

# **Ravenna City School District**

## *Basic Financial Statements*

***For Fiscal Year Ended June 30, 2008***





Mary Taylor, CPA  
Auditor of State

Board of Education  
Ravenna City School District  
507 East Main St.  
Ravenna, Ohio 44266

We have reviewed the *Independent Auditor's Report* of the Ravenna City School District, Portage County, prepared by Rea & Associates, Inc., for the audit period July 1, 2007 to June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 25, 2009

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**RAVENNA CITY SCHOOL DISTRICT  
 BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2008  
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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

December 31, 2008

The Board of Education  
Ravenna City School District (Portage County, Ohio)  
Ravenna, Ohio 44266

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ravenna City School District, Portage County, (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2008, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2008 on our consideration of the School 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Hea & Associates, Inc.*



**Ravenna City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

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The discussion and analysis of the Ravenna City School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key Financial Highlights for 2008 are as follows:

- ❑ General Revenues accounted for \$29.2 million in revenue or 85% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions and capital grants accounted for \$5.1 million or 15% of total revenues of \$34.3 million.
- ❑ Total program expenses were \$33.1 million in Governmental Activities.
- ❑ In total, net assets of Governmental Activities increased \$1.2 million.
- ❑ Outstanding Long-Term Debt and Capital Leases decreased from \$20.6 million to \$20.5 million.
- ❑ Capital Assets increased from \$7.8 million to \$8.7 million.

***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* excluding fiduciary funds using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets 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 property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District activities are listed as Governmental:

- ❑ Governmental Activities – All of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation, food service operation and extracurricular activities.

**Ravenna City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

**Reporting the School District's Most Significant Funds**

*Fund Financial Statements*

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental funds are the general fund, the classroom facilities capital project fund and the building capital project fund.

**Governmental Funds** - All of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

**(Table 1)**  
**Net Assets**

	Governmental Activities	
	2008	2007
<b>Assets</b>		
Current and Other Assets	\$ 47,702,061	\$ 46,103,264
Capital Assets	8,698,987	7,819,001
Total Assets	56,401,048	53,922,265
<b>Liabilities</b>		
Long-Term Liabilities	22,911,136	22,686,098
Other Liabilities	15,975,966	14,965,701
Total Liabilities	38,887,102	37,651,799
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	2,396,512	2,450,002
Restricted	16,679,058	15,042,329
Unrestricted (Deficit)	(1,561,624)	(1,221,865)
Total Net Assets	\$ 17,513,946	\$ 16,270,466

Total net assets increased \$1.2 million. The primary factor contributing to the increase in current and other assets was an increase in grants from 2007.

**Ravenna City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2008

Total liabilities increased \$1.2 million. A combination of increases and decreases contributed to this increase. The most significant factor that caused this increase was an increase in contracts payable for the transportation facility. Also an increase in deferred revenue for unspent proceeds from the Ohio School Facility Commission.

Table 2 shows the changes in net assets for fiscal year 2008 and 2007.

**(Table 2)**  
**Changes in Net Assets**

	Governmental Activities	
	2008	2007
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,749,811	\$ 1,651,004
Operating Grants	3,179,105	2,942,614
Capital Grants	218,983	12,390,654
<i>General Revenue:</i>		
Property Taxes	12,246,894	12,176,009
Grants and Entitlements, not restricted to specific programs	15,192,016	14,263,682
Investment Earnings	1,384,577	1,034,070
Miscellaneous	366,462	397,468
<i>Total Revenue</i>	34,337,848	44,855,501
<b>Program Expenses</b>		
Instruction	18,459,753	17,849,322
Support Services:		
Pupil and Instructional Staff	2,414,145	1,954,538
Board of Education, Administration, Fiscal and Business	3,490,777	3,496,851
Operation and Maintenance	2,703,711	2,540,994
Pupil Transportation	1,640,368	1,205,384
Central	683,482	542,528
Operation and Non-Instructional	9,207	279,775
Extracurricular Activities	1,267,535	1,037,795
Food Service Operations	1,448,958	1,062,182
Interest and Fiscal Charges	976,432	631,615
<i>Total Expenses</i>	33,094,368	30,600,984
<i>Change in Net Assets</i>	1,243,480	14,254,517
Net Assets Beginning of Year	16,270,466	2,015,949
<i>Net Assets End of Year</i>	\$ 17,513,946	\$ 16,270,466

The majority of revenues supporting governmental activities are general revenues. General revenues totaled \$29.2 million or 85% of total revenue. The most significant portion of the general revenue is local property taxes and grants and entitlements not restricted for specific programs. The remaining amount of revenue received was in the form of program revenues which totaled \$5.1 million or 15% of total revenue.

Overall revenue decreased \$10.5 million or 23.4% over fiscal year 2007. The primary factor contributing to this decrease was a decrease from the Ohio Schools Facilities Commission for the construction of the new high school and transportation facility. The majority of the funds were collected as revenue in 2007.

**Ravenna City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

Program expenses increased \$2.5 million in 2008. This increase can be attributed to overall salary increases and increases in benefits in all programs.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activity had total revenues of \$34.3 million and expenses of \$33.1 million.

**(Table 3)**  
**Governmental Activities**

	2008		2007	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 18,459,753	\$ 15,601,996	\$ 17,849,322	\$ 8,467,519
Support Services:				
Pupil and Instructional Staff	2,414,145	2,151,457	1,954,538	1,692,173
Board of Education, Administration				
Fiscal and Business	3,490,777	3,434,947	3,496,851	3,440,256
Operation and Maintenance of Plant	2,703,711	2,689,019	2,540,994	(3,139,712)
Pupil Transportation and Central	2,323,850	2,296,880	1,747,912	1,687,460
Operation of Non-Instructional Services	9,207	(270,659)	279,775	18,062
Food Service Operations	1,448,958	347,716	1,062,182	94,449
Extracurricular Activities	1,267,535	718,681	1,037,795	724,890
Interest and Fiscal Charges	976,432	976,432	631,615	631,615
<b>Total</b>	<b>\$ 33,094,368</b>	<b>\$ 27,946,469</b>	<b>\$ 30,600,984</b>	<b>\$ 13,616,712</b>

Total cost of service for 2008 increased 8.1% from 2007. Instruction and Student Support Services comprise 91.8% of governmental program expenses. Significant changes in Net Cost of Services occurred within the Instruction and Operation and Maintenance programs. These changes were the result of revenue recognized for the Ohio School Facilities project in which the expenses have not yet been incurred. The revenue was offset based on future anticipated depreciation expense for the new high school.

The dependence upon tax revenues for governmental activities is apparent. Over 84.4% of expenses are not supported by program specific revenues. General revenues, primarily local property taxes and grant and entitlements not restricted to specific programs are used to provide program services. The community, as a whole, is by far the primary supporter for Ravenna City School District students.

**Ravenna City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

***The School District's Funds***

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues \$40.7 million and expenditures of \$34.0 million. The net change in fund balance for the year was most significant in the Classroom Facilities Project capital project fund, with an increase of \$7.0 million from grant proceeds received during the year which have not yet been spent on construction costs. The General Fund increased \$253,011; there were no individually significant events that caused this variance. The Building Fund capital project fund decreased \$399,327, there were no individually significant events that caused this variance.

