes	488,398	0	488,398
Unrestricted	<u>26,139,423</u>	<u>16,707</u>	<u>26,156,130</u>
<i>Total Net Position</i>	<u>\$52,110,240</u>	<u>\$16,707</u>	<u>\$52,126,947</u>

See accompanying notes to the basic financial statements

Medina City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

		Program Revenues	
		Charges for Services	Operating Grants, Contributions, and Interest
	Expenses		
Governmental Activities			
Instruction:			
Regular	\$36,810,423	\$522,996	\$126,844
Special	10,011,676	58,598	2,889,853
Vocational	337,421	1,898	6,294
Student Intervention Services	88,390	311	28,263
Support Services:			
Pupils	3,694,102	20,233	500,020
Instructional Staff	840,854	6,319	148,245
Board of Education	106,543	710	0
Administration	5,103,235	37,226	29,118
Fiscal	1,511,799	9,097	0
Business	274,355	1,837	61
Operation and Maintenance of Plant	7,709,948	37,698	189
Pupil Transportation	2,588,617	16,576	144,050
Central	359,060	2,276	18,000
Operation of Non-Instructional Services	519,141	2,244	533,270
Food Service Operations	2,242,904	1,369,812	751,714
Extracurricular Activities	1,811,126	1,270,720	14,408
Interest and Fiscal Charges	5,252,160	0	0
<i>Total Governmental Activities</i>	79,261,754	3,358,551	5,190,329
Business-Type Activity			
Transportation Enterprise	18,069	7,442	0
<i>Total</i>	\$79,279,823	\$3,365,993	\$5,190,329

General Revenues

Property Taxes Levied for:
 General Purposes
 Special Revenue
 Debt Service
Grants and Entitlements not Restricted
to Specific Programs
Grants Provided for Permanent
Improvement Projects
Unrestricted Contributions
Investment Earnings
Gain on Sale of Capital Assets
Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activity	Total
(\$36,160,583)	\$0	(\$36,160,583)
(7,063,225)	0	(7,063,225)
(329,229)	0	(329,229)
(59,816)	0	(59,816)
(3,173,849)	0	(3,173,849)
(686,290)	0	(686,290)
(105,833)	0	(105,833)
(5,036,891)	0	(5,036,891)
(1,502,702)	0	(1,502,702)
(272,457)	0	(272,457)
(7,672,061)	0	(7,672,061)
(2,427,991)	0	(2,427,991)
(338,784)	0	(338,784)
16,373	0	16,373
(121,378)	0	(121,378)
(525,998)	0	(525,998)
(5,252,160)	0	(5,252,160)
(70,712,874)	0	(70,712,874)
0	(10,627)	(10,627)
(70,712,874)	(10,627)	(70,723,501)
40,898,519	0	40,898,519
3,816,216	0	3,816,216
4,994,463	0	4,994,463
24,940,962	0	24,940,962
2,787,963	0	2,787,963
375	0	375
46,121	0	46,121
11,601	0	11,601
643,391	17,966	661,357
78,139,611	17,966	78,157,577
7,426,737	7,339	7,434,076
44,683,503	9,368	44,692,871
\$52,110,240	\$16,707	\$52,126,947

Medina City School District

Balance Sheet

Governmental Funds

June 30, 2014

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$30,497,229	\$6,118,325	\$3,449,857	\$40,065,411
Cash and Cash Equivalents With Fiscal Agent	99,716	0	12,022	111,738
Property Taxes Receivable	48,187,194	4,847,029	0	53,034,223
Accounts Receivable	6,431	0	143	6,574
Interfund Receivable	169,772	0	0	169,772
Intergovernmental Receivable	48,663	763,851	994,680	1,807,194
Inventory Held for Resale	0	0	70,171	70,171
Materials and Supplies Inventory	43,275	0	5,864	49,139
<i>Total Assets</i>	<u>\$79,052,280</u>	<u>\$11,729,205</u>	<u>\$4,532,737</u>	<u>\$95,314,222</u>
Liabilities				
Accounts Payable	\$426,607	\$0	\$145,184	\$571,791
Contracts Payable	28,788	0	108,995	137,783
Accrued Wages and Benefits	4,813,604	0	308,188	5,121,792
Matured Compensated Absences Payable	201,826	0	13,031	214,857
Intergovernmental Payable	825,774	0	45,334	871,108
Interfund Payable	0	0	43,772	43,772
<i>Total Liabilities</i>	<u>6,296,599</u>	<u>0</u>	<u>664,504</u>	<u>6,961,103</u>
Deferred Inflows of Resources				
Property Taxes	43,694,986	4,382,567	0	48,077,553
Unavailable Revenue	1,046,238	866,158	446,477	2,358,873
<i>Total Deferred Inflows of Resources</i>	<u>44,741,224</u>	<u>5,248,725</u>	<u>446,477</u>	<u>50,436,426</u>
Fund Balances				
Nonspendable	43,275	0	5,864	49,139
Restricted	0	6,480,480	3,775,932	10,256,412
Assigned	7,122,579	0	0	7,122,579
Unassigned (Deficit)	20,848,603	0	(360,040)	20,488,563
<i>Total Fund Balances</i>	<u>28,014,457</u>	<u>6,480,480</u>	<u>3,421,756</u>	<u>37,916,693</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$79,052,280</u>	<u>\$11,729,205</u>	<u>\$4,532,737</u>	<u>\$95,314,222</u>

See accompanying notes to the basic financial statements

Medina City School District
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2014*

Total Governmental Fund Balances	\$37,916,693
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*Amounts reported for governmental activities in the
statement of net position are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	99,412,643
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:

Delinquent Property Taxes	1,148,545	
Intergovernmental	446,477	
County Levied Sales Tax	763,851	
Total	<u>2,358,873</u>	2,358,873

Deferred outflows of resources represent deferred charges on refundings, which are not reported in the funds.	2,267,482
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(471,633)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Certificates of Participation	(25,174,939)	
General Obligation Bonds	(60,796,150)	
Capital Leases	(317,307)	
Compensated Absences	(7,727,097)	
Total	<u>(94,015,493)</u>	(94,015,493)

Internal service funds are used by management to charge the costs of self insurance and other operations to individual funds. The assets and liabilities of the internal service funds are included in the statement of net position:

Net Position	4,723,196	
Compensated Absences	(81,521)	
Total	<u>4,641,675</u>	4,641,675

<i>Net Position of Governmental Activities</i>	<u><u>\$52,110,240</u></u>
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See accompanying notes to the basic financial statements

