



**Auditor of State
Betty Montgomery**

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Fiscal Year Ended June 30, 2003	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types - For the Fiscal Year Ended June 30, 2003	4
Combined Statement of Receipts - Budget and Actual For the Fiscal Year Ended June 30, 2003	5
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority For the Fiscal Year Ended June 30, 2003	6
Notes to the Financial Statements	7
Schedule of Federal Awards Expenditures.....	19
Notes to Schedule of Federal Awards Expenditures	20
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	21
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control over Compliance in Accordance with OMB-Circular A-133	23
Schedule of Findings.....	25
Schedule of Prior Audit Findings.....	30

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Ravenna City School District
Portage County
507 East Main Street
Ravenna, Ohio 44266

To the Board of Education:

We have audited the accompanying financial statements of Ravenna City School District (the District) as of and for the year ended June 30, 2003. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We were unable to confirm agency fund extracurricular activities revenues for the audit period due to the lack of supporting documentation maintained by the District, nor were we able to satisfy ourselves by other auditing procedures. The extracurricular activities revenues represent 100% of agency fund operating revenues and 93% of total revenues for the agency fund.

Ohio Administrative Code Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities and disclosures that, while material, can not be determined at this time.

In our opinion, except for the effects, if any, of the matters described in paragraph 3, above, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the District as of June 30, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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We performed our audit to form an opinion on the financial statements of the School District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 2, 2005

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Receipts from Local Sources:						
Taxes	\$10,779,293			\$403,806		\$11,183,099
Tuition	\$233,232					\$233,232
Transportation Fees	64,911					64,911
Earnings on Investment	78,226			\$1,379	\$46,434	126,039
Extracurricular Activities		195,167			1,131	196,298
Classroom Materials and Fees		10,803				10,803
Miscellaneous Receipts	84,730	31,444	95,000	450	58,058	269,682
Revenue from Intermediate Sources:						
Restricted Grants-In-Aid		25,124				25,124
Receipts from State Sources:						
Unrestricted Grants-In-Aid	11,974,874			32,174		12,007,048
Restricted Grants-In-Aid	436,061	586,262		90,060		1,112,383
Revenue for/on Behalf of the District	1,623					1,623
Revenue in Lieu of Taxes	775					775
Receipts from Federal Sources:						
Unrestricted Grants-In-Aid	139,450					139,450
Restricted Grants-In-Aid		1,349,609				1,349,609
Total Cash Receipts	23,793,175	2,198,409	95,000	527,869	105,623	26,720,076
Cash Disbursements:						
Current:						
Instruction:						
Regular	10,095,110	361,875				10,456,985
Special	2,442,845	1,114,392				3,557,237
Vocational Education	708,445	29,449				737,894
Adult/Continuing		27,472				27,472
Other	641,312					641,312
Support Services:						
Pupils	1,407,329	127,859				1,535,188
Instructional Staff	572,968	250,435				823,403
Board of Education	56,699					56,699
School Administration	2,308,478	55,519				2,363,997
Fiscal	601,782	5,932		12,897	6,296	626,907
Business	191,026					191,026
Operation and Maintenance	2,327,014	7,500		229,178		2,563,692
Pupil Transportation	959,714	12,594				972,308
Central	768,459	27,416		64,057		859,932
Operation of Non-Instructional Services:						
Community Service	799	102,357				103,156
Other Operation of Non-Instructional Services					72,425	72,425
Extracurricular Activities:						
Academic and Subject Oriented	33,209	117,295				150,504
Sports Oriented	369,654	134,230				503,884
Co-Curricular Activities	27,588					27,588
Facilities Acquisition and Construction Services:						
Site Acquisition	34,983					34,983
Site Improvement	333,376			550,055	109,217	992,648
Debt Service:						
Principal Payments			142,500			142,500
Interest Payments			174,475			174,475
Total Cash Disbursements	23,880,790	2,374,325	316,975	856,187	187,938	27,616,215
Excess of Cash Receipts Over/(Under) Cash Disbursements	(87,615)	(175,916)	(221,975)	(328,318)	(82,315)	(896,139)
Other Financing Sources (Uses):						
Transfers-In	(4,040)	35,109	221,950		360	253,379
Advances-In	3,442	38,216				41,658
Refund of Prior Years Exp	17,607	2,247				19,854
Transfers-Out	(216,792)	(31,702)			(5,157)	(253,651)
Advances-Out		(42,563)				(42,563)
Refund of Prior Years Rec.		(41,963)				(41,963)
Total Other Financing Sources(Uses)	(199,783)	(40,656)	221,950		(4,797)	(23,286)
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(287,398)	(216,572)	(25)	(328,318)	(87,112)	(919,425)
Fund Cash Balances, July 1, 2002	3,071,398	325,808	25	343,744	909,673	4,650,648
Fund Cash Balances, June 30, 2003	\$2,784,000	\$109,236	\$0	\$15,426	\$822,561	\$3,731,223
Reserves for Encumbrances, June 30, 2003	\$218,595	\$272,337	\$0	\$141,547	\$1,918	\$634,397