***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 budgeted fund is the general fund.

During the course of fiscal year 2008, there were minor changes to the School District's total general fund budget. The School District uses site-based budgeting and the budgeting system which are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue was \$26.7 million, \$76,058 under the original budget estimates of \$26.8 million. There were no individually significant events that caused this variance.

The School District revises its appropriations throughout the fiscal year. During fiscal year 2008, no significant fluctuations between original and final budget were noted. Final appropriations of \$27.0 million were \$276,503 higher than the \$26.8 million original budget and \$289,724 above actual fiscal year 2008 expenditures. There were no individually significant events that caused this variance.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2008, the School District had \$8.7 million invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2008 balances compared with 2007 net of depreciation. See Note 9 for more information regarding the capital assets of the School District.

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

	Governmental Activities	
	2008	2007
Land	\$ 34,984	\$ 34,984
Construction in Process	2,486,391	1,402,351
Land Improvements	2,593,411	2,773,218
Buildings and Improvements	2,994,368	2,984,842
Furniture and Equipment	406,130	433,874
Vehicles	183,703	189,732
Totals	\$ 8,698,987	\$ 7,819,001

**Ravenna City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2008

The increase in capital assets was attributable to the preliminary costs associated with the construction of the new high school and transportation facility.

Ohio law required school districts to set aside 3% of certain revenues for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvement and textbooks. See Note 21 for additional information.

**Long -Term Obligations**

At June 30, 2008, the School District had improvement bonds and energy conservation bonds outstanding of \$16,985,828, with \$400,749 due within one year, and a capital leases for a stadium and buses with an outstanding balance of \$3,493,200, with \$238,015 due within one year. During fiscal year 2008, \$545,749 of debt was retired. Table 5 summarizes bonds and lease outstanding. See Note 14 for additional information regarding the long-term obligations of the School District.

**(Table 5)**  
**Outstanding Long Term Obligations, at June 30**

	2008	2007
General Obligation Bonds:		
2003 Energy Conservation	\$ 335,000	\$ 360,000
2006 School Improvement Bond	13,785,000	14,080,000
2007 School Improvement Bond	1,535,000	1,565,000
Capital Appreciation Bonds-2006	419,559	419,559
Capital Appreciation Bonds-2007	50,425	50,425
Premium on Debt Issuance-2006	669,484	695,233
Accretion of Capital Appreciation Bonds 2006	184,920	63,317
Accretion of Capital Appreciation Bonds 2007	6,440	0
Total General Obligation Bonds	16,985,828	17,233,534
Capital Lease	3,493,200	3,370,000
Total Long Term Obligations	\$ 20,479,028	\$ 20,603,534

***Current Issues***

During the spring of 2008, the School District began renovation of a recently leased building which will serve as a transportation facility. Its completion enables the School District to move that activity away from behind the middle school. The move greatly enhances the parking situation for the middle school, provides a larger repair facility (mechanics can now service two buses at one time), and has much improved security (the area is gated and under camera surveillance).

The construction of the new high school began in earnest after a fifteen (15) month delay related to a wetlands issue. The School District was prohibited from proceeding without an approval letter from the Corps of Engineers. It is hoped the building will be under roof by winter. Project completion is estimated for December of 2009. One of its features will be the geothermal process of providing the heating and cooling functions. That system is to pay for itself in a couple years and greatly reduce the operational costs of the building complex in the years beyond.

**Ravenna City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

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The School District successfully concluded negotiations with all three of the labor unions (a three year contract with a wage re-opener in the third year).

***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 Jerry Meyer, Treasurer, Ravenna City School District, 507 East Main Street, Ravenna, Ohio 44266.

**Ravenna City School District**  
*Statement of Net Assets*  
*June 30, 2008*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 8,485,876
Cash and Cash Equivalents in Segregated Accounts	23,600,000
Receivables:	
Accounts	160,748
Taxes	12,822,336
Notes (Net of Allowances)	134,827
Intergovernmental	1,643,945
Accrued Interest	463,330
Deferred Charges	390,999
Nondepreciable Capital Assets	2,521,375
Depreciable Capital Assets (Net)	6,177,612
<i>Total Assets</i>	56,401,048
<b>Liabilities</b>	
Accounts Payable	94,784
Contracts Payable	356,860
Accrued Wages and Benefits	2,495,239
Accrued Vacation Leave Payable	53,244
Matured Compensated Absences Payable	186,053
Intergovernmental Payable	1,172,164
Deferred Revenue	11,617,622
Long Term Liabilities:	
Due Within One Year	770,528
Due In More Than One Year	22,140,608
<i>Total Liabilities</i>	38,887,102
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	2,396,512
Restricted for:	
Debt Service	217,378
Capital Projects	15,054,254
Other Purposes	679,978
Set Asides	180,940
Permanent Fund-Scholarships	
Expendable	457,442
Nonexpendable	89,066
Unrestricted	(1,561,624)
<i>Total Net Assets</i>	\$ 17,513,946

See accompanying notes to the basic financial statements.



**Ravenna City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 12,504,904	\$ 28,745	\$ 457,412	\$ 218,983	\$ (11,799,764)
Special	4,455,400	205,674	1,293,626	0	(2,956,100)
Vocational	317,065	464,582	0	0	147,517
Other	1,182,384	0	188,735	0	(993,649)
Support Services:					
Pupils	1,443,247	0	0	0	(1,443,247)
Instructional Staff	970,898	0	262,688	0	(708,210)
Board of Education	43,534	0	0	0	(43,534)
Administration	2,632,632	0	0	0	(2,632,632)
Fiscal	660,689	0	55,830	0	(604,859)
Business	153,922	0	0	0	(153,922)
Operation and Maintenance of Plant	2,703,711	14,692	0	0	(2,689,019)
Pupil Transportation	1,640,368	0	26,970	0	(1,613,398)
Central	683,482	0	0	0	(683,482)
Operation of Non-Instructional Services	9,207	279,866	0	0	270,659
Food Service Operations	1,448,958	449,615	651,627	0	(347,716)
Extracurricular Activities	1,267,535	306,637	242,217	0	(718,681)
Interest and Fiscal Charges	976,432	0	0	0	(976,432)
<i>Total Governmental Activities</i>	<u>\$ 33,094,368</u>	<u>\$ 1,749,811</u>	<u>\$ 3,179,105</u>	<u>\$ 218,983</u>	<u>(27,946,469)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					11,026,320
Debt Service					936,899
Capital Outlay					283,675
Grants and Entitlements not					
Restricted to Specific Programs					15,192,016
Investment Earnings					1,384,577
Miscellaneous					366,462
<i>Total General Revenues</i>					<u>29,189,949</u>
<i>Change in Net Assets</i>					1,243,480
<i>Net Assets Beginning of Year</i>					<u>16,270,466</u>
<i>Net Assets End of Year</i>					<u>\$ 17,513,946</u>

See accompanying notes to the basic financial statements.