Medina City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$44,705,326	\$5,030,049	\$0	\$49,735,375
Intergovernmental	26,259,580	1,527,603	4,968,689	32,755,872
Interest	45,912	0	266	46,178
Tuition and Fees	702,258	0	0	702,258
Charges for Services	23,722	0	1,369,812	1,393,534
Extracurricular Activities	593,722	0	565,269	1,158,991
Contributions and Donations	70,206	0	10,930	81,136
Rentals	103,768	0	0	103,768
Miscellaneous	468,082	955	174,354	643,391
<i>Total Revenues</i>	<u>72,972,576</u>	<u>6,558,607</u>	<u>7,089,320</u>	<u>86,620,503</u>
Expenditures				
Current:				
Instruction:				
Regular	34,564,618	0	263,958	34,828,576
Special	8,465,721	0	1,220,824	9,686,545
Vocational	294,453	0	0	294,453
Student Intervention Services	47,304	0	42,547	89,851
Support Services:				
Pupils	3,184,625	0	581,422	3,766,047
Instructional Staff	593,421	0	162,514	755,935
Board of Education	108,304	0	0	108,304
Administration	4,939,968	0	0	4,939,968
Fiscal	1,448,623	94,049	0	1,542,672
Business	282,198	0	0	282,198
Operation and Maintenance of Plant	5,792,330	0	2,627,134	8,419,464
Pupil Transportation	2,530,899	0	0	2,530,899
Central	365,015	0	18,000	383,015
Operation of Non-Instructional Services	68,794	0	462,672	531,466
Food Service Operations	0	0	2,085,378	2,085,378
Extracurricular Activities	1,146,895	0	672,958	1,819,853
Capital Outlay	175,802	0	0	175,802
Debt Service:				
Principal Retirement	72,873	4,085,000	0	4,157,873
Interest and Fiscal Charges	12,631	3,559,078	0	3,571,709
<i>Total Expenditures</i>	<u>64,094,474</u>	<u>7,738,127</u>	<u>8,137,407</u>	<u>79,970,008</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>8,878,102</u>	<u>(1,179,520)</u>	<u>(1,048,087)</u>	<u>6,650,495</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	11,601	0	0	11,601
Transfers In	2,309	343,728	181,133	527,170
Transfers Out	(484,381)	0	(2,309)	(486,690)
<i>Total Other Financing Sources (Uses)</i>	<u>(470,471)</u>	<u>343,728</u>	<u>178,824</u>	<u>52,081</u>
<i>Net Change in Fund Balances</i>	<u>8,407,631</u>	<u>(835,792)</u>	<u>(869,263)</u>	<u>6,702,576</u>
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>19,606,826</u>	<u>7,316,272</u>	<u>4,291,019</u>	<u>31,214,117</u>
<i>Fund Balances End of Year</i>	<u>\$28,014,457</u>	<u>\$6,480,480</u>	<u>\$3,421,756</u>	<u>\$37,916,693</u>

See accompanying notes to the basic financial statements

Medina City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances - Total Governmental Funds	\$6,702,576
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*Amounts reported for governmental activities in the
statement of activities are different because:*

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

Capital Outlay	983,940	
Current Year Depreciation	(3,126,723)	
Total		(2,142,783)

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

Delinquent Property Taxes	(26,177)	
Intergovernmental	(74,192)	
County Levied Sales Tax	156,756	
Total		56,387

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 position. 4,157,873

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:

Accrued Interest	(13,738)	
Annual Accretion	(57,701)	
Amortization of Bond and Certificates of Participation Premiums	563,097	
Amortization of Deferred Charge on Refunding	(2,172,109)	
Total		(1,680,451)

Compensated absences 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. (870,781)

Internal service funds used by management are not reported in the statement of activities.

Governmental fund expenditures and related internal service fund revenues are eliminated.

The net revenue (expense) of the internal service funds is allocated among the governmental expenses:

Change in Net Position	1,260,261	
Change in Compensated Absences	(56,345)	
		1,203,916

<i>Change in Net Position of Governmental Activities</i>	<u><u>\$7,426,737</u></u>
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See accompanying notes to the basic financial statements

Medina City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$44,963,664	\$44,963,664	\$44,920,626	(\$43,038)
Intergovernmental	24,673,508	25,680,088	26,385,751	705,663
Interest	33,000	33,000	22,698	(10,302)
Tuition and Fees	344,900	344,900	395,585	50,685
Charges for Services	24,000	24,000	23,722	(278)
Extracurricular Activities	431,000	431,000	436,141	5,141
Contributions and Donations	5,000	5,000	375	(4,625)
Rentals	342,000	342,000	95,649	(246,351)
Miscellaneous	151,900	151,900	447,944	296,044
<i>Total Revenues</i>	<u>70,968,972</u>	<u>71,975,552</u>	<u>72,728,491</u>	<u>752,939</u>
Expenditures				
Current:				
Instruction:				
Regular	34,531,257	36,105,400	34,675,640	1,429,760
Special	8,797,014	9,198,034	8,667,813	530,221
Vocational	262,658	274,631	274,406	225
Student Intervention Services	128,684	134,550	53,654	80,896
Support Services:				
Pupils	3,465,709	3,623,697	3,141,186	482,511
Instructional Staff	1,509,538	1,578,352	1,339,932	238,420
Board of Education	105,077	109,867	103,466	6,401
Administration	4,863,087	5,084,776	4,833,048	251,728
Fiscal	1,453,898	1,517,646	1,461,589	56,057
Business	324,215	338,996	299,565	39,431
Operation and Maintenance of Plant	6,177,227	6,458,822	6,010,237	448,585
Pupil Transportation	2,630,081	2,749,976	2,691,061	58,915
Central	382,624	400,066	365,856	34,210
Operation of Non-Instructional Services	13,200	14,628	13,490	1,138
Extracurricular Activities	1,093,339	1,163,676	1,153,786	9,890
Capital Outlay	179,000	165,837	164,800	1,037
<i>Total Expenditures</i>	<u>65,916,608</u>	<u>68,918,954</u>	<u>65,249,529</u>	<u>3,669,425</u>
<i>Excess of Revenues Over Expenditures</i>	<u>5,052,364</u>	<u>3,056,598</u>	<u>7,478,962</u>	<u>4,422,364</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	5,000	5,000	11,601	6,601
Advances Out	(50,000)	(50,000)	0	50,000
Transfers Out	(445,000)	(481,730)	(481,728)	2
<i>Total Other Financing Sources (Uses)</i>	<u>(490,000)</u>	<u>(526,730)</u>	<u>(470,127)</u>	<u>56,603</u>
<i>Net Change in Fund Balance</i>	<u>4,562,364</u>	<u>2,529,868</u>	<u>7,008,835</u>	<u>4,478,967</u>
<i>Fund Balance Beginning of Year</i>	<u>21,007,645</u>	<u>21,007,645</u>	<u>21,007,645</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>415,651</u>	<u>415,651</u>	<u>415,651</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$25,985,660</u>	<u>\$23,953,164</u>	<u>\$28,432,131</u>	<u>\$4,478,967</u>

