

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2017***

DAVID HOSKIN, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ravenna City School District, Portage County, prepared by Julian & Grube, Inc., for the audit period July 1, 2016 through June 30, 2017. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 13, 2017

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

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Ravenna City School District, Portage County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Ravenna City School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Ravenna City School District, Portage County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplemental Information

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2017, on our consideration of the Ravenna City 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ravenna City School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
November 7, 2017

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The discussion and analysis of the Ravenna City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position of governmental activities increased \$451,571 from 2016 net position.
- General revenues accounted for \$28,437,892 in revenue or 81.03% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,656,071 or 18.97% of total revenues of \$35,093,963.
- The District had \$34,642,392 in expenses related to governmental activities; \$6,656,071 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$28,437,892 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$30,531,062 in revenues and other financing sources and \$28,544,491 in expenditures and other financing uses. During fiscal year 2017, the general fund's fund balance increased \$1,986,571 from a fund balance of \$1,965,954 to \$3,952,525.

Using the Basic Financial Statements (BFS)

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

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the 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 District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-61 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 62 - 68 of this report.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for 2017 and 2016.

	Net Position - Governmental Activities	
	2017	2016
<u>Assets</u>		
Current and other assets	\$ 18,733,834	\$ 16,788,340
Capital assets, net	37,480,650	38,564,876
Total assets	56,214,484	55,353,216
<u>Deferred outflows of resources</u>		
Unamortized deferred charges	1,153,065	1,208,996
Pension	8,485,345	3,816,435
Total deferred outflows	9,638,410	5,025,431
<u>Liabilities</u>		
Current liabilities	3,313,896	3,353,264
Long-term liabilities:		
Due within one year	1,329,538	1,240,914
Due in more than one year:		
Net pension liability	46,930,447	40,474,375
Other amounts	19,033,965	19,729,514
Total liabilities	70,607,846	64,798,067
<u>Deferred inflows of resources</u>		
Property taxes	9,236,910	9,069,113
Pensions	2,009,137	2,964,037
Total deferred inflows	11,246,047	12,033,150
<u>Net Position</u>		
Net investment in capital assets	20,465,286	21,043,257
Restricted	1,101,446	1,153,136
Unrestricted (deficit)	(37,567,731)	(38,648,963)
Total net position (deficit)	\$ (16,000,999)	\$ (16,452,570)

The District has adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

At year-end, capital assets represented 66.67% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2017, was \$20,465,286. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

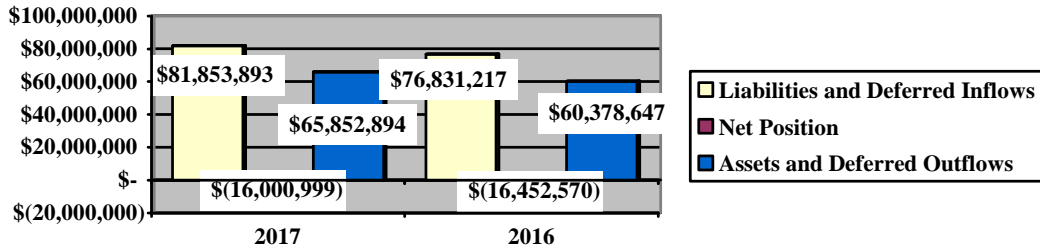
A portion of the District's net position, \$1,101,446, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$37,567,731.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The graphs below show the District's governmental activities assets and deferred outflows, liabilities and deferred inflows, and net position at June 30, 2017 and June 30, 2016.

Governmental Activities



The table below shows the change in net position for fiscal years 2017 and 2016.

	<u>Change in Net Position</u>	
	<u>Governmental Activities 2017</u>	<u>Governmental Activities 2016</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,086,374	\$ 1,011,529
Operating grants and contributions	5,487,347	5,525,413
Capital grants and contributions	82,350	85,095
General revenues:		
Property taxes	11,354,293	12,261,411
Payments in lieu of taxes	67,521	97,215
Grants and entitlements	16,932,435	16,369,385
Investment earnings	14,046	11,827
Miscellaneous	69,597	86,022
Total revenues	<u>35,093,963</u>	<u>35,447,897</u>

- Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Change in Net Position

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 10,112,973	\$ 9,564,100
Special	6,610,215	6,012,454
Vocational	275,262	270,155
Other	3,254,668	2,914,477
Support services:		
Pupil	1,817,243	1,655,489
Instructional staff	1,082,810	1,012,612
Board of education	154,399	108,409
Administration	2,294,571	2,063,207
Fiscal	700,560	694,482
Business	288,257	237,657
Operations and maintenance	2,860,552	2,750,000
Pupil transportation	1,562,560	1,440,110
Central	371,708	391,170
Operation of non-instructional services:		
Food service operations	1,399,963	1,334,786
Other non-instructional services	47,079	105,469
Extracurricular activities	915,633	956,359
Interest and fiscal charges	<u>893,939</u>	<u>913,174</u>
 Total expenses	 <u>34,642,392</u>	 <u>32,424,110</u>
 Change in net position	 451,571	 3,023,727
 Net position (deficit) at beginning of year	 <u>(16,452,570)</u>	 <u>(19,476,297)</u>
 Net position (deficit) at end of year	 <u>\$ (16,000,999)</u>	 <u>\$ (16,452,570)</u>

Governmental Activities

Net position of the District's governmental activities increased \$451,571. Total governmental expenses of \$34,642,392 were offset by program revenues of \$6,656,071 and general revenues of \$28,437,892. Program revenues supported 19.21% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, revenue in lieu of taxes, and grants and entitlements. These revenue sources represent 80.80% of total governmental revenue.