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

RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	Agency	
Operating Cash Receipts:					
Tuition	\$256,085				\$256,085
Interest			\$37		37
Food Services	\$451,788				\$451,788
Extracurricular Activities	\$172	\$5,250		\$172,165	\$177,587
Classroom Materials & Fees	\$73,799				\$73,799
Total Operating Cash Receipts	781,844	5,250	37	172,165	959,296
Operating Cash Disbursements:					
Personal Services - Salaries	577,715				577,715
Employees' Retirement and Insurance	176,374				176,374
Purchased Services	64,480	7,254			71,734
Supplies and Materials	435,289	438			435,727
Capital Outlay	16,938				16,938
Capital Outlay - Replacement	164				164
Other Objects	1,599		500	187,334	189,433
Total Operating Cash Disbursements	1,272,559	7,692	500	187,334	1,468,085
Excess of Operating Cash Receipts Over / (Under) Operating Cash Disbursements	(490,715)	(2,442)	(463)	(15,169)	(508,789)
Non-Operating Cash Receipts:					
Earnings on Investments	2,707				2,707
Miscellaneous Receipts	10,756			11,879	22,635
State Sources:					
Restricted Grants-In-Aid	23,202				23,202
Federal Sources:					
Unrestricted Grants-In-Aid	459,807				459,807
Total Non-Operating Cash Receipts	496,472			11,879	508,351
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	5,757	(2,442)	(463)	(3,290)	(438)
Transfers-In	7,370			317	7,687
Advances-In				3,676	3,676
Transfers-Out	(7,119)	(19)		(276)	(7,414)
Advances-Out				(2,770)	(2,770)
Net Receipts Over/(Under) Disbursements	6,008	(2,461)	(463)	(2,343)	741
Fund Cash Balances, July 1, 2002	686,232	3,958	8,763	98,156	797,109
Fund Cash Balances, June 30, 2003	\$692,240	\$1,497	\$8,300	\$95,813	\$797,850
Reserve for Encumbrances, June 30, 2003	\$53,592	\$433	\$0	\$6,430	\$60,455

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

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Fund Types/Funds	Budget	Actual	Variance Favorable (Unfavorable)
Governmental Fund Types:			
General Fund	\$24,252,798	\$23,806,742	(\$446,056)
Special Revenue Funds	2,303,088	2,235,765	(67,323)
Debt Service Funds	107,732	316,950	209,218
Capital Projects Funds	387,756	527,869	140,113
Proprietary Fund Type:			
Enterprise Funds	1,260,000	1,285,686	25,686
Internal Service Funds	5,000	5,250	250
Fiduciary Fund Type:			
Trust and Agency Funds	200,250	290,381	90,131
Total (Memorandum Only)	\$28,516,624	\$28,468,643	(\$47,981)