See accompanying notes to the basic financial statements

Medina City School District*Statement of Net Position**Proprietary Funds**June 30, 2014*

	Transportation Enterprise Fund	Governmental Activities - Internal Service Funds
Assets		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$16,707	\$5,099,688
Intergovernmental Receivable	0	50,225
<i>Total Assets</i>	16,707	5,149,913
Liabilities		
<i>Current Liabilities:</i>		
Accounts Payable	\$0	\$8,419
Accrued Wages	0	64,385
Interfund Payable	0	126,000
Intergovernmental Payable	0	7,722
Compensated Absences Payable	0	7,425
Claims Payable	0	301,712
<i>Total Current Liabilities</i>	0	515,663
<i>Long-Term Liability:</i>		
Compensated Absences Payable (net of current portion)	0	74,096
<i>Total Liabilities</i>	0	589,759
Net Position		
Unrestricted	\$16,707	\$4,560,154

See accompanying notes to the basic financial statements

Medina City School District
*Statement of Revenues,
Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014*

	Transportation Enterprise Fund	Governmental Activities - Internal Service Funds
Operating Revenues		
Tuition and Fees	\$0	\$693,589
Charges for Services	7,442	8,481,410
Miscellaneous	17,966	9,547
<i>Total Operating Revenues</i>	<u>25,408</u>	<u>9,184,546</u>
Operating Expenses		
Salaries	0	540,248
Fringe Benefits	0	256,502
Purchased Services	0	905,751
Materials and Supplies	18,069	42,909
Miscellaneous	0	45
Claims	0	6,264,538
<i>Total Operating Expenses</i>	<u>18,069</u>	<u>8,009,993</u>
<i>Operating Income</i>	7,339	1,174,553
Non-Operating Revenues		
Operating Grants	0	13,498
<i>Income before Transfers Out</i>	7,339	1,188,051
Transfers Out	0	(40,480)
<i>Change in Net Position</i>	7,339	1,147,571
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>9,368</u>	<u>3,412,583</u>
<i>Net Position End of Year</i>	<u><u>\$16,707</u></u>	<u><u>\$4,560,154</u></u>

See accompanying notes to the basic financial statements

Medina City School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	Transportation Enterprise Fund	Governmental Activities - Internal Service Funds
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
Cash Flows from Operating Activities		
Cash Received from Customers	\$7,442	\$785,150
Cash Received from Interfund Services Provided	0	8,359,989
Cash Received from Other Sources	17,966	9,547
Cash Payments for Employee Services and Benefits	0	(753,667)
Cash Payments for Goods and Services	(18,069)	(951,195)
Cash Payments for Claims	0	(6,294,412)
<i>Total Cash Flows from Operating Activities</i>	<u>7,339</u>	<u>1,155,412</u>
Cash Flows from Non-Operating Activities		
Operating Grants	0	13,498
Transfers Out	0	(40,480)
<i>Total Cash Flows from Non-Operating Activities</i>	<u>0</u>	<u>(26,982)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	7,339	1,128,430
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>9,368</u>	<u>3,971,258</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$16,707</u></u>	<u><u>\$5,099,688</u></u>
 <i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i>		
<i>Operating Income</i>	\$7,339	\$1,174,553
Adjustments		
(Increase) Decrease in Assets:		
Intergovernmental Receivable	0	(29,860)
Increase (Decrease) in Liabilities:		
Accounts Payable	0	(2,490)
Accrued Wages	0	(2,259)
Intergovernmental Payable	0	(11,003)
Compensated Absences Payable	0	56,345
Claims Payable	0	(29,874)
<i>Total Adjustments</i>	<u>0</u>	<u>(19,141)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$7,339</u></u>	<u><u>\$1,155,412</u></u>

See accompanying notes to the basic financial statements

Medina City School District*Statement of Net Position**Fiduciary Funds**June 30, 2014*

	Private Purpose Trust Funds	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$33,637	\$324,109
Investments in Segregated Accounts	727,224	0
Accounts Receivable	0	13,623
Intergovernmental Receivable	0	246
<i>Total Assets</i>	<u>760,861</u>	<u>\$337,978</u>
Liabilities		
Accounts Payable	0	\$13,623
Intergovernmental Payable	0	246
Undistributed Monies	0	19,597
Due to Students	0	304,512
<i>Total Liabilities</i>	<u>0</u>	<u>\$337,978</u>
Net Position		
Held in Trust for Scholarships:		
Nonexpendable	683,591	
Expendable	77,270	
<i>Total Net Position</i>	<u>\$760,861</u>	

See accompanying notes to the basic financial statements

Medina City School District
Statement of Changes in Net Position
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust Funds
Additions	
Interest	\$1,688
Contributions and Donations	14,000
Gain on Sale of Investments	155,241
Miscellaneous	4,177
<i>Total Additions</i>	175,106
Deductions	
Scholarships Awarded	37,250
<i>Change in Net Position</i>	137,856
<i>Net Position Beginning of Year</i>	623,005
<i>Net Position End of Year</i>	\$760,861

See accompanying notes to the basic financial statements

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 – Description of the School District and Reporting Entity

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

The School District is located in Medina County and encompasses most of the City of Medina and portions of surrounding townships. The School District currently operates seven elementary schools, two middle schools and one comprehensive high school, which are staffed by 31 administrators, 7.75 psychologists, 2 administrative secretaries, 389.75 certificated full-time teaching personnel and 238.25 full-time-equivalent classified employees, who provide services to 7,010 students and other community members.

Reporting Entity

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

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

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

The School District participates in two jointly governed organizations, which are the Medina County Career Center and the Ohio Schools Council. These organizations are addressed in Note 17 to the basic financial statements.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 2 – Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial principles. The more significant of the School District's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type.

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

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

Fund Accounting

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

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

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

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

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

Proprietary Fund Type Proprietary funds reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service.

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's enterprise fund is used to account for monies received from outside school districts for repair work done to their vehicles.

Internal Service Funds The internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's two internal service funds are a self insurance fund that accounts for health, prescription, dental, and workers' compensation claims of School District employees and a rotary fund that accounts for operations that provide goods and services to other governmental units on a cost-reimbursement basis.