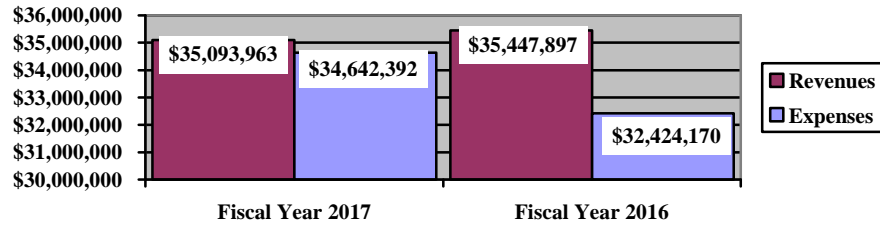
The largest expense of the District is for instructional programs. Instruction expenses totaled \$20,253,118 or 58.46% of total governmental expenses for fiscal 2017.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2017 and 2016:

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The table on the following page shows, for governmental activities, the total cost of services and the net cost of services for 2017 and 2016.

Governmental Activities

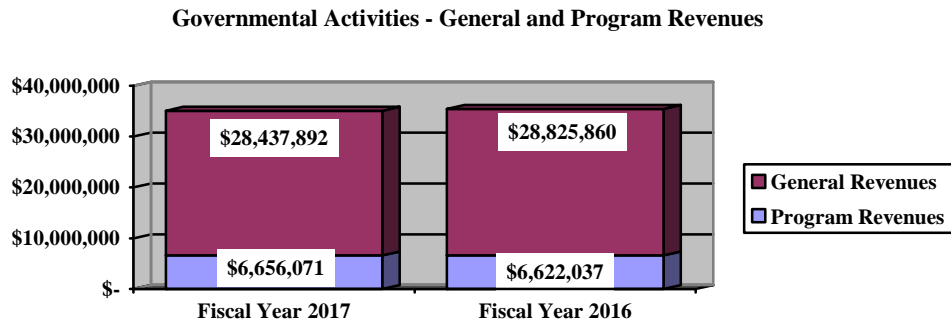
	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
Program expenses				
Instruction:				
Regular	\$ 10,112,973	\$ 9,584,333	\$ 9,564,100	\$ 8,990,714
Special	6,610,215	2,532,557	6,012,454	2,099,634
Vocational	275,262	153,240	270,155	229,556
Other	3,254,668	3,254,668	2,914,477	2,914,477
Support services:				
Pupil	1,817,243	1,757,220	1,655,489	1,601,751
Instructional staff	1,082,810	1,068,816	1,012,612	948,135
Board of education	154,399	154,399	108,409	108,409
Administration	2,294,571	2,294,571	2,063,207	2,063,207
Fiscal	700,560	699,266	694,482	691,168
Business	288,257	288,257	237,657	237,657
Operations and maintenance	2,860,552	2,663,992	2,750,060	2,538,998
Pupil transportation	1,562,560	1,396,364	1,440,110	1,277,821
Central	371,708	278,558	391,170	376,278
Operations of non-instructional services:				
Other non-instructional services	47,079	9,939	105,469	(17,134)
Food service operations	1,399,963	190,093	1,334,786	69,578
Extracurricular activities	915,633	766,109	956,359	758,710
Interest and fiscal charges	893,939	893,939	913,174	913,174
Total expenses	<u>\$ 34,642,392</u>	<u>\$ 27,986,321</u>	<u>\$ 32,424,170</u>	<u>\$ 25,802,133</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The dependence upon tax and other general revenues for governmental activities is apparent; as 76.65% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.79%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2017 and 2016.



The District's Funds

The District's governmental funds reported a combined fund balance of \$5,540,797, which is higher than last year's total of \$3,671,332. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	Fund Balance June 30, 2016	Fund Balance June 30, 2016	Change	Percentage Change
General	\$ 3,952,525	\$ 1,965,954	\$ 1,986,571	101.05 %
Other Governmental	<u>1,588,272</u>	<u>1,705,378</u>	<u>(117,106)</u>	(6.87) %
Total	<u>\$ 5,540,797</u>	<u>\$ 3,671,332</u>	<u>\$ 1,869,465</u>	50.92 %

General Fund

The District's general fund balance increased \$1,986,571 from a fund balance of \$1,965,954 to a fund balance of \$3,952,525.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 10,043,103	\$ 10,833,354	\$ (790,251)	(7.29) %
Payment in lieu of taxes	67,521	97,215	(29,694)	(30.54) %
Tuition	641,105	485,946	155,159	31.93 %
Earnings on investments	12,939	10,469	2,470	23.59 %
Intergovernmental	19,093,748	18,325,898	767,850	4.19 %
Other revenues	<u>330,246</u>	<u>360,078</u>	<u>(29,832)</u>	<u>(8.28) %</u>
 Total	 <u>\$ 30,188,662</u>	 <u>\$ 30,112,960</u>	 <u>\$ 75,702</u>	 <u>0.25 %</u>
<u>Expenditures</u>				
Instruction	\$ 17,044,518	\$ 16,305,743	\$ 738,775	4.53 %
Support services	9,948,892	9,846,426	102,466	1.04 %
Non-instructional services	2,347	744	1,603	215.46 %
Extracurricular activities	532,643	623,849	(91,206)	(14.62) %
Facilities acquisition and construction	-	45,099	(45,099)	(100.00) %
Capital outlay	336,900	-	336,900	100.00 %
Debt service	<u>215,311</u>	<u>127,915</u>	<u>87,396</u>	<u>68.32 %</u>
 Total	 <u>\$ 28,080,611</u>	 <u>\$ 26,949,776</u>	 <u>\$ 1,130,835</u>	 <u>4.20 %</u>

Revenues of the general fund increased \$75,702 or 0.25% from fiscal year 2016. Property taxes decreased \$790,251 or 7.29% primarily due to a fluctuation in the amount of taxes available as an advance to the District at June 30, 2017, June 30, 2016 and June 30, 2015. Payment in lieu of taxes decreased \$29,694 or 30.54% due to the District not receiving monies from Sirna & Sons in fiscal year 2017. Tuition increased \$155,159 or 31.93% due to an increase in the current fiscal year in open enrollment and tuition for special education. All other revenues were consistent with the prior fiscal year.

Expenditures of the general fund increased \$1,130,835 or 4.20%. Capital outlay and debt service increased \$336,900 or 100.00% and 87,396 or 68.32%, respectively, due to the District entering into a new capital lease for four buses in fiscal year 2017. Payments are being paid out of the general fund. Facilities acquisition and construction decreased \$45,099 or 100% due to District paying for certain site improvements for the stadium out of the general in fiscal year 2016. Extracurricular activities decreased \$91,206 or 14.62% primarily due to a decrease in extracurricular salaries and payroll related expenses. All other expenses were consistent with the prior year.