**Ravenna City School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2008*

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 655,015	\$ 430,042	\$ 5,711,641	\$ 1,508,238	\$ 8,304,936
Cash and Cash Equivalents in Segregated Accounts	2,600,000	3,500,000	17,500,000	0	23,600,000
Restricted Cash and Cash Equivalents	180,940	0	0	0	180,940
Receivables:					
Accounts	158,665	0	0	2,083	160,748
Taxes	11,147,640	0	0	1,674,696	12,822,336
Notes (Net of Allowances)	0	0	0	134,827	134,827
Interfund	5,646	0	0	0	5,646
Intergovernmental	9,575	0	1,504,493	129,877	1,643,945
Accrued Interest	22,018	25,816	415,496	0	463,330
<i>Total Assets</i>	<u>\$ 14,779,499</u>	<u>\$ 3,955,858</u>	<u>\$ 25,131,630</u>	<u>\$ 3,449,721</u>	<u>\$ 47,316,708</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 3,318	\$ 0	\$ 14,540	\$ 76,926	\$ 94,784
Contracts Payable	0	195,710	156,800	4,350	356,860
Accrued Wages and Benefits	2,396,567	0	0	98,672	2,495,239
Interfund Payable	0	0	0	5,646	5,646
Matured Compensated Absences Payable	186,053	0	0	0	186,053
Intergovernmental Payable	1,049,950	0	0	122,214	1,172,164
Deferred Revenue	10,852,659	0	1,504,493	1,648,511	14,005,663
<i>Total Liabilities</i>	<u>14,488,547</u>	<u>195,710</u>	<u>1,675,833</u>	<u>1,956,319</u>	<u>18,316,409</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	25,103	182,066	1,593,190	174,279	1,974,638
Reserved for Tax Revenue Unavailable for Appropriation	444,981	0	0	61,311	506,292
Reserved for Budget Stabilization	180,940	0	0	0	180,940
Unreserved, Undesignated, Reported in:					
General Fund	(360,072)	0	0	0	(360,072)
Special Revenue Funds	0	0	0	510,892	510,892
Capital Projects Funds	0	3,578,082	21,862,607	127,089	25,567,778
Debt Service Funds	0	0	0	73,323	73,323
Permanent Fund	0	0	0	546,508	546,508
<i>Total Fund Balances</i>	<u>290,952</u>	<u>3,760,148</u>	<u>23,455,797</u>	<u>1,493,402</u>	<u>29,000,299</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 14,779,499</u>	<u>\$ 3,955,858</u>	<u>\$ 25,131,630</u>	<u>\$ 3,449,721</u>	<u>\$ 47,316,708</u>

See accompanying notes to the basic financial statements.

**Ravenna City School District**  
*Reconciliation of Total Governmental Fund Balances to  
Net Assets Governmental Activities  
June 30, 2008*

Total Governmental Fund Balances	\$	29,000,299
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		8,698,987
Other long-term assets are not available to pay for current- period expenditures and therefore, are deferred in the funds.		
Grants	\$ 1,539,619	
Excess Cost Tuition	150,000	
Delinquent Property Taxes	<u>698,422</u>	2,388,041
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
General Obligation Bonds	(15,655,000)	
Capital Appreciation Bonds	(469,984)	
Accretion on Bonds	(191,360)	
Premium on Debt Issuance	(669,484)	
Capital Lease Obligation	<u>(3,493,200)</u>	(20,479,028)
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Deferred Charges-Issuance Costs	390,999	
Compensated Absences	(2,432,108)	
Accrued Vacation Payable	<u>(53,244)</u>	<u>(2,094,353)</u>
 <i>Net Assets of Governmental Activities</i>	 \$	 <u><u>17,513,946</u></u>

See accompanying notes to the basic financial statements.

**Ravenna City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2008*

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 10,994,043	\$ 0	\$ 0	\$ 1,388,553	\$ 12,382,596
Intergovernmental	15,125,236	0	6,402,862	3,023,031	24,551,129
Investment Income	167,933	199,383	993,630	24,183	1,385,129
Tuition and Fees	745,156	0	0	298,048	1,043,204
Extracurricular Activities	0	0	0	234,556	234,556
Charges for Services	3,491	0	0	453,699	457,190
Rentals	16,345	0	0	7,750	24,095
Gifts and Donations	0	0	125,000	258,482	383,482
Miscellaneous	188,631	1,716	0	30,687	221,034
<i>Total Revenues</i>	<u>27,240,835</u>	<u>201,099</u>	<u>7,521,492</u>	<u>5,718,989</u>	<u>40,682,415</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	11,590,818	0	0	577,103	12,167,921
Special	3,277,487	0	0	1,133,591	4,411,078
Vocational	333,078	0	0	0	333,078
Other	1,181,407	0	0	977	1,182,384
Support Services:					
Pupils	1,370,691	0	0	27,899	1,398,590
Instructional Staff	648,458	0	0	313,250	961,708
Board of Education	36,906	0	0	0	36,906
Administration	2,580,024	0	9,580	43,489	2,633,093
Fiscal	630,669	40	313	33,219	664,241
Business	151,610	0	0	0	151,610
Operation and Maintenance of Plant	2,589,028	0	2,235	3,360	2,594,623
Pupil Transportation	1,290,072	0	0	333,375	1,623,447
Central	634,163	0	0	68,055	702,218
Operation of Non-Instructional Services	0	0	0	90,906	90,906
Food Service Operations	0	0	0	1,352,262	1,352,262
Extracurricular Activities	469,127	0	0	526,489	995,616
Capital Outlay	29,286	600,386	558,433	160,499	1,348,604
Debt Service:					
Principal Retirement	0	0	0	520,000	520,000
Interest and Fiscal Charges	0	0	0	859,100	859,100
<i>Total Expenditures</i>	<u>26,812,824</u>	<u>600,426</u>	<u>570,561</u>	<u>6,043,574</u>	<u>34,027,385</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	428,011	(399,327)	6,950,931	(324,585)	6,655,030
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	0	0	175,000	175,000
Inception of Capital Lease	0	0	0	293,200	293,200
Transfers Out	(175,000)	0	0	0	(175,000)
<i>Total Financing Sources and (Uses)</i>	<u>(175,000)</u>	<u>0</u>	<u>0</u>	<u>468,200</u>	<u>293,200</u>
<i>Net Change in Fund Balance</i>	253,011	(399,327)	6,950,931	143,615	6,948,230
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>37,941</u>	<u>4,159,475</u>	<u>16,504,866</u>	<u>1,349,787</u>	<u>22,052,069</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 290,952</u>	<u>\$ 3,760,148</u>	<u>\$ 23,455,797</u>	<u>\$ 1,493,402</u>	<u>\$ 29,000,299</u>

See accompanying notes to the basic financial statements.

**Ravenna City School District**  
*Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances to the Statement of Activities  
For the Fiscal Year Ended June 30, 2008*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	6,948,230
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 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 the additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 1,400,538	
Current Year Depreciation	<u>(520,552)</u>	879,986
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Grants	(6,208,865)	
Excess Cost Tuition	(40,000)	
Delinquent Property Taxes	<u>(95,702)</u>	(6,344,567)
 Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Principal	350,000	
Capital Lease	<u>170,000</u>	520,000
 Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(349,544)	
Accrued Vacation Payable	<u>(93)</u>	(349,637)
 The issuance of general obligation bonds and related activities are expenditures and other financing sources and uses in the governmental funds, but these but these transactions are reflected in the statement of net assets as long-term assets and liabilities.		
Inception of Capital Lease	(293,200)	
Bond Premium Amortization	25,749	
Accretion on Bonds	(128,043)	
Deferred Charges- Amortization	<u>(15,038)</u>	(410,532)
 <b>Change in Net Assets of Governmental Activities</b>	 \$	 <u><u>1,243,480</u></u>

See accompanying notes to the basic financial statements.