Fiduciary Funds Types Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has two private purpose trust funds which are both used to account for college scholarships. The School District's agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. The agency funds reflect resources that belong to the student bodies of the various schools and the sales and other revenue generated by a community performing arts group.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Measurement Focus

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

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

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

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 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 year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants and County levied sales tax. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Cash and Cash Equivalents

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

The School District has segregated bank accounts for monies held in private purpose trust funds. These interest bearing investment accounts are reported as “investments in segregated accounts” on the Statement of Fiduciary Net Position.

During fiscal year 2014, investments were limited to Federal Home Loan Mortgage Corporation Bonds, Federal Home Loan Bank Bonds, Federal National Mortgage Association Bonds, United States Treasury Notes, STAR Ohio, mutual funds, and a repurchase agreement. Mutual funds are reported at fair values based on current share price. Repurchase agreements are reported at cost.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during the fiscal year 2014 amounted to \$45,912, which included \$15,473 assigned from other School District funds.

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

Inventory

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

Capital Assets

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

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

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

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

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Interfund Balances

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

Compensated Absences

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

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

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

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employees who have resigned or retired will be paid. The non-current portion of the liability is not reported.

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

Fund Balance

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

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

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

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or by State Statute. State Statute authorizes the Treasurer to assign fund balances for purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for public school support and to cover a gap between estimated revenue and appropriations in fiscal year 2015's budget.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes included resources which will be used for athletics, special education, and classroom facilities maintenance.

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for all proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as nonoperating.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

Internal Activity

Transfers between governmental funds are eliminated on the government-wide financial statements. Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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

Budgetary Data

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

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for the funds that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed during the year, including all supplemental appropriations.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are received in the year the bonds are issued.

Deferred Charge on Refunding

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

Note 3 – Restatement of Prior Year Fund Balance

During fiscal year 2014, a change in fund classification occurred with the School District's rotary fund, changing it from a special revenue fund to an internal service fund. This reclassification had the following effect on fund balance at June 30, 2013:

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2013	\$19,606,826	\$7,316,272	\$4,270,640	\$31,193,738
Rotary Fund Deficit	0	0	20,379	20,379
Restated Fund Balance at July 1, 2013	<u>\$19,606,826</u>	<u>\$7,316,272</u>	<u>\$4,291,019</u>	<u>\$31,214,117</u>

This restatement also had the following effect on the internal services funds' net position at June 30, 2014, as follows:

	Governmental Activities - Internal Service Funds
Net Position at June 30, 2013	\$3,458,138
Rotary Fund Net Position	(20,379)
Rotary Fund Compensated Absences	(25,176)
Restated Net Position at July 1, 2013	<u>\$3,412,583</u>

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 4 – Budgetary Basis of Accounting

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Investments are reported at cost (budget basis) rather than fair value (GAAP basis).
3. Unrecorded Cash represents amounts received but not included as revenue on the budget basis. These amounts are included as revenue on the GAAP basis.
4. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
5. Budgetary revenues and expenditures of the uniform school supply and public school support funds are reclassified to the general fund for GAAP reporting.
6. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed, or assigned fund balance (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$8,407,631
Net Adjustment for Revenue Accruals	394,211
Fair Value Adjustment for Investments	(23,214)
Unrecorded Cash	(150)
Net Adjustment for Expenditure Accruals	(897,091)
Perspective Difference:	
Uniform School Supply	49,985
Public School Support	21,627
Adjustment for Encumbrances	<u>(944,164)</u>
Budget Basis	<u><u>\$7,008,835</u></u>

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 5 – Legal Compliance and Accountability

Legal Compliance

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

<u>Fund</u>	<u>Negative Cash Balances</u>
<i>Special Revenue Funds:</i>	
Miscellaneous State Grants	\$12,369
Title VI-B	25,447
Title I	5,491
Preschool Grant	465

Management has indicated that all cash balances will be closely monitored to ensure no future deficits.

Accountability

The following funds had deficit fund balances at June 30, 2014:

<u>Fund</u>	<u>Negative Fund Balances</u>
<i>Special Revenue Funds:</i>	
Alternative Schools	\$1,500
Miscellaneous State Grants	12,547
Title VI-B	158,791
Title I	113,482
Preschool Grant	3,371
Reducing Class Size	70,349

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

Note 6 – Deposits and Investments

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

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

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

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

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

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

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year-end, \$10,712,232 of the School District's bank balance of \$26,227,694 was uninsured and uncollateralized. At June 30, 2014, the carrying amount of all School District deposits was \$26,118,955. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2014, the School District had the following investments:

Investment	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-2	2-3	3-5
Federal Home Loan Mortgage Corporation Bonds	\$2,205,819	0	0	0	2,205,819
Federal Home Loan Bank Bonds	7,904,681	0	3,797,802	4,106,879	0
Federal National Mortgage Association Bonds	2,189,671	0	0	0	2,189,671
United States Treasury Notes	2,205,128	0	0	2,205,128	0
STAR Ohio	3,666,611	3,666,611	0	0	0
Mutual Funds	692,649	692,649	0	0	0
Repurchase Agreement	1,395,000	1,395,000	0	0	0
Total Portfolio	<u>\$20,259,559</u>	<u>\$5,754,260</u>	<u>\$3,797,802</u>	<u>\$6,312,007</u>	<u>\$4,395,490</u>

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

Credit Risk The Federal Home Loan Mortgage Corporation Bonds, Federal Home Loan Bank Bonds, and Federal National Mortgage Association Bonds carry a rating of AAA by Standard & Poor's. The United States Treasury Notes carry a rating of AA+ by Standard & Poor's. STAR Ohio carries a credit rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement is exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2014:

Investment	Percentage of Investments
Federal Home Loan Mortgage Corporation Bonds	10.89 %
Federal Home Loan Bank Bonds	39.02
Federal National Mortgage Association Bonds	10.81
United States Treasury Notes	10.88
Repurchase Agreement	6.89

Note 7 – Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, and are collected in calendar year 2014 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Medina County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes, which are measurable as of June 30, 2014, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources – property taxes.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The amount available as an advance at June 30, 2014, was \$3,445,969 in the general fund and \$362,155 in the bond retirement debt service fund. The amount available as an advance at June 30, 2013, was \$3,661,270 in the general fund and \$492,450 in the bond retirement debt service fund. The difference was in the timing and collection by the County Auditor.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$1,181,477,050	97.92%	\$1,134,573,870	97.67%
Public Utility Personal Property	25,075,460	2.08	27,095,360	2.33
Total	<u>\$1,206,552,510</u>	<u>100.00%</u>	<u>\$1,161,669,230</u>	<u>100.00%</u>
Tax rate per \$1,000 of Assessed Valuation	\$87.83		\$93.33	