General Fund Budgeting Highlights

The 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.

For the general fund, original budgeted revenues and other financing sources amounted to \$29,596,438 and were increased to \$30,847,352 for the final budget. Actual revenues and other financing sources for fiscal 2017 were \$30,344,830. This represents a \$502,522 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$29,226,971 was increased to \$29,388,933 for the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$28,687,940, which was \$700,993 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the District had \$37,480,650 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows June 30, 2017 balances compared to June 30, 2016:

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

	Governmental Activities	
	2017	2016
Land	\$ 74,984	\$ 74,984
Land improvements	2,567,785	2,777,128
Building and improvements	33,425,882	34,405,689
Furniture and equipment	628,305	757,517
Vehicles	783,694	549,558
Total	\$ 37,480,650	\$ 38,564,876

Total additions to capital assets for 2017 were \$361,720. Disposals to capital assets for 2017 were \$5,893 (net of accumulated depreciation). Depreciation expense for fiscal 2017 was \$1,440,053. Overall, capital assets of the District decreased \$1,084,226.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2017, the District had \$15,526,661 in general obligation bonds outstanding, \$1,625,000 in tax anticipation notes and \$1,723,822 in capital lease obligations. Of the outstanding obligations total, \$1,244,884 is due within one year and \$17,630,599 is due within greater than one year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The following table summarizes the bonds, notes and capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
General obligation bonds	\$ 15,526,661	\$ 15,878,084
Tax anticipation note	1,625,000	1,875,000
Capital lease obligation	<u>1,723,822</u>	<u>1,825,878</u>
Total	<u>\$ 18,875,483</u>	<u>\$ 19,578,962</u>

See Note 11 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

Local property taxes have remained consistent in the wake of recessionary value declines. We believe these valuation declines will recover and stabilize. Indeed, just after the District saw significant declines with the last revaluation, property values increased by \$3 million for 2013 and 2014. Enrollment for the District has seen a downward trend over the last few years. This is a state-wide trend. However, in fiscal year 2014 enrollment stabilized a bit. Either way the District will economize operations to reflect the direction of enrollment in an effort to maintain a balanced budget.

The District's general fund ended fiscal year 2017 with a carryover balance of \$4,399,976, up from a year end carryover of \$2,743,083 in fiscal year 2016. Revenue exceeded expenditures for the third consecutive year. Our ability to maintain a balanced budget from fiscal year 2014 to 2017 is due to careful and prudent financial management. The District continues to foster a cooperative atmosphere with its unions. The three unions adopted new contracts in fiscal year 2017 and these contracts expire in 2019. The certified and classified unions agreed to a fiscal year 2017 increase 1%, fiscal year 2018 increase 2.5%, fiscal year 2019 increase 2.5%. Previously the unions had a 0% base and step increase for the fiscal year 2013, and raises were limited to 1% in fiscal year 2014, fiscal year 2015 and fiscal year 2016. In addition, the District has experienced some significant shifts in staffing. Many certificated staff members have retired because of the changes in STRS (State Teachers Retirement System) and there are several positions that will not be replaced. This will present a significant savings in salaries; however, severance costs will go up in the short term. There may be additional staffing changes in the future as the District adjusts for declining enrollment.

Although the District has made a temporary recovery with its operating funds, there is a significant need for permanent improvements. Two of the District's building are in need of new roofs and there are material HVAC deficiencies that will need to be addressed. A 2.9 mil permanent improvement levy was approved by the community on May 2, 2017. The District will begin receiving the collections from the PI levy in February 2018.

The District will continue to monitor its budget and spending in order to avoid deficit spending and remain solvent in the years to come. In addition, the District will continue to pursue alternative funding sources to supplement the District's operating budget.

These strategies will give the District the ability to sustain its financial position. Ultimately our goal, as we navigate these financial hurdles, is to continue to improve student academic performance and provide a safe productive atmosphere for students and staff.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact David Hoskin, Treasurer, Ravenna City School District, 507 East Main Street, Ravenna, Ohio 44266.