**Ravenna 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, 2008*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Taxes	\$ 10,794,175	\$ 10,756,146	\$ 11,034,731	\$ 278,585
Intergovernmental	14,846,800	14,808,771	15,115,661	306,890
Investment Income	170,000	170,000	169,017	(983)
Tuition and Fees	820,000	820,000	807,887	(12,113)
Charges for Services	3,400	3,400	3,491	91
Rent	11,875	11,875	14,692	2,817
Miscellaneous	178,500	178,500	185,074	6,574
<i>Total Revenues</i>	<u>26,824,750</u>	<u>26,748,692</u>	<u>27,330,553</u>	<u>581,861</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction	16,357,711	16,432,812	16,240,983	(191,829)
Support Services:				
Pupils	1,219,145	1,330,144	1,344,016	13,872
Instructional Staff	780,011	695,693	674,053	(21,640)
Board of Education	47,225	47,225	45,371	(1,854)
Administration	2,574,450	2,601,026	2,576,480	(24,546)
Fiscal	675,660	670,660	649,342	(21,318)
Business	152,340	153,840	147,225	(6,615)
Operation and Maintenance of Plant	2,534,740	2,586,990	2,618,041	31,051
Pupil Transportation	1,259,315	1,302,315	1,287,858	(14,457)
Central	614,551	668,946	637,446	(31,500)
Extracurricular Activities	502,855	504,855	486,681	(18,174)
Capital Outlay	32,000	32,000	29,286	(2,714)
<i>Total Expenditures</i>	<u>26,750,003</u>	<u>27,026,506</u>	<u>26,736,782</u>	<u>(289,724)</u>
Excess of Revenues Over (Under) Expenditures	74,747	(277,814)	593,771	871,585
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	2,750	2,750	2,798	48
Refund of Prior Year Receipts	0	(10,105)	(10,102)	3
Proceeds from Sale of Capital Assets	0	0	853	853
Advance In	72,500	72,500	72,500	0
Advance Out	(75,000)	(25,000)	(5,646)	19,354
Transfers Out	(330,000)	(204,500)	(175,000)	29,500
<i>Total Other Financing Sources (Uses)</i>	<u>(329,750)</u>	<u>(164,355)</u>	<u>(114,597)</u>	<u>49,758</u>
<i>Net Change in Fund Balance</i>	(255,003)	(442,169)	479,174	921,343
<i>Fund Balance (Deficit) at Beginning of Year</i>	2,977,240	2,977,240	2,977,240	0
Prior Year Encumbrances Appropriated	25,004	25,004	25,004	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 2,747,241</u>	<u>\$ 2,560,075</u>	<u>\$ 3,481,418</u>	<u>\$ 921,343</u>

See accompanying notes to the basic financial statements.

**Ravenna City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2008*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 353,358	\$ 74,543
Notes Receivable (Net of Allowance)	331,480	0
<i>Total Assets</i>	684,838	74,543
<b>Liabilities</b>		
Undistributed Monies	0	\$ 11,007
Due to Students	0	63,536
<i>Total Liabilities</i>	0	74,543
<b>Net Assets</b>		
Held in Trust for Scholarships	684,838	
<i>Total Net Assets</i>	\$ 684,838	

See accompanying notes to the basic financial statements.

**Ravenna City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Funds*  
*For the Fiscal Ended June 30, 2008*

	Private Purpose Trust
<b>Additions</b>	
Interest	\$ 7,956
<i>Total Additions</i>	<i>7,956</i>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	2,900
<i>Total Deductions</i>	<i>2,900</i>
<i>Change in Net Assets</i>	5,056
<i>Net Assets Beginning of Year</i>	<i>679,782</i>
<i>Net Assets End of Year</i>	<i>\$ 684,838</i>

See accompanying notes to the basic financial statements.



## **RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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### **Note 1 – Description of the School District**

The Ravenna 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 Board form of government consisting of five members elected at-large for staggered four year terms. Average daily membership on, or as of, October 1, 2007, was 3,074. The School District employs 235 certificated and 155 non-certificated employees.

#### ***Reporting Entity***

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

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 the 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 for the organization. The School District has no component units.

The School District is associated with two organizations which are defined as jointly governed organizations, two public entity risk pools, and a related organization. These organizations are the Stark-Portage Area Computer Consortium, the Maplewood Area Joint Vocational School, Ohio School Boards Association Workers Compensation Group Rating Plan, the Stark County Council of Governments Health Benefits Program and Reed Memorial Public Library. These organizations are presented in Notes 10, 18 and 19 to the basic financial statements.

### **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) in the United States of America as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

## RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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### ***Implementation of New Accounting Policies***

For the year ended 2008, the School District has implemented GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”, GASB Statement No. 48, “*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*”, GASB Statement No. 49, “*Accounting and Financial Reporting for Pollution Remediation Obligations*”, and GASB Statement No. 50, “*Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27.*”

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, “*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*”, and GASB Statement No. 27, “*Accounting for Pensions by State and Local Governmental Employers*”, to conform with requirements of GASB Statement No. 43, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*”, and GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

### ***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets 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 effect of interfund activity within governmental type activity columns has been removed from these statements.

## RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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The statement of net assets presents the financial condition of the governmental activities of the School District at 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. Direct expenses are those that are specifically associated with a service, program or department and therefore 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 limitations. The comparison of direct expenses with program revenues identifies the extent to which governmental function 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 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. Fiduciary funds are reported by type.

### ***B. Fund Accounting***

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

***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 liabilities is reported as fund balance. The following are the School District's major governmental funds:

***General Fund*** The general fund accounts for all financial resources except those required to be accounted for 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.

***Building*** The building fund accounts for the receipts and expenditures related to the activity of the locally funded initiatives related to the new high school.

The funds were derived from a bond sale to facilitate a fixed seat auditorium in the new high school (not funded by the Ohio School Facilities Commission), an alternate gymnasium, and a lease agreement and renovation of a transportation facility for the district.

***Classroom Facilities Project*** The classroom facilities project fund accounts for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom facilities.

## RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds are private purpose trust and agency funds. The School District's private purpose trust funds are primarily for assets held by the School District in a trustee capacity. The School District's agency funds primarily account for student activities.

### ***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All non fiduciary assets and liabilities associated with the operation of the School District are included on the statement of net assets.

***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 current liabilities 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.

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations. Neither of the fiduciary fund types are included in the Government-Wide Financial Statements.

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

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

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

## RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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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 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a 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 fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants, Contributions, and Interest" program revenue account.

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

### ***E. Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool, except for certain trust fund monies that have been separately invested in a mutual fund. Individual fund integrity is maintained through School District records. Each funds' interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. The School District has segregated a portion of cash balances, reported as "Cash and Cash Equivalents in Segregated Accounts" which are used for the construction project.