Note 8 – Receivables

Receivables at June 30, 2014, consisted of taxes, accounts (rent and student fees), interfund, and intergovernmental grants and disbursements. The School District receives a portion of a 0.5 percent sales tax levied by the County. The sales tax is allocated to the public schools based on a student count and is recorded as an intergovernmental revenue. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
County Levied Sales Tax	\$1,312,054
Title VI-B Grant	189,578
Title I Grant	152,029
Other	98,888
Reducing Class Size Grant	70,858
Title I-D Grant	26,727
Preschool Grant	4,785
Alternative Education Grant	2,500
Total	<u>\$1,857,419</u>

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 7/1/13	Additions	Deletions	Balance 6/30/14
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$3,251,882	\$0	\$0	\$3,251,882
Construction in Progress	0	33,312	0	33,312
<i>Total Capital Assets, not being depreciated</i>	<u>3,251,882</u>	<u>33,312</u>	<u>0</u>	<u>3,285,194</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,925,089	0	0	2,925,089
Buildings and Improvements	137,408,054	0	0	137,408,054
Furniture and Equipment	2,197,521	0	0	2,197,521
Vehicles	3,993,746	950,628	(265,357)	4,679,017
<i>Total Capital Assets, being depreciated</i>	<u>146,524,410</u>	<u>950,628</u>	<u>(265,357)</u>	<u>147,209,681</u>
Less Accumulated Depreciation:				
Land Improvements	(1,083,824)	(56,981)	0	(1,140,805)
Buildings and Improvements	(42,353,063)	(2,655,322)	0	(45,008,385)
Furniture and Equipment	(1,411,318)	(286,837)	0	(1,698,155)
Vehicles	(3,372,661)	(127,583)	265,357	(3,234,887)
<i>Total Accumulated Depreciation</i>	<u>(48,220,866)</u>	<u>(3,126,723) *</u>	<u>265,357</u>	<u>(51,082,232)</u>
Total Capital Assets, being depreciated, net	<u>98,303,544</u>	<u>(2,176,095)</u>	<u>0</u>	<u>96,127,449</u>
Governmental Activities Capital Assets, Net	<u><u>\$101,555,426</u></u>	<u><u>(\$2,142,783)</u></u>	<u><u>\$0</u></u>	<u><u>\$99,412,643</u></u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,643,538
Special	255,137
Vocational	52,563
Support Services:	
Pupils	108,731
Instructional Staff	286,958
Administration	206,426
Operation and Maintenance of Plant	285,708
Pupil Transportation	101,924
Operation of Non-Instructional Services	148,681
Extracurricular Activities	37,057
Total Depreciation Expense	<u><u>\$3,126,723</u></u>

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 10 – Long-Term Obligations

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

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
<i>Certificates of Participation:</i>			
2008 Certificates of Participation	3.25% - 5.25%	\$25,000,000	December 1, 2037
<i>General Obligation Bonds:</i>			
2005 Refunding	3 - 5	59,239,818	December 1, 2028
2009 Refunding	3 - 5	8,485,000	December 1, 2018
2012 Refunding	2.75	3,220,000	October 1, 2022
2013 Refunding	3 - 5	40,699,552	December 1, 2027

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

	<u>Principal Outstanding 7/1/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/14</u>	<u>Amount Due in One Year</u>
<i>Certificates of Participation:</i>					
2008 Certificates of Participation					
Serial Certificates	\$7,965,000	\$0	(\$25,000)	\$7,940,000	\$580,000
Term Certificates	16,935,000	0	0	16,935,000	0
Premium	313,123	0	(13,184)	299,939	0
<i>Total Certificates of Participation</i>	<u>25,213,123</u>	<u>0</u>	<u>(38,184)</u>	<u>25,174,939</u>	<u>580,000</u>
<i>General Obligation Bonds:</i>					
2005 Refunding Bonds					
Serial Bonds	8,605,000	0	(2,085,000)	6,520,000	2,190,000
Premium	498,091	0	(166,030)	332,061	0
2009 Refunding Bonds					
Serial Bonds	7,310,000	0	(1,105,000)	6,205,000	1,145,000
Premium	191,782	0	(34,869)	156,913	0
2012 Refunding Bonds					
Term Bonds	2,995,000	0	(265,000)	2,730,000	270,000
2013 Refunding Bonds					
Serial Bonds	25,485,000	0	(605,000)	24,880,000	220,000
Term Bonds	15,080,000	0	0	15,080,000	0
Capital Appreciation Bonds	134,552	0	0	134,552	0
Accretion on Capital Appreciation Bonds	17,318	57,701	0	75,019	0
Premium	5,031,619	0	(349,014)	4,682,605	0
<i>Total General Obligation Bonds</i>	<u>65,348,362</u>	<u>57,701</u>	<u>(4,609,913)</u>	<u>60,796,150</u>	<u>3,825,000</u>
<i>Other Long-Term Obligations:</i>					
Capital Lease	390,180	0	(72,873)	317,307	75,368
Compensated Absences	6,856,316	1,489,574	(618,793)	7,727,097	698,689
<i>Total Other Long-Term Obligations</i>	<u>7,246,496</u>	<u>1,489,574</u>	<u>(691,666)</u>	<u>8,044,404</u>	<u>774,057</u>
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$97,807,981</u>	<u>\$1,547,275</u>	<u>(\$5,339,763)</u>	<u>\$94,015,493</u>	<u>\$5,179,057</u>

Medina City School District
Notes to the Basic Financial Statements
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All general obligation bonds will be paid from property taxes. The capital lease will be paid from the general fund. The compensated absences liability will be paid from the general fund, the food service, auxiliary service, miscellaneous State grants, title VI-B, title I, preschool grant, and reducing class size special revenue funds, and the rotary internal service fund.

In 2008, the School District issued \$25,000,000 in Certificates of Participation (COPs) for the purpose of constructing, renovating, expanding, improving, and furnishing various buildings throughout the School District. The COPs issuance included a premium of \$382,339, which will be amortized over the life of the COPs. The COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The COPs have been designated to be “qualified tax exempt obligations” within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the Medina City Schools Foundation and then subleased back to the School District. The initial term of the lease expires on June 30, 2008, and renewals are subject to appropriations by the Board. Upon the appropriation of sufficient funds to pay base rent during each renewal period and certification of sufficiency of those appropriations, the lease will be renewed by the Board for successive renewal periods, each of one year or less, through December 1, 2037. The base rent includes an interest component ranging from 3.25 percent to 5.25 percent. The School District has the option to purchase the Project on any Lease Payment Date by paying \$100 plus the amount necessary to defease the Indenture.