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

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 6,255,547
Receivables:	
Property taxes	12,027,882
Payment in lieu of taxes.	897
Accounts	25,398
Accrued interest.	21
Intergovernmental.	350,314
Prepayments	51,898
Materials and supplies inventory	4,502
Inventory held for resale	17,375
Capital assets:	
Nondepreciable capital assets	74,984
Depreciable capital assets, net	37,405,666
Capital assets, net	37,480,650
Total assets	56,214,484
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	1,153,065
Pension - STRS	6,317,763
Pension - SERS.	2,167,582
Total deferred outflows of resources	9,638,410
Liabilities:	
Accounts payable.	82,948
Retainage payable	1,124
Accrued wages and benefits payable	2,605,351
Intergovernmental payable	56,237
Pension and postemployment benefits payable	399,811
Accrued interest payable	154,675
Unearned revenue	13,750
Long-term liabilities:	
Due within one year	1,329,538
Due in more than one year:	
Net pension liability	46,930,447
Other amounts due in more than one year	19,033,965
Total liabilities.	70,607,846
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	9,236,910
Pension - STRS	1,839,700
Pension - SERS	169,437
Total deferred inflows of resources	11,246,047
Net position:	
Net investment in capital assets	20,465,286
Restricted for:	
Capital projects	297,051
Classroom facilities maintenance	739,449
Other purposes	9,930
Targeted academic assistance.	922
Special education	54,094
Unrestricted (deficit)	(37,567,731)
Total net position (deficit).	\$ (16,000,999)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 10,112,973	\$ 391,480	\$ 137,160	\$ -	\$ (9,584,333)
Special	6,610,215	251,404	3,826,254	-	(2,532,557)
Vocational	275,262	-	122,022	-	(153,240)
Other	3,254,668	-	-	-	(3,254,668)
Support services:					
Pupil.	1,817,243	-	60,023	-	(1,757,220)
Instructional staff	1,082,810	-	13,994	-	(1,068,816)
Board of education	154,399	-	-	-	(154,399)
Administration.	2,294,571	-	-	-	(2,294,571)
Fiscal.	700,560	-	1,294	-	(699,266)
Business.	288,257	-	-	-	(288,257)
Operations and maintenance	2,860,552	196,015	545	-	(2,663,992)
Pupil transportation.	1,562,560	45,254	120,942	-	(1,396,364)
Central	371,708	-	10,800	82,350	(278,558)
Operation of non-instructional services:					
Other non-instructional services	47,079	-	37,140	-	(9,939)
Food service operations	1,399,963	67,537	1,142,333	-	(190,093)
Extracurricular activities.	915,633	134,684	14,840	-	(766,109)
Interest and fiscal charges	893,939	-	-	-	(893,939)
Total governmental activities	\$ 34,642,392	\$ 1,086,374	\$ 5,487,347	\$ 82,350	(27,986,321)
General revenues:					
Property taxes levied for:					
General purposes					10,001,988
Debt service.					986,402
Special revenue					93,267
Capital outlay.					272,636
Payments in lieu of taxes.					67,521
Grants and entitlements not restricted to specific programs					16,932,435
Investment earnings					14,046
Miscellaneous					69,597
Total general revenues					28,437,892
Change in net position					451,571
Net position (deficit) at beginning of year.					(16,452,570)
Net position (deficit) at end of year					\$ (16,000,999)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	\$ 4,658,185	\$ 1,597,362	\$ 6,255,547
Receivables:			
Property taxes	10,598,898	1,428,984	12,027,882
Payment in lieu of taxes	897	-	897
Accounts	25,398	-	25,398
Accrued interest	21	-	21
Intergovernmental	200,002	150,312	350,314
Prepayments	51,898	-	51,898
Materials and supplies inventory	-	4,502	4,502
Inventory held for resale	-	17,375	17,375
Total assets.	<u>\$ 15,535,299</u>	<u>\$ 3,198,535</u>	<u>\$ 18,733,834</u>
Liabilities:			
Accounts payable	\$ 33,566	\$ 49,382	\$ 82,948
Retainage payable.	-	1,124	1,124
Accrued wages and benefits payable	2,255,035	350,316	2,605,351
Compensated absences payable	33,218	4,651	37,869
Intergovernmental payable	51,983	4,254	56,237
Pension and postemployment benefits payable.	368,082	31,729	399,811
Unearned revenue.	13,750	-	13,750
Total liabilities.	<u>2,755,634</u>	<u>441,456</u>	<u>3,197,090</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	8,155,192	1,081,718	9,236,910
Delinquent property tax revenue not available	600,643	84,172	684,815
Intergovernmental revenue not available	71,305	2,917	74,222
Total deferred inflows of resources	<u>8,827,140</u>	<u>1,168,807</u>	<u>9,995,947</u>
Fund balances:			
Nonspendable:			
Materials and supplies inventory.	-	4,502	4,502
Prepays.	51,898	-	51,898
Restricted:			
Debt service	-	639,939	639,939
Capital improvements	-	271,343	271,343
Classroom facilities maintenance	-	739,449	739,449
Special education	-	54,094	54,094
Targeted academic assistance	-	922	922
Other purposes.	-	7,013	7,013
Committed:			
Capital improvements	-	59,162	59,162
Student and staff support	15,093	-	15,093
Student instruction	52,301	-	52,301
Assigned:			
Student instruction	48,189	-	48,189
Student and staff support.	122,673	-	122,673
Subsequent year's appropriations	392,610	-	392,610
Unassigned (deficit)	3,269,761	(188,152)	3,081,609
Total fund balances	<u>3,952,525</u>	<u>1,588,272</u>	<u>5,540,797</u>
Total liabilities, deferred inflows and fund balances.	<u>\$ 15,535,299</u>	<u>\$ 3,198,535</u>	<u>\$ 18,733,834</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Total governmental fund balances		\$	5,540,797
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			37,480,650
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	684,815	
Intergovernmental receivable		74,222	
Total		759,037	759,037
Unamortized premiums on bonds issued are not recognized in the funds.			(1,769,319)
Unamortized amounts on refundings are not recognized in the funds.			1,153,065
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(154,675)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		8,485,345	
Deferred inflows of resources - pension		(2,009,137)	
Net pension liability		(46,930,447)	
Total		(40,454,239)	(40,454,239)
Long-term liabilities, including bonds, notes, and capital leases payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(13,757,342)	
Capital lease obligations		(1,723,822)	
Tax anticipation note		(1,625,000)	
Compensated absences		(1,450,151)	
Total		(18,556,315)	(18,556,315)
Net position (deficit) of governmental activities		\$	(16,000,999)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Property taxes	\$ 10,043,103	\$ 1,360,025	\$ 11,403,128
Payment in lieu of taxes	67,521	-	67,521
Tuition	641,105	-	641,105
Transportation fees	45,246	-	45,246
Earnings on investments	12,939	1,397	14,336
Charges for services	-	67,545	67,545
Extracurricular	37,139	59,068	96,207
Classroom materials and fees	750	-	750
Rental income	196,015	5,650	201,665
Contributions and donations	29,015	82,600	111,615
Contract services	1,779	-	1,779
Other local revenues	20,302	85,989	106,291
Intergovernmental - intermediate	-	15,400	15,400
Intergovernmental - state	18,641,589	472,890	19,114,479
Intergovernmental - federal	452,159	2,839,573	3,291,732
Total revenues	<u>30,188,662</u>	<u>4,990,137</u>	<u>35,178,799</u>
Expenditures:			
Current:			
Instruction:			
Regular	8,958,202	148,347	9,106,549
Special	4,572,375	1,822,948	6,395,323
Vocational	268,125	-	268,125
Other	3,245,816	-	3,245,816
Support services:			
Pupil	1,669,235	66,177	1,735,412
Instructional staff	988,187	15,862	1,004,049
Board of education	148,934	-	148,934
Administration	2,116,251	-	2,116,251
Fiscal	611,857	33,317	645,174
Business	270,688	-	270,688
Operations and maintenance	2,439,678	255,954	2,695,632
Pupil transportation	1,364,780	5,161	1,369,941
Central	339,282	12,508	351,790
Operation of non-instructional services:			
Other non-instructional services	2,347	43,742	46,089
Food service operations	-	1,340,074	1,340,074
Extracurricular activities	532,643	139,960	672,603
Facilities acquisition and construction	-	16,565	16,565
Capital outlay	336,900	-	336,900
Debt service:			
Principal retirement	210,956	633,759	844,715
Interest and fiscal charges	4,355	411,668	416,023
Refunding bond issuance costs	-	43,000	43,000
Accreted interest on capital appreciation bonds	-	625,081	625,081
Total expenditures	<u>28,080,611</u>	<u>5,614,123</u>	<u>33,694,734</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,108,051</u>	<u>(623,986)</u>	<u>1,484,065</u>
Other financing sources (uses):			
Premium on refunding bonds	-	66,356	66,356
Sale of refunding bonds	-	1,219,560	1,219,560
Sale of assets	5,500	-	5,500
Transfers in	-	758,996	758,996
Transfers (out)	(463,880)	(295,116)	(758,996)
Capital lease transaction	336,900	-	336,900
Payment to refunded bond escrow agent	-	(1,242,916)	(1,242,916)
Total other financing sources (uses)	<u>(121,480)</u>	<u>506,880</u>	<u>385,400</u>
Net change in fund balances	1,986,571	(117,106)	1,869,465
Fund balances at beginning of year	<u>1,965,954</u>	<u>1,705,378</u>	<u>3,671,332</u>
Fund balances at end of year	<u>\$ 3,952,525</u>	<u>\$ 1,588,272</u>	<u>\$ 5,540,797</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds	\$	1,869,465
<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.		
Capital asset additions	\$ 361,720	
Current year depreciation	(1,440,053)	
Total		(1,078,333)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(5,893)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(48,835)	
Intergovernmental	(28,616)	
Total		(77,451)
Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	95,840	
Capital appreciation bonds	59,919	
Accreted interest on capital appreciation bonds	625,081	
Tax anticipation note	250,000	
Capital leases	438,956	
Total		1,469,796
Issuance of bonds and capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
Refunding bonds	(1,219,560)	
Capital lease	(336,900)	
Total		(1,556,460)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:		
Bonds refunded	1,220,000	
Deferred charges on refundings	22,916	
Total		1,242,916
Premiums on bonds related to the issuance of bonds are amortized over the life of the issuance in the statement of activities.		
		(66,356)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Decrease in accrued interest payable	7,432	
Accreted interest on capital appreciation bonds	(483,789)	
Amortization of bond premiums	120,288	
Amortization of deferred charges	(78,847)	
Total		(434,916)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		2,312,021
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(3,144,283)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(78,935)
Change in net position of governmental activities	\$	451,571