During fiscal year 2008, investments were limited to certificates of deposits, money market funds, and U. S. Treasury Notes. These nonparticipating investment contracts are reported at cost.

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

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 fiscal year 2008 amounted to \$167,933, which includes \$149,030 assigned from other School District funds.

***F. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets may include amounts required by statute to be set aside for the purchase of textbooks and capital improvements. Restricted assets may also include amounts set aside as a reserve for budget stabilization, which is now optional as determined by the School District. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

***G. Deferred Charges and Bond Premiums***

In governmental fund types, bond premiums and issuance costs are recognized in the current period. On the statement of net assets, note premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which is not significantly different than the bonds outstanding method, or the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

***H. Capital Assets***

General capital assets are those assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,500. 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 capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 Years
Buildings and Improvements	10-50 Years
Furniture and Equipment	5-20 Years
Vehicles	8 Years

## **RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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### ***I. Compensated Absences***

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are eligible to receive termination benefits and those the School District had identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These are reported as "Matured Compensated Absences".

### ***J. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

### ***K. Net Assets***

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

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

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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***L. Fund Balance Reserves***

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, property taxes and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

***M. Interfund Activity***

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

On fund financial statements, receivables and payables resulting from short-term interfund loans and interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances are eliminated in the governmental activities column of the statement of net assets.

***N. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2008.

***O. Estimates***

The preparation of 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.

***P. 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.



**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2008.

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

**Encumbrances** As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

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

**Note 3 – Accountability**

Fund balance at June 30, 2008 included the following individual fund deficits. These deficits were caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances:

	<u>Fund Balance</u>
Nonmajor Governmental Funds:	
Food Service Operations	\$ 28,129
Other Grants	8,872
Athletics	4,197

**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, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented for the general fund 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) as opposed to when susceptible to accrual (GAAP).

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

**Net Change in Fund Balance**

	<u>General</u>
GAAP Basis	\$ 253,011
Net Adjustment for Revenue Accruals	165,869
Net Adjustment for Expenditure Accruals	88,765
Adjustment for Encumbrances	(28,471)
Budget Basis	<u>\$ 479,174</u>

**Note 5 – Deposits and Investments**

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

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

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

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

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

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

## RAVENNA CITY SCHOOL DISTRICT

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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1. United States Treasury bills, notes, bonds, or any other obligations 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 other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements is 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 2% and be marked to market daily, and 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 item (1) or (2) above 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 in an amount not to exceed 25% of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the School District's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. By law and per School District policy, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105% of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. The School District's policy does not discuss custodial credit risk.

**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$31,767,095. The School District's bank balance of \$32,399,994 was exposed to custodial credit risk as follows:

1. \$500,000 of the bank balance was covered by federal depository insurance corporation (FDIC); and

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

2. \$31,899,994 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State 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.

**Investments** Investments are reported at fair value. As of June 30, 2008, the School District had the following investments:

Rating by Standard and Poor's	Entity	Fair Value	Investment Maturity (in years)		
			0-1	1-5	
N/A	U. S. Treasury	\$ 298,748	\$ 128,841	\$ 169,907	40.01%
Aaa	Federal National Mtg Assn	62,541	62,541	0	8.38%
Aaa	Federal Home Loan Bank	105,385	0	105,385	14.11%
Aaa	Federal Home Loan Mtg Corp	37,943	37,943	0	5.08%
AAAm	Allegiant Gov't Money Market Fund	210,771	210,771	0	28.23%
A3	Key Corp-Common Stock and Options *	13,176	N/A	N/A	1.76%
AAAm	Victory Gradison Government Reserves Fund	18,118	18,118	0	2.43%
		<u>\$ 746,682</u>	<u>\$ 458,214</u>	<u>\$ 275,292</u>	<u>100.00%</u>

\*Rated by Moody's Investors Service

**Interest Rate Risk:** The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

**Credit Risk:** The School District's investment credit ratings are summarized above.

**Concentration of Credit Risk:** The School District will diversify its investments by security, type and institution. There is no limit in investments unless the School District invests interim funds in which case there is a maximum of twenty-five percent in either or a combined total of:

- A. Commercial paper notes issued by a for-profit corporation, business trust or association, real estate investment trust, common-law trust, unincorporated business, or general or limited partnership which has assets exceeding \$500,000,000. Such notes must:
  1. be rated at the time of purchase in the highest classification established by at least two (2) rating services;
  2. have an aggregate value that does not exceed ten percent of the outstanding commercial paper of the issuing entity;
  3. mature within 180 days after purchase.
- B. Bankers acceptances of banks that are members of the FDIC and whose obligations:
  1. are eligible for purchase by the Federal Reserve System;
  2. mature no later than 180 days after purchase.

## RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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### **Note 6 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis. First half tax collections are received by the School District in the second half of the fiscal year. Second half distributions occur in a new fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within the School District. Real Property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35% 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 alternative payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. All property is required to be revalued every six years. Public utility property taxes are assessed at 35% of true value and public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008 on the value as of December 31, 2007. For 2008, tangible personal property is assessed at 6.25 % of true value for property including inventory. This percentage will be reduced to zero for 2009. 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunication companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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 year-end are available to finance the current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes, which became measurable as of year-end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at year-end is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

The amount available as an advance at year-end was \$444,981 in the general fund, \$42,258 in the bond retirement debt service fund, and \$19,053 in the capital project funds and is recognized as revenue on the fund financial statements.

On the accrual basis, collectible delinquent property taxes have been recorded as revenue on the statement of activities.

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

	2007 First		2008 First	
	Second Half Collections		First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$334,943,449	91.56%	\$336,459,317	97.03%
Public Utility	11,887,770	3.25%	9,134,330	2.63%
Tangible Personal Property	18,980,799	5.19%	1,164,660	0.34%
Total	<u>\$365,812,018</u>	<u>100.00%</u>	<u>\$346,758,307</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$65.39		\$65.56	

**Note 7 - Receivables**

Receivables at June 30, 2008, consisted of taxes, accounts (tuition and excess costs), intergovernmental, interest, notes and interfund. 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.

**Note 8 – Notes Receivable**

The Wichterman trust fund (private purpose trust fund) was established in 1984 through a probate will. Qualified students may borrow interest free, any amount to pay for the costs of higher education. Repayment begins six months after termination of college attendance.

The Jane Jenkins Scholarship Loan Fund (permanent trust fund) was established in 1984, in accordance with her last will and testament. Four interest free scholarship loans of \$5,000 each are awarded annually to deserving students for their use in pursuing higher education. Loans are to be repaid upon graduation, or early withdrawal from school.

At the close of fiscal year 2008, there were 54 students with a total principal loan balance outstanding of \$466,307. This amount is made up of notes receivable of \$331,480 and \$134,827 in the private purpose trust fund and the permanent fund, respectively.