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

RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Fund Types/Funds	Prior Year Carryover Appropriations	2003 Appropriations	Total	Actual 2003 Disbursements	Encumbrances Outstanding at 06/30/03	Total	Variance Favorable (Unfavorable)
Governmental Fund Types:							
General Fund	\$290,757	\$24,650,725	\$24,941,482	\$24,097,582	\$218,595	\$24,316,177	\$625,305
Special Revenue Funds	40,772	2,130,800	2,171,572	2,447,990	272,337	2,720,327	(548,755)
Debt Service Funds	-	107,732	107,732	316,975	-	316,975	(209,243)
Capital Projects Funds	3,935	700,000	703,935	856,187	141,547	997,734	(293,799)
Proprietary Fund Type:							
Enterprise Funds	13,892	1,291,820	1,305,712	1,285,686	53,591	1,339,277	(33,565)
Internal Service Funds	500	3,000	3,500	7,711	433	8,144	(4,644)
Fiduciary Fund Type:							
Trust and Agency Funds	8,288	168,300	176,588	381,205	8,347	389,552	(212,964)
Total (Memorandum Only)	<u>\$358,144</u>	<u>\$29,052,377</u>	<u>\$29,410,521</u>	<u>\$29,393,336</u>	<u>\$694,850</u>	<u>\$30,088,186</u>	<u>(\$677,665)</u>

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

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Ravenna City School District, Portage County, (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 2002 was 3,146. The District employed 255 certificated employees and 195 non-certificated employees.

Management believes the financial statements included in this report represent all of the funds of the school District over which the District has the ability to exercise direct operating control.

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

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

The District is associated with the Stark Portage Area Computer Consortium, the Portage County School Consortium, Maplewood Career and Technical Center, and the Ravenna City Schools Foundation that are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments.

The District is associated with the Reed Memorial Library, which is defined as a related organization. The Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Ravenna City School District Board of Education. The District also participates in public entity risk pools, the Ohio School Boards Association Workers' Compensation Rating Plan and the Stark County Council of Governments Health Benefits Program.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. Investments

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund and is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

2. Special Revenue Funds

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

3. Debt Service Funds

These funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs. According to the government accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For the purpose of this report, these funds have been classified into the proper groups if practical.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

5. Enterprise Funds

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

6. Internal Service Funds

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

7. Fiduciary Funds

Fiduciary Fund are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust funds, non-expendable trust funds, and agency funds. Expendable funds are accounted for in the same manner as governmental funds. Non-expendable trust funds are accounted for in the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

E. Budgetary Process

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by January 20 of each year, for the period July 1 to June 30 of the following year.

2. Estimated Resources

The county budget commission certifies its actions to the District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2002 unencumbered fund balances. However, those fund balances are available for appropriations.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

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

F. Property, Plant and Equipment

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

G. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting described in Note 1.

2. FUND DEFICITS and APPROPRIATIONS BEING EXCEEDED

A. The District had the following negative fund balances at June 30, 2003:

Fund Name (#)	Fund Balance
Permanent Improvement (003)	\$(61,280)
Title VIB (516)	(26,550)

The District also had other immaterial negative fund balances at June 30, 2003 that have not been presented above.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. FUND DEFICITS and APPROPRIATIONS BEING EXCEEDED (Continued)

B. At June 30, 2003, the District had numerous funds in which appropriations were exceeded by their expenditures. There were numerous other funds in violation throughout the year, however, the table below only lists the year end violations. Appropriations consist of carryover encumbrances from fiscal year 2002 and final appropriation balances passed on May 27, 2003. Expenditures represent expenditure balances plus outstanding encumbrances as of June 30, 2003.