The term bond portion of the 2008 COPs is subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

Year	Issue	
	\$7,725,000	\$9,210,000
2025	\$940,000	\$0
2026	990,000	0
2027	1,045,000	0
2028	1,100,000	0
2029	1,155,000	0
2030	1,215,000	0
2032	0	1,345,000
2033	0	1,415,000
2034	0	1,490,000
2035	0	1,570,000
2036	0	1,650,000
Total	\$6,445,000	\$7,470,000
<i>Stated Maturity</i>	<i>12/1/2031</i>	<i>12/1/2037</i>

The remaining principal amount of the term bonds (\$1,280,000 and \$1,740,000) will mature at stated maturity.

In 2005, the School District issued \$59,239,818 in voted general obligation bonds which included serial and capital appreciation bonds in the amount of \$55,995,000 and \$3,244,818, respectively. The general obligation bonds were issued for the purpose of refunding a portion of the 1999 school building construction bonds to take advantage of lower interest rates. The bonds were issued for a twenty-five year period with final maturity at December 1, 2028. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District’s financial statements. On June 30, 2014, \$49,125,000 of the defeased bonds are still outstanding.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

In 2009, the School District issued \$8,485,000 in general obligation bonds to refund a portion of the 1998 refunding bonds. The bonds were issued for a ten year period with a final maturity at December 1, 2018. The bonds will be retired from the debt service fund. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2014, \$6,380,000 of the defeased bonds are still outstanding.

In 2012, the School District issued \$3,220,000 in general obligation bonds for the purpose of retiring the 2007 long-term energy conservation note and the short-term transportation facility note issues, in order to take advantage of lower interest rates. The 2012 refunding bonds are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on October 1 of the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2014	\$270,000
2015	285,000
2016	285,000
2017	290,000
2018	305,000
2019	310,000
2020	315,000
2021	330,000

The remaining principal amount of the bonds (\$340,000) will mature at stated maturity on October 1, 2022.

The bonds are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any date on or after May 1, 2020, at redemption prices equal to the following percentages of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption:

<u>Redemption Period</u>	<u>Redemption Price</u>
May 1, 2020 through April 30, 2021	100.5%
May 1, 2021 and thereafter	100.0

In 2013, the School District issued \$40,699,552 in general obligation bonds for the purpose of refunding a portion of the 2005 refunding bond issue in order to take advantage of lower interest rates. The bonds were issued for a fifteen year period with a final maturity at December 1, 2027. The bonds will be retired from the debt service fund. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2014, \$40,700,000 of the defeased bonds are still outstanding.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The 2013 refunding bonds are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2024	\$3,600,000
2025	3,705,000
2026	3,825,000

The remaining principal amount of the bonds (\$3,950,000) will mature at stated maturity on December 1, 2027.

The bonds are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any date on or after December 1, 2023, at a redemption price equal to 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The School District's overall debt margin was \$55,479,631 with an unvoted debt margin of \$1,161,652 at June 30, 2014. Principal and interest requirements to retire outstanding long-term obligations at June 30, 2014, are as follows:

Certificates of Participation						
	Serial		Term		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$580,000	\$1,237,787	\$0	\$0	\$580,000	\$1,237,787
2016	605,000	1,214,812	0	0	605,000	1,214,812
2017	630,000	1,190,112	0	0	630,000	1,190,112
2018	655,000	1,164,412	0	0	655,000	1,164,412
2019	680,000	1,137,287	0	0	680,000	1,137,287
2020-2024	3,895,000	5,171,652	0	0	3,895,000	5,171,652
2025-2029	895,000	911,463	4,075,000	3,142,518	4,970,000	4,053,981
2030-2034	0	0	6,410,000	2,568,562	6,410,000	2,568,562
2035-2038	0	0	6,450,000	699,037	6,450,000	699,037
Total	<u>\$7,940,000</u>	<u>\$12,027,525</u>	<u>\$16,935,000</u>	<u>\$6,410,117</u>	<u>\$24,875,000</u>	<u>\$18,437,642</u>

General Obligation Bonds						
	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$3,555,000	\$4,130,962	\$270,000	\$71,362	\$0	\$0
2016	3,710,000	1,799,686	285,000	63,731	0	0
2017	3,840,000	1,676,537	285,000	55,894	0	0
2018	3,965,000	1,542,236	290,000	47,987	0	0
2019	4,110,000	1,397,487	305,000	39,806	0	0
2020-2024	14,095,000	4,697,432	1,295,000	72,669	134,552	1,520,448
2025-2029	4,330,000	97,419	15,080,000	1,266,256	0	0
Total	<u>\$37,605,000</u>	<u>\$15,341,759</u>	<u>\$17,810,000</u>	<u>\$1,617,705</u>	<u>\$134,552</u>	<u>\$1,520,448</u>

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 11 – Capital Lease

In 2013, the School District entered into a new capital lease for copiers that replaced the two existing leases that were held by the School District. The assets acquired through the capital lease were capitalized at the present value of the minimum lease payments at the time the lease was entered into.

The assets acquired through the capital lease are as follows:

	<u>Governmental Activities</u>
Asset:	
Equipment	\$345,539
Less: Accumulated depreciation	<u>(86,385)</u>
Total	<u><u>\$259,154</u></u>

The lease provides for minimum, annual lease payments as follows:

	<u>Governmental Activities</u>
2015	\$85,504
2016	85,504
2017	85,504
2018	<u>85,504</u>
Total Minimum Lease Payment	342,016
Less: Amount Representing Interest	<u>(24,709)</u>
Present Value of Minimum Lease Payment	<u><u>\$317,307</u></u>

Note 12 – Defined Benefit Pension Plans

School Employee Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$1,139,431, \$1,128,365, and \$1,114,739, respectively. For fiscal year 2014, 89.09 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System

Plan Description – 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 can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$3,993,184 and \$132,747 for the fiscal year ended June 30, 2014, \$4,462,706 and \$141,524 for the fiscal year ended June 30, 2013, and \$4,506,822 and \$107,612 for the fiscal year ended June 30, 2012. For fiscal year 2014, 87.92 percent has been contributed for the DB plan and Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2014 were \$43,730 made by the School District and \$34,359 made by the plan members. In addition, member contributions of \$104,301 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