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 6/30/07	Additions	Reductions	Balance 6/30/08
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 34,984	\$ 0	\$ 0	\$ 34,984
Construction in Progress	1,402,351	1,084,040	0	2,486,391
	1,437,335	1,084,040	0	2,521,375
Total Capital Assets, not being depreciated:				
 <i>Capital Assets, being depreciated:</i>				
Land Improvements	4,914,574	46,951	0	4,961,525
Buildings and Improvements	11,253,300	136,774	0	11,390,074
Furniture and Equipment	2,080,499	59,273	0	2,139,772
Vehicles	1,669,680	73,500	0	1,743,180
	19,918,053	316,498	0	20,234,551
Total Capital Assets, being depreciated				
 <i>Less Accumulated Depreciation:</i>				
Land Improvements	(2,141,356)	(226,758)	0	(2,368,114)
Buildings and Improvements	(8,268,458)	(127,248)	0	(8,395,706)
Furniture and Equipment	(1,646,625)	(87,017)	0	(1,733,642)
Vehicles	(1,479,948)	(79,529)	0	(1,559,477)
	(13,536,387)	(520,552)	0	(14,056,939)
Total Accumulated Depreciation				
	6,381,666	(204,054)	0	6,177,612
Total Capital Assets being depreciated, net				
 Governmental Activities Capital				
Assets, Net	\$ 7,819,001	\$ 879,986	\$ 0	\$ 8,698,987

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$122,545
Special	295
Support Services:	
Pupil	2,707
Instructional Staff	1,891
Administration	5,804
Fiscal	1,099
Operation and Maintenance of Plant	26,829
Pupil Transportaion	70,936
Central	18,128
Operation of non instructional	278
Food Service Operations	1,802
Extracurricular Activities	<u>268,238</u>
Total Depreciation	<u><u>\$ 520,552</u></u>

**Note 10– Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The School District has a property and fleet insurance, liability insurance and inland marine coverage policies through private insurance carriers. The deductibles for the property insurance are \$1,000. The deductibles for the fleet insurance and inland marine coverage vary from \$0 to \$1,000 depending on the incident.

The board president and superintendent have a \$30,000 position bond with Travelers. The treasurer is covered under a surety bond in the amount of \$100,000. There has been no reduction in insurance coverage from the prior year, and claims have not exceeded coverage in the last 3 fiscal years.

***B. Workers' Compensation***

The School District pays the State Workers' Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. The School District is a member of the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. This rate is calculated based on accident history and administrative costs.



## RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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### ***C. Employee Medical Benefits***

The School District has contracted with the Stark County School Council of Governments Health Benefits Program to provide employee medical/surgical and dental benefits. The Stark County Council of Governments Health Benefits Programs is a shared risk pool comprised of fifteen school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid to a common fund from which claim payments are made for all participants regardless of claim flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The School District pays premiums of \$990.40 for family coverage and \$407.73 for single coverage per employee per month.

Dental insurance is also provided through the Stark County School Council of Governments Health Benefits Program. Premiums for dental coverage are \$131.87 for family coverage and \$53.49 for single coverage per employee per month.

### **Note 11 - Pension Plans**

#### ***A. School Employees Retirement System***

The District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions to SERS for the years ended June 30, 2008, 2007 and 2006 were \$396,590, \$447,136 and \$423,214, respectively; 38% has been contributed for fiscal year 2008 and 100% for the fiscal years 2007 and 2006. \$375,648 represents the unpaid contributions for fiscal year 2008, and is recorded as a liability within the respective funds.

#### ***B. State Teachers Retirement System***

The District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

## RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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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 divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5% of earned compensation among various investment accounts. 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 DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a onetime 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 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 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, 2008, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2007 (the latest information available), the portion used to fund pension obligations was also 13%. 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 employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,695,074, \$1,670,549 and \$1,725,113, respectively; 83% has been contributed for fiscal year 2008 and 100% for the fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$13,210 made by the School District and \$64,045 made by the plan members.

### ***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2008, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

## RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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### **Note 12- Postemployment Benefits**

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The District’s contributions for fiscal years ended June 30, 2008, 2007 and 2006 were \$180,977, \$143,184 and \$135,524, respectively.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007 (the latest information available), the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was \$93.50; SERS’ reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007 (the latest information available), the actuarially required allocation was .68%. The District’s contributions for the year ended June 30, 2008 were \$28,575, which equaled the required contributions for the year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS’ Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO’s, PPO’s and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS’ postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

## RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2007, the health care allocation was 3.32%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest information available), was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District's contributions for the years ended June 30, 2008, 2007 and 2006 were \$92,550, \$89,778 and \$88,274, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2007 (the latest information available), the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

### **Note 13– Other Employee Benefits**

#### ***A. Life Insurance***

The School District provides life insurance to its employees through the Stark County School Council of Government Health Benefits Programs.

#### ***B. Compensated Absences***

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

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

Teachers, Administrators, and Classified employees earn sick leave at a rate of one and one-quarter days per month which may be accumulated up to a maximum of 280 days for classified employees and no limit for certified employees. Upon retirement, payment is made for one-fourth of accrued with a maximum of 57 days for classified employees and 85 days for certified employees.

**C. Personal and Sick Leave Incentive**

Attendance incentives shall be provided to those who achieve at least a 96% attendance level during time periods set forth in the negotiated agreements for classified and certified employees.

**Note 14- Long - Term Obligations**

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

	Outstanding 7/01/2007	Additions	Reductions	Outstanding 6/30/2008	Amounts Due in One Year
<b>Governmental Activities:</b>					
General Obligation Bonds:					
Energy Conservation	\$ 360,000	\$ 0	\$ 25,000	\$ 335,000	25,000
School Improvement Bonds-2006	14,080,000	0	295,000	13,785,000	305,000
School Improvement Bonds-2007	1,565,000	0	30,000	1,535,000	45,000
Capital Appreciation Bonds-2006	419,559	0	0	419,559	0
Capital Appreciation Bonds-2007	50,425	0	0	50,425	0
Accretion Capital Appreciation Bonds-2006	63,317	121,603		184,920	0
Accretion Capital Appreciation Bonds-2007	0	6,440		6,440	0
Premium on Debt Issuance-2006	695,233	0	25,749	669,484	25,749
<b>Total General Obligation Bonds</b>	<u>17,233,534</u>	<u>128,043</u>	<u>375,749</u>	<u>16,985,828</u>	<u>400,749</u>
Capital Lease :					
Capital Lease Obligation	3,370,000	293,200	170,000	3,493,200	238,015
Compensated Absences	<u>2,082,564</u>	<u>505,571</u>	<u>156,027</u>	<u>2,432,108</u>	<u>131,764</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 22,686,098</u>	<u>\$ 926,814</u>	<u>\$ 701,776</u>	<u>\$ 22,911,136</u>	<u>\$ 770,528</u>

Energy Conservation Bonds – On March 1, 1994, the School District issued \$825,000 in unvoted general obligation bonds for the purpose of providing energy conservation measures for the School District, under 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 2005. On November 1, 2003, the School District issued another \$425,000 in general obligation bonds for energy conservation measures for a fifteen year period with final maturity during fiscal year 2018. The bonds will be retired from the debt service fund.

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

School Improvement Bonds - On June 21, 2006, the School District issued \$14,499,559 in general obligation bonds for improvements to the schools. The bonds mature in January 2034. These bonds were issued with a premium of \$720,982, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. \$ 25,749 was amortized during the fiscal year.