Fund – number, name, & (fund type)	Appropriations	Expenditures	Variance
019 - Other Grants (SR)	\$ 22,030	\$ 29,688	\$ (7,658)
300 - District Managed Student Activities (SR)	102,649	159,181	(56,532)
401 - Auxiliary Services (SR)	76,038	96,176	(20,138)
432 - Management Information System (SR)	3,500	15,824	(12,324)
447 - Disadvantaged Pupil Impact Aid (SR)	200,000	230,994	(30,994)
459 – Ohio Reads (SR)	16,157	24,148	(7,991)
499 - Miscellaneous State grants (SR)	981	55,685	(54,704)
514 - Eisenhower grant (SR)	17,500	22,977	(5,477)
516 – IDEA – Part B grant (SR)	394,079	481,800	(87,721)
572 - Title I grant (SR)	707,956	994,860	(286,904)
587 – IDEA preschool grant (SR)	17,000	23,162	(6,162)
589 - Continuous Improvement grant (SR)	270	1,975	(1,705)
590 - Improving Teacher Quality (SR)	137,000	160,968	(23,968)
002 – Bond Retirement (DS)	107,732	316,975	(209,243)
003 - Permanent Improvement (CP)	703,935	933,677	(254,742)
006 – Food Service (Enterprise)	929,978	949,674	(19,694)
020 - Special Enterprise (Enterprise)	281,127	303,067	(21,940)
014 - Internal Services Rotary (IS)	3,500	8,144	(4,644)
200 - Student Managed Activities (Agency)	91,216	362,914	(271,698)

3. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds.

Legal Requirements: Statutes require the classification of monies held by the District into three categories.

Category A consists of "active" monies, those monies are required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must be maintained either as cash in the School District treasury or negotiable order of withdrawal (NOW) accounts.

Category B consists of "inactive" monies, those monies are not required for use within the current two year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category C consists of "interim" monies, those monies which are not needed for immediate use but which will be needed before the end of the current period of depositories. Interim monies may be invested or deposited in the following securities:

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

Deposits - At June 30, 2003, the carrying amount of the District's deposits was \$133,717 and the bank balance was \$6,256. Of the bank balance, \$6,256 was covered by federal depository insurance. The District also is covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

Investments - The District's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end.

1. Securities held by the entity or its agent in the entity's name (Category 1).
2. Securities held by the counterparty's trust department or agent in the entity's name (Category 2).
3. Securities held by the counterparty, or by its trust department or agent but not in the entity's name (Category 3).

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	Category 3	Carrying Value	Market Value
Repurchase Agreements	\$ 555,000	\$ 555,000	\$ 555,000
Star Ohio (*)		<u>3,617,404</u>	<u>3,617,404</u>
Total Investments	<u>\$ 555,000</u>	<u>\$2,130,566</u>	<u>\$2,130,566</u>

(*) Star Ohio is an unclassified investment as it does not exist in physical or book entry form.

4. PROPERTY TAX

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five 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 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Portage 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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

4. PROPERTY TAX (Continued)

The assessed values upon which the fiscal year 2003 taxes were collected are:

Agricultural/Residential and Other Real Estate	\$252,571,249	81.68 %	\$255,586,650	79.27 %
Public Utility Personal	14,162,320	4.58	16,859,293	5.23
Tangible Personal Property	<u>42,478,773</u>	<u>13.74</u>	<u>49,965,734</u>	<u>15.50</u>
Total	<u>\$309,212,342</u>	<u>100.00 %</u>	<u>\$322,411,677</u>	<u>100.00 %</u>

Tax rate per \$1,000 of assessed valuation	\$61.44	\$57.44
---	---------	---------

5. DEBT

Debt outstanding at June 30, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Energy Conservation Bonds	\$ 195,000	5.25%
Stadium Lease	3,950,000	varies

On March 1, 1994, Ravenna School District issued \$825,000 in unvoted general obligation bonds for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The bonds were issued for a ten year period with final maturity during fiscal year 2004. The bonds will be retired from the debt service fund.

The District refinanced a lease-purchase agreement for the stadium on November 27, 2002. The District is paying bi-annual payments, and the final payment is scheduled to be made on November 1, 2022.