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 9,786,126	\$ 10,109,527	\$ 10,109,326	\$ (201)
Payment in lieu of taxes	95,277	97,813	97,813	-
Tuition.	540,258	714,800	641,105	(73,695)
Transportation fees.	23,827	25,000	45,246	20,246
Earnings on investments	10,290	11,373	12,939	1,566
Rental income	209,856	175,000	198,415	23,415
Contract services.	3,454	500	1,779	1,279
Other local revenues	26,500	30,423	17,234	(13,189)
Intergovernmental - state	18,197,760	19,027,043	18,576,760	(450,283)
Intergovernmental - federal	414,249	323,065	307,708	(15,357)
Total revenues	29,307,597	30,514,544	30,008,325	(506,219)
Expenditures:				
Current:				
Instruction:				
Regular	9,392,496	9,135,283	9,077,970	57,313
Special.	4,555,961	4,809,805	4,756,490	53,315
Vocational.	281,264	294,890	269,124	25,766
Other.	3,117,255	3,195,051	3,239,682	(44,631)
Support services:				
Pupil.	1,677,294	1,690,935	1,676,700	14,235
Instructional staff	1,051,339	1,082,569	1,045,536	37,033
Board of education	166,548	169,297	165,078	4,219
Administration.	2,187,306	2,150,379	2,111,555	38,824
Fiscal	667,116	647,221	606,321	40,900
Business	280,045	273,884	270,261	3,623
Operations and maintenance.	2,729,059	2,742,367	2,444,651	297,716
Pupil transportation	1,585,955	1,577,490	1,547,136	30,354
Central.	442,055	346,113	341,453	4,660
Extracurricular activities.	563,278	598,839	461,173	137,666
Total expenditures	28,696,971	28,714,123	28,013,130	700,993
 Excess of revenues over expenditures.	 610,626	 1,800,421	 1,995,195	 194,774
Other financing sources (uses):				
Refund of prior year's expenditures	34,841	74,808	81,005	6,197
Transfers (out).	(280,000)	(424,810)	(424,810)	-
Advances in.	250,000	250,000	250,000	-
Advances (out)	(250,000)	(250,000)	(250,000)	-
Sale of capital assets	4,000	8,000	5,500	(2,500)
Total other financing sources (uses)	(241,159)	(342,002)	(338,305)	3,697
 Net change in fund balance	 369,467	 1,458,419	 1,656,890	 198,471
Fund balance at beginning of year	2,662,730	2,662,730	2,662,730	-
Prior year encumbrances appropriated	80,356	80,356	80,356	-
Fund balance at end of year	\$ 3,112,553	\$ 4,201,505	\$ 4,399,976	\$ 198,471

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and investments	\$ 53,079	\$ 77,418
Cash and investments in segregated accounts	829,484	-
Receivables:		
Accrued interest	975	-
Notes	328,839	-
Total assets	<u>1,212,377</u>	<u>\$ 77,418</u>
Liabilities:		
Due to students	-	\$ 68,532
Undistributed monies	-	8,886
Total liabilities	<u>-</u>	<u>\$ 77,418</u>
Net position:		
Held in trust for scholarships	<u>1,212,377</u>	
Total net position	<u>\$ 1,212,377</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 2,738
Gifts and contributions	12,417
Total additions.	15,155
Deductions:	
Scholarships awarded	110,533
Change in net position	(95,378)
Net position at beginning of year.	1,307,755
Net position at end of year	\$ 1,212,377

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Ravenna City School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District employs 211 certified and 147 non-certified employees to provide services to approximately 2,706 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

JOINTLY GOVERNED ORGANIZATIONS

Maplewood Area Joint Vocational School

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 possess 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Stark Portage Area Computer Consortium (SPARCC)

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, 2017, the District paid \$82,740 to SPARCC for basic service charges.