The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption.

The capital appreciation bonds mature January 15, 2010 through 2013. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$1,240,000. For fiscal year 2008, there was \$121,603 in accretion.

On April 4, 2007, the School District issued \$1,615,425 in general obligation bonds for improvements to the schools. The bonds mature in January 2032. These bonds were issued with a premium of \$74,335, which is reported as an increase to bonds payable.

The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption.

The capital appreciation bonds mature January 15, 2014 through 2016. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$165,000. For fiscal year 2008, there was \$6,440 in accretion.

Capital leases will be paid from the debt service fund. Compensated absences will be paid from the funds which the employee's salaries are paid, typically the general fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2008 are as follows:

Fiscal Year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2009	\$ 375,000	\$ 702,982	\$ 0	\$ 0	\$ 375,000	\$ 702,982
2010	75,000	687,982	159,473	200,527	234,473	888,509
2011	75,000	684,982	113,219	206,781	188,219	891,763
2012	80,000	681,982	101,729	258,271	181,729	940,253
2013	85,000	678,682	45,138	154,862	130,138	833,544
2014 - 2018	2,525,000	3,188,048	50,425	114,575	2,575,425	3,302,623
2019 - 2023	3,160,000	2,599,442	0	0	3,160,000	2,599,442
2024 - 2028	3,640,000	1,863,112	0	0	3,640,000	1,863,112
2029 - 2033	4,695,000	871,825	0	0	4,695,000	871,825
2034	945,000	42,505	0	0	945,000	42,505
<b>Total</b>	<b>\$ 15,655,000</b>	<b>\$ 12,001,542</b>	<b>\$ 469,984</b>	<b>\$ 935,016</b>	<b>\$ 16,124,984</b>	<b>\$ 12,936,558</b>

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

**Note 15- Capitalized Leases**

The School District has entered into capitalized leases for a stadium and buses. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases". The stadium has been capitalized in the capital assets in the amount of \$5,640,462 and the buses for \$293,200. This amount represents the present value of the minimum lease payments at the time of the acquisition. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2008.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 238,015	\$ 90,408	\$ 328,423
2010	236,523	92,678	329,201
2011	244,649	85,160	329,809
2012	252,859	77,382	330,241
2013	261,154	69,334	330,488
2014 -2018	1,105,000	241,661	1,346,661
2019 - 2023	1,155,000	68,846	1,223,846
Total	<u>\$ 3,493,200</u>	<u>\$ 725,469</u>	<u>\$ 4,218,669</u>

**Note 16- Interfund Transfers**

Transfers made during fiscal year 2008 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 0	\$ 175,000
Other Governmental Fund:		
Bond Retirement	175,000	0
	<u>\$ 175,000</u>	<u>\$ 175,000</u>

This transfer was made to assist with payment of the stadium lease.

**Note 17- Interfund Balances**

Interfund balances at June 30, 2008 consisted of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 5,646	\$ 0
Nonmajor Governmental Fund:		
Athletics	0	5,646
Total	<u>\$ 5,646</u>	<u>\$ 5,646</u>

## RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2008, all interfund payables outstanding are anticipated to be repaid in fiscal year 2009.

### **Note 18 - Jointly Governed Organizations**

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 28 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports SPARCC based upon a per pupil charge dependent upon the software package utilized. The SPARCC assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. SPARCC is governed by a board of directors chosen from the general membership of the SPARCC assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Stark County Education Services Center, which serves as fiscal agent, located at 2100 38th Street, NW, Canton, Ohio 44709. During the year ended June 30, 2008, the School District paid \$104,687 to SPARCC for basic service charges.

Maplewood Area Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of two representatives from each of the ten participating school districts' elected boards, which possesses its own budgeting and taxing authority. The jointly governed organization was formed for the purpose of providing vocational instruction to juniors and seniors in the participating districts. To obtain financial information, write to the Treasurer, Maplewood Area Joint Vocational School, at 7075 State Route 88, Ravenna, Ohio 44266-9131.

### **Note 19- Related Organization**

The Reed Memorial Public 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 School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax and the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Reed Memorial Public Library, Janice Kent, Clerk/Treasurer, at 167 East Main Street, Ravenna, Ohio 44266.



**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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**Note 20 - Contingencies**

**A. Grants**

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

**B. Litigation**

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

**Note 21 - 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 purchase of textbooks and other instructional materials and an equal amount for acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Budget Stabilizaion	Totals
Set-Aside Cash Balance as of June 30, 2007	\$ 0	\$ 0	\$ 180,940	\$ 180,940
Set-Aside Carryover Balance as of June 30, 2007	0	(268,952)	0	(268,952)
Current Year Set-Aside Requirement	476,058	476,058	0	952,116
Qualifying Disbursements	(548,653)	(478,502)	0	(1,027,155)
Total	<u>\$ (72,595)</u>	<u>\$ (271,396)</u>	<u>\$ 180,940</u>	<u>(163,051)</u>
Balance Carried Forward to FY 2009	<u>\$ 0</u>	<u>\$ (271,396)</u>	<u>\$ 180,940</u>	<u>\$ 180,940</u>
Amount to Restrict for Set Asides				<u>\$ 180,940</u>

The School District had qualifying disbursements during the year that reduced the textbook reserve set-asides below zero. The extra amounts for the textbook and/or instructional materials may be used to reduce the set-aside requirement in future fiscal years. Amounts remaining at the fiscal year-end are represented by a reserve fund balance presented on the balance sheet.

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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**Note 22 - Contracts Commitments**

As of June 30, 2008, the School District had the following major contractual commitments outstanding:

<u>Projects</u>	<u>Contract Amount</u>	<u>Amount Paid as of June 30, 2008</u>	<u>Amount Remaining on Contract</u>
New High School	\$ 26,640,495	\$ 2,740,195	\$ 23,900,300
Transportation Facility	\$ 281,474	\$ 17,394	\$ 264,080



# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

December 31, 2008

To the Board of Education  
Ravenna City School District (Portage County)  
Ravenna, Ohio 44266

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ravenna City School District as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ravenna City School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ravenna City School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ravenna City School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted certain internal control matters that we reported to the management of Ravenna City School District in a separate letter dated December 31, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ravenna City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2008-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to management of Ravenna City School District in a separate letter dated December 31, 2008.

Ravenna City School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit Ravenna City School District's response and, accordingly, we express no opinion on it.

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

*Rea & Associates, Inc.*



# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

December 31, 2008

To the Board of Education  
Ravenna City School District (Portage County)  
Ravenna, Ohio 44266

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

### Compliance

We have audited the compliance of Ravenna City School 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 major federal program for the year ended June 30, 2008. Ravenna City School District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Ravenna City School District's management. Our responsibility is to express an opinion on Ravenna City School District's compliance based on our audit.

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

As described in item 2008-002 in the accompanying Schedule of Findings and Questioned Costs, Ravenna City School District did not comply with requirements regarding free and reduced price income eligibility guidelines that are applicable to its Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for Ravenna City School District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Ravenna City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Ravenna City School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Ravenna City School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Ravenna City School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards - Non GAAP Budgetary Basis

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ravenna City School District, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 31, 2008. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of Ravenna City School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ravenna City School District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Ravenna City School District's response and, accordingly, we express no opinion on it.