Note 13 – Postemployment Benefits

School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$152,920 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$12,177, \$13,782, and \$48,276, respectively. For fiscal year 2014, 89.09 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$66,104, \$63,740, and \$65,831, respectively. For fiscal year 2014, 89.09 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$317,379, \$323,543, and \$327,860, respectively. For fiscal year 2014, 87.92 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

Note 14 – Other Employee Benefits

Compensated Absences

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

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

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

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

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Health Insurance Benefits

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

Effective Date	Employees	Single Contributions	Family Contributions
September 1, 2013	Teachers	\$126.65	\$313.10
September 1, 2013	Support Staff Level 1	79.16	195.69
September 1, 2013	Support Staff Level 2	94.99	234.83
September 1, 2013	Administrators	126.65	313.10

Life Insurance Benefits

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

Note 15 – Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2014, the School District contracted with several companies for various types of insurance as follows:

Company	Type of Coverage	Coverage Amount
Netherlands Insurance Company	Property	\$247,484,477
	Inland Marine	3,727,500
	Flood and Earthquake	2,000,000
	Crime	150,000
	General Liability	3,000,000
	Employee Benefits Liability	4,000,000
	Employer's Liability	3,000,000
	School Leaders Professional Liability	2,100,000
	Sexual Misconduct and Molestation	2,300,000
	Law Enforcement	2,000,000
	Violent Event Response	2,040,000
	Data Compromise	50,000
Travelers Insurance Company	Boiler and Machinery	50,000,000
Ohio Casualty Group	Fleet	2,000,000
	Umbrella Policy	10,010,000

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

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Self-Insurance

The School District offers medical/surgical, prescription, dental, as well as workers' compensation benefits for all eligible employees and their dependants through a self-insurance internal service fund. The School District is self-insured with Medical Mutual and Gallagher Benefit Services serving as insurance consultants. A specific excess loss coverage (stop-loss) insurance policy covers claims in excess of \$150,000 per employee, per year. The claims liability of \$301,712 reported in the internal service fund at June 30, 2014, is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustments expense and does not include other allocated or unallocated claim adjustment expenses. Management's expectation is the claims liabilities will be paid within one year.

Changes in the fund's claim liability amount in fiscal years 2013 and 2014 were:

	<u>Beginning of Year</u>	<u>Year Claims</u>	<u>Claims Payments</u>	<u>End of Year</u>
2013	\$423,573	\$6,434,565	\$6,526,552	\$331,586
2014	331,586	6,264,538	6,294,412	301,712

Note 16 – Contingencies

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

Litigation

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

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 17 – Jointly Governed Organizations

Medina County Career Center

The Medina County Career Center (Center) is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each participating School District's elected board, which possesses its own budgeting and taxing authority. The Center's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. Accordingly, the Center is not part of the School District and its operations are not included as part of the reporting entity. The Center offers vocational education for several school districts including Medina City School District. During fiscal year 2014, \$3,011 was paid for services by the Medina City School District to the Center. Financial information can be obtained by contacting the Treasurer, John Streett, at the Medina County Career Center, 1101 West Liberty Street, Medina, Ohio 44256.

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 196 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Council's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2014, the School District paid \$6,275 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director at the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the Council's natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Compass Energy served as the natural gas supplier and program manager from October 1, 2010 to March 31, 2013. Compass Energy has also been selected as the supplier and program manager for the period from April 1, 2013 through March 31, 2016. There are currently 151 participants in the program, including the Medina City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 18 – Recreation Center Joint Operating Agreement

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

Under the terms of these agreements, the Recreation Center will be owned by the School District and the City will be granted a leasehold interest in the Recreation Center for a term commencing on the date the facilities are opened for public use and expiring on June 30, 2052, with an option to renew for an indefinite number of additional five year terms.

In addition to the initial rent payment, the City is also required to pay annual rent of \$1 each year, and 47.5 percent of the Recreation Center's operating expenses which will be initially paid by the School District and invoiced to the City on a monthly basis. The City and the School District will also each be required to contribute \$100,000 a year, for the term of the lease, to separate capital improvement funds which may be spent for upkeep of the facilities through mutual agreement of both parties upon the recommendation of an Advisory Committee. However, no contributions to the capital improvement funds are required by either party for the first two years of operations and contributions of only 30 percent, 60 percent, and 90 percent are required for the third, fourth and fifth years, respectively.

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

The Recreation Center is accounted for as an undivided interest for the School District. The School District and the City each report 50 percent of the completed building and each report their respective shares of the operating costs.

Note 19 – Set-Asides

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

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

	<u>Capital Improvement</u>
Set-aside Balances as of June 30, 2013	\$0
Current Year Set-aside Requirement	1,225,805
Qualifying Disbursements	<u>(2,976,733)</u>
Totals	<u>(\$1,750,928)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-aside Balance as of June 30, 2014	<u><u>\$0</u></u>

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Note 20 – Donor Restricted Endowments

The School District's scholarship endowment fund includes donor restricted endowments. Endowments, in the amount of \$683,591, represent the principal portion. The amount of interest on donor restricted investments that is available for expenditures by the School District is \$43,633 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise.

Note 21 – Interfund Transactions

Interfund Balances

As of June 30, 2014, the general fund had a \$169,772 interfund receivable and the following funds had the corresponding interfund payables:

<u>Interfund Payable</u>	<u>Interfund Receivable General Fund</u>
<i>Special Revenue Funds:</i>	
Miscellaneous State Grants	\$12,369
Title VI-B	25,447
Title I	5,491
Preschool Grant	<u>465</u>
Total Special Revenue	<u>43,772</u>
<i>Internal Service Fund:</i>	
Rotary	<u>126,000</u>
Total	<u><u>\$169,772</u></u>

The interfund receivable and payables are due to the general fund covering deficit cash balances in these funds and moving unrestricted balances to support programs accounted for in other funds.

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Interfund Transfers

The School District had the following transfers during fiscal year 2014:

Transfers To	Transfers From			Total
	General Fund	Other Governmental Funds	Rotary Internal Service Fund	
General Fund	\$0	\$2,309	\$0	\$2,309
Bond Retirement Fund	343,728	0	0	343,728
Other Governmental Funds	140,653	0	40,480	181,133
Total	<u>\$484,381</u>	<u>\$2,309</u>	<u>\$40,480</u>	<u>\$527,170</u>

Transfers from the general fund of \$343,728 and \$138,000 to the bond retirement and permanent improvement funds were to pay a portion of outstanding debt and to pay for recreation center permanent improvements, respectively. The transfer from the rotary internal service fund to the lunchroom special revenue fund was for the consolidation of lunchroom funds.