Principal and Interest payments necessary to retire the energy conservation bonds:

<u>Year ending June 30:</u>	<u>Energy Conservation Bonds</u>
2004	\$102,744
2005	<u>102,625</u>
TOTAL	<u>\$205,369</u>

The Stadium lease payments have not been finalized, the amortization schedule will be determined based on an adjusted rate (LIBOR rate times 68% plus 2.25%).

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

6. INSURANCE

The District maintains comprehensive insurance coverage with private carriers for Property Liability/Inland Marine, School Leaders Errors and Omissions, General Liability, Fleet Liability, Umbrella Liability, and Employee Dishonesty.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension system. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligation. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$535,512, \$517,812, and \$442,098, respectively; 100% percent has been contributed for fiscal years 2001, 2002, and 2003.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,847,532, \$1,801,104 and \$1,600,428, respectively; 100% percent has been contributed for fiscal years 2003, 2002, and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$0 made by the School District and \$0 made by the plan members.

8. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$48,945 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

8. POSTEMPLOYMENT BENEFITS – (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent for fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the District, the amount contributed to fund health care benefits during the 2003 fiscal year equaled \$48,995.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

9. HEALTH INSURANCE

The District provides major medical, hospitalization, vision, prescription drug, dental, and life insurance benefits to its employees through a third party administrator. Benefit costs are funded and accounted for in the Self Insurance Fund.

10. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

11. SET-ASIDE CALCULATION AND FUND RESERVES

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 purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

The District has corrected its cash balance (as of 6/30/02) in the textbooks and other instructional materials set-aside fund to correct for qualifying disbursement balances that exceeded the current year set-aside requirement in fiscal years 2000 through 2002. Statutory requirements allowed for excess carryovers beginning June 30, 2000. However, the District did not calculate their set-aside cash balances for fiscal years 2000 through 2002 with that requirement in mind. As a result, the following prior period correction has been made:

	Textbooks
Correction of a Prior Period Error	
Set-aside cash balance as of 6/30/02 - FY2002 Audit Report	\$58,994
Adjustment to Prior Periods	(342,674)
Corrected: Set-aside cash balance as of 6/30/02	(\$283,680)

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside cash balances as of 6/30/02	(\$283,680)	\$0	\$180,940	(\$102,740)
Current year set aside requirements	423,223	423,223	0	846,446
Current year offsets	0	0	0	0
Qualifying Disbursements	(358,564)	(1,487,955)	0	(1,846,519)
Total	(\$219,021)	(\$1,064,732)	\$180,940	
Cash balance carried forward to FY2004	(\$219,021)	\$(1,064,732)	\$180,940	
Total Restricted Assets				\$180,940

RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster :</i>						
Food Distribution		10.550		\$32,187		\$32,187
National School Breakfast Program	044685-05-PU 2003	10.553	57,354		57,354	
National School Lunch Program	044685-LL-P4 2003	10.555	402,454		402,454	
Total U.S.Department of Agriculture-Nutrition Cluster			459,808	32,187	459,808	32,187
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies (Title 1 Part A)	044685- C1S1-2002 044685-C1S1-2003	84.010	127,816 473,513		157,184 536,521	
Total Title 1 Grants to Local Educational Agencies			601,329		693,705	
Special Education Cluster:						
Special Education-Grants to States (IDEA Part B)	044685-6BSF-2002 044685-6BSF-2003	84.027	48,403 303,898		84,815 330,448	
Total Special Education-Grants to States			352,301		415,263	
Special Education-Preschool Grant	044685-PGS1-2002 044685-PGS1-2003	84.173			5,793 12,386	
Total Special Education			13,548		18,179	
Total Special Education Cluster			365,849		433,442	
Safe and Drug-Free Schools and Communities-State Grants	044685-DRS1-2001 044685-DRS1-2002 044685-DRS1-2003	84.186			30 3,598 14,975	
Total Safe and Drug-Free Schools and Communities			12,698		18,603	
Even Start Program	044685-EVS8-2002 044685-EVS8-2003	84.213	13,500 179,182		26,069 135,846	
Total Even Start Program			192,682		161,915	
Goals 2000	G2-S4-01	84.276			1,975	
Dwight D. Eisenhower Prof. Development	MS-S1-01 MS-S1-02	84.281			2,863 20,114	
Total Dwight D. Eisenhower Prof. Development			2,105		22,977	
Innovative Education Program Strategies	044685-C2S1-2001 044685-C2S1-2002 044685-C2S1-2003	84.298			701 2,331 15,348	
Total Innovative Education Program Strategies			13,681		18,380	
Technology Literacy Challenge Fund Grant	044685-TJS1-2003	84.318	15,386		15,386	
Reducing Class Size Susidy	CR-S1-02	84.340	13,795		28,543	
ATIP or School Renovation/Idea and Tech	044685-ATS2-2002 044685-ATS3-2002	84.352	2,794 5,800		2,794 5,800	
			8,594		8,594	
Improving Teacher Quality	044685-TR-S1-2003	84.367	123,490		111,712	
Total U.S. Department of Education			1,349,609		1,515,232	
U.S DEPARTMENT OF HUMAN SERVICES						
<i>Passed through Ohio Department of MR/DD</i>						
Medical Assistance Program (CAFS)		93.778	137,024		130,837	
Total Federal Financial Assistance			\$1,946,441	\$32,187	\$2,105,877	\$32,187

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

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY
FISCAL YEAR ENDED JUNE 30, 2003**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Auditor of State
Betty Montgomery**

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

Ravenna City School District
Portage County
507 East Main Street
Ravenna, Ohio 44266

To the Board of Education:

We have audited the accompanying financial statements of Ravenna City School District (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated March 2, 2005, which was qualified due to the lack of supporting documentation maintained by the District for their agency fund extracurricular activities revenues. We also noted the District prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03(B). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001, 2003-002, and 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated March 2, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item number 2003-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the District's management in a separate letter dated March 2, 2005.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 2, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Ravenna City School District
Portage County
507 East Main Street
Ravenna, Ohio 44266

Compliance

We have audited the compliance of the Ravenna City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. We noted one instance of noncompliance that does not require inclusion in this report that we have reported to the management of the District in a separate letter dated March 2, 2005.

Internal Control Over Compliance

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

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www.auditor.state.oh.us

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated March 2, 2005.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 2, 2005

RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under ' .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster (CFDAs: 10.550, 10.553 and 10.555); Title I (CFDA# 84.010); and Preschool Disabilities (CFDA# 84.173)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	\$300,000
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

Finding Number	2003-001
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Material Non-Compliance

Ohio Administrative Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2003
(Continued)**

Finding Number	2003-002
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Reportable Condition – Noncompliance Citation

Ohio Revised Code Section 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The District had negative fund balances at the end of fiscal year 2003 in the following funds:

Fund Name (#)	Fund Balance
Permanent Improvement (003)	\$(61,280)
Title VIB (516)	\$(26,550)

Funds 003 and 516 also carried negative fund balances throughout most of the fiscal year.

All funds noted above, except fund 003, are grant funds of the District. The District is reimbursed for allowable grant expenditures by the Ohio Department of Education (ODE). At year-end, the District was waiting on reimbursements from ODE for the allowable expenses. Proper accounting procedures would have been to advance monies from the general fund to the grant funds to make such allowable expenditures, then when the District receives the reimbursement of federal funds from the State, they should post the receipts into the grant fund then make an advance to the general fund to repay the initial advancement of monies.

We recommend the District establish procedures to eliminate negative fund balances at anytime during the year, such as, by advancing the monies to the appropriate funds when needed.