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

*Hea Associates, Inc.*

**RAVENNA CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Year	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
<b>U. S. Department of Education</b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I - 2008	84.010	2008	\$ 437,268	\$ 0	\$ 379,037	\$ 0
Title I - 2007 {C}	84.010	2007	(2,159)	0	0	0
Total Title I			435,109	0	379,037	0
Title II-A - Improving Teacher Quality - 2008	84.367	2008	161,480	0	148,771	0
Title II-A - Improving Teacher Quality - 2007	84.367	2007	5,476	0	22,458	0
Total Title II-A - Improving Teacher Quality			166,956	0	171,229	0
<i>Special Education Cluster:</i>						
IDEA Part B - 2008	84.027	2008	765,414	0	723,670	0
IDEA Part B - 2007	84.027	2007	0	0	91,922	0
Total IDEA Part B			765,414	0	815,592	0
Early Childhood Special Education - 2008	84.173	2008	20,042	0	17,759	0
Early Childhood Special Education - 2007	84.173	2007	4,566	0	6,557	0
Total Early Childhood Special Education			24,608	0	24,316	0
Total Special Education Cluster			790,022	0	839,908	0
Safe and Drug-Free Schools - 2008	84.186	2008	13,829	0	12,127	0
Safe and Drug-Free Schools - 2007 {C}	84.186	2007	(422)	0	3,088	0
Total Safe and Drug-Free Schools			13,407	0	15,215	0
Title V - Innovative Education Program Strategies - 2008	84.298	2008	7,085	0	7,085	0
Technology Literacy Challenge Fund Grant	84.318	2008	5,623	0	5,623	0
Technology Literacy Challenge Fund Grant	84.318	2007	103	0	0	0
Total Technology Literacy Challenge Fund Grant			5,726	0	5,623	0
<i>Total U.S. Department of Education</i>			1,418,305	0	1,418,097	0
<b>U. S. Department of Agriculture</b>						
<i>Passed Through the Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
School Breakfast Program (B)	10.553	2008	85,087	0	85,087	0
School Breakfast Program (B)	10.553	2007	14,101	0	14,101	0
Total School Breakfast Program			99,188	0	99,188	0
National School Lunch Program (Food Distribution) (A)(B)	10.555	2008	0	74,793	0	74,793
National School Lunch Program (B)	10.555	2008	447,978	0	447,978	0
National School Lunch Program (B)	10.555	2007	64,777	0	64,777	0
Total National School Lunch Program			512,755	74,793	512,755	74,793
Total Child Nutrition Cluster			611,943	74,793	611,943	74,793
Fruit and Vegetable Grant	10.582	2008	15,606	0	15,606	0
Child Care Food Program	10.558	2008	18,092	0	18,092	0
<i>Total U.S. Department of Agriculture</i>			645,641	74,793	645,641	74,793
<b>U. S. Department of Health and Human Services</b>						
<i>Passed Through the Ohio Department of MRDD:</i>						
Medical Assistance Program						
Community Alternative Funding System (D)	93.778	n/a	53,386	0	0	0
<i>Total U.S. Department of Health and Human Services</i>			53,386	0	0	0
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$ 2,117,332</b>	<b>\$ 74,793</b>	<b>\$ 2,063,738</b>	<b>\$ 74,793</b>

- (A) Government commodities are reported at the fair market value of the commodities received and disbursed.  
(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.  
{C} Return of receipt.  
(D) Cash receipts for the Community Alternative Funding System (CAFS) totaled \$53,386 in fiscal year 2008. These amounts related to settlements for CAFS service provided during prior years.

**RAVENNA CITY SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133, Section .505  
JUNE 30, 2008**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
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(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Child Nutrition Cluster CFDA #10.553 and #10.555
(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**

**FINDING NUMBER 2008-001**

**Noncompliance Citation:**

**Ohio Revised Code Section 149.35.1(A)** states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully. The District Food Service receipt collection is an on line computer system process. All food services sales are entered on an online computer cash register system that records each transaction, then generates various reports that are utilized by management for decision making, inventory reporting and local/state level reporting.

The computer system stores the following significant data:

Types of sale (Free Lunch, Reduce Lunch, Student Lunch, ala carte items etc)  
Number of meals sold  
Type of items purchase  
Dollar amounts received  
Amounts of coins/dollars received  
Running total of the amount received

During our audit period the “**Items Sold by Day Report**” was not printed and could not be retrieved from the system for our audit period.

The District made an attempt to have the data retrieved, however – the data could not be retrieved, because the data was not properly backed up.

We recommend the District comply with the above stated Ohio Revised Code section in regards to records maintenance.

Also the District should fully understand how reports are to be backed up for the food service computer system. They should establish a record retention policy for this system that is uniform with the other computer systems within the District.

**Management’s Response:** In speaking with the District Food Service Director, there was a miss-communication between the records that should be maintained and the perception of that request on the part of the Food Service Director.

Once notified of the specific need, the District’s Technology Director was in immediate contact with the vendor. The vendor was unable to provide the requested documents as their files had been corrupted. If necessary, the District would be happy to secure a statement from the vendor validating that statement.

The District has assurances from the vendor (Horizon Software) that any and all required reports will be available for future audits.

It is our belief, that what has occurred can be properly termed an “isolated incident”.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**FINDING NUMBER 2008-002**

**CFDA Title and Number: Child Nutrition Cluster – National School Lunch Program – CFDA #10.555**

**Federal Award Number/Year: 2008**

**Federal Agency: U.S Department of Agriculture**

**Pass-Through Agency: Ohio Department of Education**

**Noncompliance Citation:**

**7 C.F.R. sections 245.2(g), 245.3, and 245.6** provides eligibility guidelines each year for participation in the school lunch program. Eligibility requirements are based on the number of individuals in the household and the income of all individuals in the household. Parents/guardians can apply to receive free or reduced price lunch benefits at any time throughout the year. Only after the District has obtained a signature, social security number, and the income of the parent/guardian, is the application process complete.

After the District has received a completed application, they are required to apply the income eligibility guidelines established by the United States Department of Agriculture to the application to determine the benefits that are to be provided to the child.

We performed a test of applications to determine that the benefits provided were in accordance with the eligibility guidelines. Of the eight applications reviewed, we determined that three individuals were given benefits that were not in accordance with the eligibility requirements.

We recommend the District comply with the eligibility requirements when providing benefits to students.

**Management's Response:** the District will apply the eligibility guidelines established by the United States Department of Agriculture when providing free and reduced price lunch benefits to students.

**RAVENNA CITY SCHOOL DISTRICT  
 PORTAGE COUNTY, OHIO  
 SCHEDULE OF PRIOR AUDIT FINDINGS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**Not Corrected, Partially  
 Corrected, Significantly  
 Different Corrective Action Taken  
 or Finding No Longer Valid  
 (Explain)**

Finding Number	Finding Summary	Fully Corrected?	
2007-01	Items Sold by Day Report was not retained by the Food Service Director, to verify daily receipt collections.	No	Reissued as Finding 2008-001





Mary Taylor, CPA  
Auditor of State

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  
MARCH 10, 2009