Note 22 – Fund Balances

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

Fund Balances	General	Bond Retirement	Governmental Funds	Total
<u>Nonspendable:</u>				
Inventory	<u>\$43,275</u>	<u>\$0</u>	<u>\$5,864</u>	<u>\$49,139</u>
<u>Restricted for:</u>				
Capital Projects	0	0	3,133,532	3,133,532
Debt Service	0	6,480,480	0	6,480,480
Food Service	0	0	145,653	145,653
Other Purposes	<u>0</u>	<u>0</u>	<u>496,747</u>	<u>496,747</u>
Total Restricted	<u>0</u>	<u>6,480,480</u>	<u>3,775,932</u>	<u>10,256,412</u>
<u>Assigned to:</u>				
Purchases on Order	711,488	0	0	711,488
2015 Appropriations	5,662,170	0	0	5,662,170
Public School Support	<u>748,921</u>	<u>0</u>	<u>0</u>	<u>748,921</u>
Total Assigned	<u>7,122,579</u>	<u>0</u>	<u>0</u>	<u>7,122,579</u>
Unassigned (Deficit)	<u>20,848,603</u>	<u>0</u>	<u>(360,040)</u>	<u>20,488,563</u>
Total Fund Balances	<u>\$28,014,457</u>	<u>\$6,480,480</u>	<u>\$3,421,756</u>	<u>\$37,916,693</u>

Medina City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 23 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Governmental:

General Fund	\$944,164
Other Governmental Funds	<u>716,494</u>
Total Governmental	<u><u>\$1,660,658</u></u>

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**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed through the Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027	\$ 177,411	\$ 173,199
		<u>1,052,296</u>	<u>1,077,744</u>
Total Special Education Grants to States		1,229,707	1,250,943
Special Education - Preschool Grants	84.173	4,790	4,180
		<u>27,035</u>	<u>27,501</u>
Total Special Education Preschool Grants		<u>31,825</u>	<u>31,681</u>
Total Special Education Cluster		1,261,532	1,282,624
Title I Grants to Local Educational Agencies	84.010	89,039	77,531
		<u>422,927</u>	<u>428,135</u>
Total Title I Grants to Local Educational Agencies		511,966	505,666
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	19,910	12,448
		<u>16,452</u>	<u>16,735</u>
Total - Title I State Agency Program for Neglected and Delinquent Children and Youth		36,362	29,183
Improving Teacher Quality State Grants	84.367	31,719	12,695
		<u>103,675</u>	<u>95,888</u>
Total Improving Teacher Quality State Grants		135,394	108,583
ARRA - State Fiscal Stabilization (SFSF) Race-to-the-Top Incentive Grants, Recovery Act	84.395	<u>2,800</u>	<u>1,284</u>
Total U.S. Department of Education		1,948,054	1,927,340
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed through the Ohio Department of Education:</i>			
Nutrition Cluster:			
School Breakfast Program	10.553	82,979	82,979
National School Lunch Program	10.555	540,381	540,381
Non-cash Contributions		<u>156,934</u>	<u>156,934</u>
Total National School Lunch Program		<u>697,315</u>	<u>697,315</u>
Total U.S. Department of Agriculture - Total Nutrition Cluster		<u>780,294</u>	<u>780,294</u>
Total		<u>\$ 2,728,348</u>	<u>\$ 2,707,634</u>

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

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Medina City School District
Medina County
739 Weymouth Road
Medina, Ohio 44256

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Medina City School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 28, 2015, wherein we noted the District restated its Other Governmental Funds' fund balance and Internal Service Funds' net position to account for a fund-type reclassification.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses.

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Dave Yost". The signature is fluid and cursive, with the first name "Dave" and last name "Yost" clearly distinguishable.

Dave Yost
Auditor of State
Columbus, Ohio

April 28, 2015



Dave Yost • Auditor of State

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

Medina City School District
Medina County
739 Weymouth Road
Medina, Ohio 44256

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Medina City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Medina City School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings and questioned costs identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies

As described in finding 2014-001 in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding Allowable Costs/Costs Principles applicable to its Title I Grants to Local Educational Agencies major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, the Medina City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Title I Grants to Local Educational Agencies program for the year ended June 30, 2014.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the Medina City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its Child Nutrition Cluster program for the year ended June 30, 2014.

Other Matters

The District's response to our noncompliance finding is described in the accompanying officials' response/corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings and questioned costs and corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

April 28, 2015

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**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified – Title I Grants to Local Educational Agencies Unmodified – Child Nutrition Cluster
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	➤ Title I Grants to Local Educational Agencies, CFDA 84.010; ➤ Child Nutrition Cluster, CFDA 10.555 and 10.553.
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2014-001
CFDA Title and Number	Title I Grants to Local Educational Agencies, CFDA 84.010
Federal Award Number/Year	2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Costs/Material Weakness – Title I Grant

2 CFR Part 225 Appendix A (2) indicates "Governmental units assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award." In addition, the **2014 OMB Circular A-133 Compliance Supplement, Part 4** indicates "In a targeted assistance school, funds available under Part A may be used only for programs that are designed to help participating children meet the State's student academic achievement standards expected of all children. Allowable activities in these schools include, but are not limited to, instructional programs, counseling, mentoring, other pupil services, college and career awareness and preparation, services to prepare students for the transition from school to work, services to assist preschool children in the transition to elementary school, parental involvement activities, and professional staff development."

Our Title I Grant testing noted internal controls over allowable activities related to payroll transactions were not operating effectively and resulted in \$29,879 of \$505,666 total expenditures being paid to a teacher who did not providing Title I services in fiscal year 2014. This will be considered a questioned cost.

The District should implement procedures to help ensure only necessary and reasonable expenditures for proper and efficient performance and administration of Federal Awards are charged to each Federal Grant.

Officials' Response: See Corrective Action Plan.

**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Noncompliance Finding Finding for Recovery – Repaid Under Audit: An employee was reimbursed for 5 days' vacation leave in excess of the amount allowed by his contract resulting in an overpayment of \$3,725. The \$3,725 was reimbursed to the District.	Yes	Finding No Longer Valid

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**MEDINA CITY SCHOOL DISTRICT
MEDINA COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-002	<p>The district continued to charge the federal grant for a prior Title teacher. A current Title teacher was not charged to the grant until this error was discovered. Upon discovery, the district swapped funding accounts instead of reversing all charges of the former and expending all charges of the later.</p> <p>The district has implemented a listing of all Title staff for the current fiscal year. This listing is provided to administrators and payroll so all Title staff will be charged from the correct account.</p>	2014-2015	David M. Chambers

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MEDINA CITY SCHOOL DISTRICT

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 19, 2015**