RELATED ORGANIZATION

Reed Memorial Public Library (the "Library")

The Library is a distinct political subdivision of the State of Ohio created under chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Ravenna City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the 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.

PUBLIC ENTITY RISK POOLS

Stark County Schools Council of Governments (the "COG")

The COG is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the COG. All COG's revenues are generated from charges for services. The COG has a Health Benefits Program which is a shared risk pool comprised of various entities, most of which are school districts.

Ohio Schools Council Association

The Ohio Schools Council Association (the "Council") is a jointly governed organization comprised of one-hundred-ninety-nine school districts, joint vocational school districts, educational service centers and county boards of developmental disability. The mission of the Council is to identify, plan and provide services to member districts that can be more effectively achieved by cooperative endeavors of member districts than by an individual district operating on its own. Each district supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained by contacting the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

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

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the 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.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the 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 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 District.

Fund Financial Statements - During the year, the District segregates transactions related to certain 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 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.

The 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 deferred outflows and liabilities and deferred inflows is reported as fund balance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following is the District's major governmental fund:

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

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, not reported in the permanent improvement fund, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's fiduciary funds are private purpose trust and agency funds. The District's private purpose trust funds are primarily for assets held by the District in a trustee capacity. The 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 deferred outflows and liabilities and deferred inflows associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current deferred outflows and current liabilities and current deferred inflows 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., expenditure 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 a 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 is included in the government-wide financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 on the fund financial statements. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from 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 Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 13 for deferred outflows of resources related to the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool, except for certain trust fund monies that have been separately invested. Individual fund integrity is maintained through District records. Each funds' interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

The District has a segregated portion of the internal investment pool cash balances which is held in separate investment accounts pursuant to trust agreements. The balances of these segregated investments accounts are reported as "cash and investments in segregated accounts" on the financial statements.

During fiscal year 2017, investments were limited to negotiable certificates of deposit and U.S. government money market mutual funds. These investments are reported at fair value which is based on quoted market prices.

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 District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 2017 amounted to \$12,939, which includes \$2,830 assigned from other District funds.

F. Bond Premium/Accounting Gain or Loss

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position.

G. 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 position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their acquisition value. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Useful Lives
Land Improvements	20 Years
Buildings and Improvements	10 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	8 Years

H. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method. Fund balance has been presented as nonspendable equal to the balance of the materials and supplies inventory at fiscal year-end. Inventory consists of expendable supplies held for consumption.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Compensated Absences

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2017, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

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, compensated absences and net pension liability 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, notes, and capital leases are recognized as a liability on the fund financial statements when due.

K. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for preschool/child care operations.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

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 year 2017.

O. Estimates

The preparation of financial statements in conformity with GAAP 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.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the 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 2017.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

R. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance.

S. Fair Market Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These disclosures were incorporated in the District's fiscal year 2017 financial statements (see Note 21); however, there was no effect on beginning net position/fund balance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food services	\$ 72,440
District managed student activity	322
Public school preschool	5,008
IDEA - Part B	89,739
IDEA - preschool grant for the handicapped	2,951
Improving teacher quality	13,190

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - 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 District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash and Investments in Segregated Accounts

At year-end, the District had \$829,484 in cash and investments held in separate investment accounts pursuant to trust agreements. This amount is reported as “cash and investments in segregated accounts” on the statement of fiduciary net position. The balances of these investments are included in “Investments” below.

B. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits, including cash in segregated accounts, was \$6,368,165. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2017, \$6,712,513 of the District’s bank balance of \$6,962,513 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2017, the District had the following investments and maturities:

Measurement/ <u>Investment type</u>	Measurement <u>Amount</u>	Investment Maturities				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater Than 24 months</u>
<i>Fair Value:</i>						
Negotiable CD's	\$ 261,393	\$ 154,372	\$ -	\$ 61,439	\$ -	\$ 45,582
U.S. Government money market mutual fund	<u>585,970</u>	<u>585,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 847,363</u>	<u>\$ 740,342</u>	<u>\$ -</u>	<u>\$ 61,439</u>	<u>\$ -</u>	<u>\$ 45,582</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs).

The District's investments in negotiable certificates of deposit are valued using quoted market prices that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either direct or indirectly (Level 2 inputs).

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: Standard & Poor's has assigned the U.S. Government Money Market an AAAM money market rating. The negotiable CD's are fully covered by the FDIC and are not rated. The District's investment policy does not address investment credit risk beyond the requirements of State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Requirements in State statute prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board or qualified trustee.

Concentration of Credit Risk: The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

Measurement/ <u>Investment type</u>	<u>Amount</u>	<u>% of Total</u>
Negotiable CD's	\$ 261,393	30.85
U.S. Government money market mutual fund	<u>585,970</u>	<u>69.15</u>
Total	<u>\$ 847,363</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,368,165
Investments	<u>847,363</u>
Total	<u>\$ 7,215,528</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,255,547
Private-purpose trust funds	882,563
Agency funds	<u>77,418</u>
Total	<u>\$ 7,215,528</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2017, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 463,880
 <u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor governmental funds	<u>295,116</u>
Total	<u>\$ 758,996</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The District transferred \$225,421 from the permanent improvement fund (a nonmajor governmental fund) to the debt service fund (a nonmajor governmental fund) for the repayment of the tax anticipation notes. The District transferred \$69,695 from the stadium improvement fund (a nonmajor governmental fund) to the debt service fund (a nonmajor governmental fund) for the repayment of the stadium lease obligation. Interfund transfers between governmental funds are eliminated on the government-wide financial statements. All transfers were in compliance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Portage County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$1,843,063 in the general fund, \$182,493 in the bond retirement fund (a nonmajor governmental fund) and \$80,601 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$1,948,356 in the general fund, \$196,126 in the bond retirement fund (a nonmajor governmental fund) and \$85,073 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 300,694,190	95.86	\$ 293,956,660	95.32
Public utility personal	<u>12,983,620</u>	<u>4.14</u>	<u>14,434,740</u>	<u>4.68</u>
Total	<u>\$ 313,677,810</u>	<u>100.00</u>	<u>\$ 308,391,400</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$65.97		\$65.91	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2017 consisted of property taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	\$ 12,027,882
Payment in lieu of taxes	897
Accounts	25,398
Intergovernmental	350,314
Accrued interest	<u>21</u>
Total	<u>\$ 12,404,512</u>