Finding Number	2003-003
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Reportable Condition – Noncompliance Citation

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

At fiscal year-end for 2003, the District had numerous funds in which appropriations were exceeded by their expenditures. There were numerous other funds in violation throughout the year, however, due to the number of violations from the year-end test, the chart below only lists the year end violations. Appropriations consist of carryover encumbrances from fiscal year 2002 and final appropriation balances passed on May 27, 2003. Expenditures represent expenditure balances plus outstanding encumbrances as of June 30, 2003.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2003
(Continued)**

Fund – number, name, & (fund type)	Appropriations	Expenditures	Variance
019 - Other Grants (SR)	\$ 22,030	\$ 29,688	\$ (7,658)
300 - District Managed Student Activities (SR)	102,649	159,181	(56,532)
401 - Auxiliary Services (SR)	76,038	96,176	(20,138)
432 - Management Information System (SR)	3,500	15,824	(12,324)
447 - Disadvantaged Pupil Impact Aid (SR)	200,000	230,994	(30,994)
459 - Ohio Reads (SR)	16,157	24,148	(7,991)
499 - Miscellaneous State grants (SR)	981	55,685	(54,704)
514 - Eisenhower grant (SR)	17,500	22,977	(5,477)
516 - IDEA – Part B grant (SR)	394,079	481,800	(87,721)
572 - Title I grant (SR)	707,956	994,860	(286,904)
587 - IDEA preschool grant (SR)	17,000	23,162	(6,162)
589 - Continuous Improvement grant (SR)	270	1,975	(1,705)
590 - Improving Teacher Quality (SR)	137,000	160,968	(23,968)
002 - Bond Retirement (DS)	107,732	316,975	(209,243)
003 - Permanent Improvement (CP)	703,935	933,677	(254,742)
006 - Food Service (Enterprise)	929,978	949,674	(19,694)
020 - Special Enterprise (Enterprise)	281,127	303,067	(21,940)
014 - Internal Services Rotary (IS)	3,500	8,144	(4,644)
200 - Student Managed Activities (Agency)	91,216	362,914	(271,698)

The District's computerized financial accounting system enables the treasurer's office to utilize their system as a budgetary monitoring tool, and it contains internal preventive procedures to notify users of potential problems. The treasurer's office can input the Board approved appropriation balances into the system, then the system will automatically compare appropriation balances to actual expenditures and outstanding encumbrances. If the appropriation balance is exceeded, the system will notify the user. After such notification, the user may proceed with processing the transaction through the system.

We recommend the District comply with the above code section by not allowing appropriation balances to be exceeded by expenditures (as described above). The District should monitor their appropriations, expenditures, and outstanding encumbrances and obtain amended appropriation measures as needed. In addition, the treasurer's office should not increase encumbrances if it will result in appropriations being exceeded.

Finding Number	2003-004
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Reportable Condition

Weaknesses in Student Activities' Collection Procedures and Record-Keeping

The District has student activity organizations throughout most grade levels of the District. These student activities perform various revenue-generating tasks and fund-raising events. The District's Board of Education policy #6610 sets the administrative guidelines over the student activity organizations. Such guidelines include:

- 1) prenumbered tickets, receipts, or other auditable, verifiable records which we can use to help assure the accuracy and completeness of collections are being used;
- 2) Annual Budget and Purpose Statements are filled out, and a Sales Project Potential statement is completed at the conclusion of the activity; and
- 3) deposits are made timely according to Ohio Revised Code 9.38.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2003
(Continued)**

For the fiscal year 2003 audit, we reviewed the record-keeping and collections of several of the District's student activity organizations. Our review of these activities' records (receipts, expenditures, reports, etc) noted the following weaknesses:

1. The Brown Middle School did not maintain original order forms or other such information for their 'cherrydale' fundraiser nor did the West Main Elementary School for their 'great western reserve' fundraiser. Thus, we could not determine what was sold and collected for each person.
2. A candy bar sale, held by Rausch Intermediate School, resulted in expected revenue of \$23,600 (590 boxes * 40 bars per box * \$1 selling price), however, only \$22,950 could be traced back to the District's revenue ledger for this fundraiser. No sales potential form was available which could reconcile the difference of \$650.
3. Prom ticket sales collected by the Class of 2004 could not be verified nor reconciled. Tickets were not issued to students and no documentation could be provided by the advisor showing the students, District personnel, and others who attended the event. We were able to determine that 335 dinners were purchased for the event. However, we were told that 8 were free dinners provided to the class officers and 50 were free dinners provided to District personnel and/or adult chaperones. Thus, the estimated number of paying attendees was 277. Tickets were sold for \$50 each. Therefore, estimated prom ticket sales were \$13,850. However, the actual amount of receipts paid into the District for prom ticket sales was \$13,500 - a shortage of \$350.
4. We were unable to test the accuracy or completeness of the receipts of the golf fundraiser held by the RHS Varsity Football Club, because they were unable to provide a list of attendees, or a fee schedule. The receipts collected for the fundraiser from attendees were for differing amounts.
5. The District, the individual schools, and the activity advisors did not maintain any records or other supporting documentation for fundraisers (e.g., brochure sales, candy sales, etc.) and from photography commissions performed at West Park Elementary, Willyard Elementary, by the 6th Grade Outdoor Education Program, and by the RHS Spanish Club. Thus, we could not determine the completeness and accuracy of the receipts paid into the District for those activities.

We recommend the District follow the guidelines established by their Board of Education policy #6610. This may be accomplished if the District would implement controls that would require all activity sponsors to submit detail to the Treasurer's office with each deposit that reconciles back to the 'sales project potential forms'. Such detail may be in the form of duplicate receipts and/or a daily sales summary that includes details such as the number of items sold, price per item, and total revenue collected. This documentation and the total revenue collected should be verified by both the activity sponsor and any person involved in the collection and the handling of collections by initialing or signing the receipt or daily sales summary. This verification process may help to ensure completeness and accuracy of transactions and revenue collected which also enhances management's ability to properly monitor student activities.

We also recommend, when practical, a receipt book or other device of numerical control be utilized (e.g., for prom or homecoming ticket sales, yearbook sales, T-shirt sales, etc.), and the Treasurer's office should receive these receipts, and monitor their sequencing. A three-part receipt book may be best, so that one part is kept in the book, one part is given to the customer, and one part is sent to the Treasurer's Office with the pay-in form. Pre-numbered receipt books, pre-numbered tickets, or other evidence providing control over the event or items purchased from student activities are essential so management can help ensure all receipts issued are deposited to the bank, and accounted for in the District's ledgers.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2003
(Continued)**

For those activities utilizing pre-numbered tickets, we recommend for all unsold and/or voided tickets to be maintained and not discarded. A "Voided Ticket List" should be kept and reconciled at the end of the event along with all sold tickets. When selling tickets, the pre-printed ticket number should be recorded by the seller.

A list of all ticket numbers sold, the total number of tickets sold, and total amount collected needs to be documented by the seller. A separate individual, perhaps the advisor or another teacher, needs to review this form and recalculate the number of tickets sold times the price and reconcile that to the money received. Any discrepancies should be addressed, documented, and resolved. Both the seller and separate individual should initial this form. All of this documentation should be forwarded to the Treasurer's Office.

We also recommend the District consider implementing controls or establish Board policy that may make students and advisors more accountable for lost, missing, or unaccounted for inventory and goods being sold during fundraisers. Such procedures should consist of verifying the reasons for the unaccounted for inventory.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS	
Finding Number	None

RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003

SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</u>
2002-01	Non-compliance Citation ORC 5705-41(B)	No	Not Corrected – repeated in FY03 audit (Finding 2003-003)



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**RAVENNA CITY SCHOOL DISTRICT
PORTAGE 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 5, 2005**