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

NOTE 8 - NOTES RECEIVABLE

The Wichterman trust fund was established in 1984 through a probate will. Qualified Ravenna graduates attending medical school may borrow interest free, any amount to pay for the costs of higher education. Repayment begins one year after termination of college attendance.

The Jane Jenkins Scholarship Loan 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 2017, there were 36 former students with a total principal loan balance outstanding of \$328,839.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - CAPITAL ASSETS

Governmental capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance <u>07/01/2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/2017</u>
Governmental activities:				
<i>Capital assets, not being depreciated</i>				
Land	\$ 74,984	\$ -	\$ -	\$ 74,984
Total capital assets, not being depreciated	<u>74,984</u>	<u>-</u>	<u>-</u>	<u>74,984</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	6,019,419	-	-	6,019,419
Buildings and improvements	45,991,855	-	-	45,991,855
Furniture and equipment	1,874,001	8,190	-	1,882,191
Vehicles	1,311,694	353,530	(16,000)	1,649,224
Total capital assets, being depreciated	<u>55,196,969</u>	<u>361,720</u>	<u>(16,000)</u>	<u>55,542,689</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(3,242,291)	(209,343)	-	(3,451,634)
Buildings and improvements	(11,586,166)	(979,807)	-	(12,565,973)
Furniture and equipment	(1,116,484)	(137,402)	-	(1,253,886)
Vehicles	(762,136)	(113,501)	10,107	(865,530)
Total accumulated depreciation	<u>(16,707,077)</u>	<u>(1,440,053)</u>	<u>10,107</u>	<u>(18,137,023)</u>
Total capital assets, being depreciated, net	<u>38,489,892</u>	<u>(1,078,333)</u>	<u>(5,893)</u>	<u>37,405,666</u>
Governmental activities capital assets, net	<u>\$ 38,564,876</u>	<u>\$ (1,078,333)</u>	<u>\$ (5,893)</u>	<u>\$ 37,480,650</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 671,266
<u>Support services:</u>	
Pupil	56,112
Instructional staff	46,400
Board of Education	4,947
Administration	74,754
Fiscal	20,400
Business	11,824
Operations and maintenance	100,034
Pupil transportation	155,336
Central	14,793
Other non-instructional services	970
Food service operations	57,534
Extracurricular	<u>225,683</u>
Total depreciation expense	<u>\$ 1,440,053</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - CAPITALIZED LEASES

In current and prior fiscal years, the District entered into capitalized leases for equipment, buses and for a stadium. These leases meet the criteria of a capital lease as defined by generally accepted accounting principles, in that they transfer the benefits and risks of ownership to the lessee. The stadium has been capitalized in the amount of \$5,640,462, the buses for \$735,597 and the equipment for \$125,078. This amount represents the present value of the minimum lease payments at the time of the acquisition.

The stadium capital lease is being retired from the bond retirement fund (a nonmajor governmental fund) and the bus capital leases and equipment lease are being retired from the general fund. The capital lease payments are reflected as debt service expenditures in the statement of revenues, expenditures and changes in fund balances. A corresponding liability is recorded in the statement of net position. Principal payments in the 2017 fiscal year totaled \$210,956 paid from the general fund for the bus capital leases and equipment lease and \$228,000 paid from the bond retirement fund (a nonmajor governmental fund) for the stadium capital lease.

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, 2017.

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2018	\$ 430,684
2019	348,011
2020	351,863
2021	269,184
2022	273,738
2023	<u>137,156</u>
	1,810,636
Less: amount representing interest	<u>(86,814)</u>
Present value of minimum lease payments	<u><u>\$ 1,723,822</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - LONG-TERM OBLIGATIONS

During fiscal year 2017, the following changes occurred in governmental activities long-term obligations.

	Balance Outstanding <u>06/30/16</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/17</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
General obligation bonds					
Series 2003 energy conservation	\$ 110,000	\$ -	\$ (35,000)	\$ 75,000	\$ 35,000
Series 2007 school improvement:					
Current interest bonds	1,280,000	-	(1,280,000)	-	-
Series 2012 school improvement refunding:					
Current interest bonds	6,305,000	-	-	6,305,000	-
Capital appreciation bonds	65,712	-	(43,176)	22,536	22,536
Accretion capital appreciation bonds	578,696	377,598	(556,824)	399,470	399,470
Premium	1,043,463	-	(71,963)	971,500	-
Series 2013 school improvement refunding:					
Current interest bonds	5,385,000	-	-	5,385,000	-
Capital appreciation bonds	59,651	-	(16,743)	42,908	11,065
Accretion capital appreciation bonds	270,774	106,191	(68,257)	308,708	57,049
Premium	779,788	-	(44,559)	735,229	-
Series 2016 school improvement refunding:					
Current interest bonds	-	1,219,560	(840)	1,218,720	64,340
Premium	-	66,356	(3,766)	62,590	-
Total general obligation bonds	<u>15,878,084</u>	<u>1,769,705</u>	<u>(2,121,128)</u>	<u>15,526,661</u>	<u>589,460</u>
Capital lease obligations	1,825,878	336,900	(438,956)	1,723,822	400,424
Tax anticipation note	1,875,000	-	(250,000)	1,625,000	255,000
Net pension liability	40,474,375	6,456,072	-	46,930,447	-
Compensated absences	<u>1,391,466</u>	<u>138,868</u>	<u>(42,314)</u>	<u>1,488,020</u>	<u>84,654</u>
Total long-term obligations, governmental activities	<u>\$ 61,444,803</u>	<u>\$ 8,701,545</u>	<u>\$ (2,852,398)</u>	<u>\$ 67,293,950</u>	<u>\$ 1,329,538</u>

Energy Conservation Bonds

On November 1, 2003, the District issued \$425,000 in general obligation bonds for the purpose of providing energy conservation measures for the District, under authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The bonds were issued for a fifteen year period with final maturity during fiscal year 2019. The bonds bear an interest rate ranging from 3.50-4.40 percent. The bonds are being retired from the bond retirement fund (a nonmajor governmental fund).

Series 2007 Improvement Bonds

On April 4, 2007, the District issued \$1,615,425 in general obligation bonds for improvements to the schools. The bonds mature in January 2032.

The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption. The bonds are being retired from the bond retirement fund (a nonmajor governmental fund).

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. During fiscal year 2017, the series 2007 general obligation bonds were refunded in the amount of \$1,220,000.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Series 2012 School Improvement Refunding Bonds

On December 12, 2012, the District issued general obligation bonds (series 2012 refunding bonds) to refund \$6,550,000 of the series 2006 general obligation current interest bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of both current interest bonds, par value \$6,430,000, and capital appreciation bonds par value \$119,990. The interest rates on the current interest bonds range from 1.00%-3.00%. The remaining capital appreciation bonds mature each January 15, 2016 through 2018 (stated interest rate 76.84%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds outstanding at June 30, 2017 is \$600,000. Total accreted interest of \$399,470 for Series 2012 capital appreciation bonds has been included on the statement of net position at June 30, 2017. Principal and interest payments are made from the bond retirement fund (a nonmajor governmental fund).

Interest payments on the current interest bonds are due on January 15 and July 15 of each year. The final maturity stated in the issue is January 15, 2031.

The reacquisition price exceeded the net carrying amount of the old debt by \$892,451. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued, as a deferred outflow of resources on the statement of net position.

Series 2013 School Improvement Refunding Bonds

On January 9, 2013, the District issued general obligation bonds (series 2013 refunding bonds) to refund \$5,640,000 of the series 2006 general obligation current interest bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of both current interest bonds, par value \$5,555,000, and capital appreciation bonds par value \$84,986. The interest rates on the current interest bonds range from 1.00%-3.25%. The capital appreciation bonds mature each January 15, 2016 through 2022 (stated interest rate 46.03%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds outstanding at June 30, 2017 is \$1,005,000. Total accreted interest of \$308,708 for Series 2013 capital appreciation bonds has been included on the statement of net position at June 30, 2017. Principal and interest payments are made from the bond retirement fund (a nonmajor governmental fund).

Interest payments on the current interest bonds are due on January 15 and July 15 of each year. The final maturity stated in the issue is January 15, 2034.

The reacquisition price exceeded the net carrying amount of the old debt by \$592,068. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued, as a deferred outflow of resources on the statement of net position.

Series 2016 School Improvement Refunding Bonds

On August 11, 2016, the District issued a \$1,219,560 general obligation bonds (series 2016 refunding bonds) to refund \$1,220,000 of the series 2007 general obligation current interest bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The refunding issue is comprised of current interest bonds with an interest rate of 3.10%. The reacquisition price exceeded the net carrying amount of the old debt by \$22,916. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued, as a deferred outflow of resources on the statement of net position.

Principal and interest payments are made from the bond retirement fund (a nonmajor governmental fund).

Interest payments on the current interest bonds are due on January 15 and July 15 of each year. The final maturity stated in the issue is January 15, 2032.

This refunding was undertaken to reduce the combined total debt service payments through January 15, 2032 by \$129,513 and resulted in an economic gain of \$105,079.

Capital lease Obligations

See Note 10 for further detail on the District's capital lease obligations.

Tax Anticipation Notes

On June 26, 2012, the District issued a \$1,585,000 permanent improvement tax anticipation note to fund capital projects. The note bears an interest rate of 1.95%. Payments of principal are due annually on December 1 and payments of interest are due each June 1 and December 1. The stated maturity on the note is December 1, 2022. The note will be retired from the bond retirement fund (a nonmajor governmental fund).

On July 15, 2013, the District issued a \$1,000,000 permanent improvement tax anticipation note to fund capital projects. The note bears an interest rate of 3.10%. Payments of principal are due annually on December 1 and payments of interest are due each June 1 and December 1. The stated maturity on the note is December 1, 2022. The note will be retired from the bond retirement fund (a nonmajor governmental fund).

Compensated Absences

Compensated absences will be paid from the funds which the employee's salaries are paid, which is primarily the general fund.

Net Pension Liability

See Note 13 for details.

Future Debt Service Requirements

Principal and interest requirements to retire general obligation bonds and tax anticipation note outstanding at June 30, 2017 are as follows:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Series 2012 School Improvement Refunding						
Fiscal Year	Current Interest Bonds		Capital Appreciation Bonds			
	Principal	Interest	Principal	Accretion		
<u>Ending June 30</u>						
2018	\$ -	\$ 145,803	\$ 22,536	\$ 577,464		
2019	600,000	145,803	-	-		
2020	615,000	136,802	-	-		
2021	625,000	124,503	-	-		
2022	60,000	112,002	-	-		
2023 - 2027	1,045,000	541,412	-	-		
2028 - 2031	3,360,000	237,454	-	-		
Total	<u>\$ 6,305,000</u>	<u>\$ 1,443,779</u>	<u>\$ 22,536</u>	<u>\$ 577,464</u>		

Series 2013 School Improvement Refunding					Series 2016 School Improvement Refunding	
Fiscal Year	Current Interest Bonds		Capital Appreciation Bonds		Current Interest Bonds	
	Principal	Interest	Principal	Accretion	Principal	Interest
<u>Ending June 30</u>						
2018	\$ -	\$ 146,083	\$ 11,065	\$ 73,935	\$ 64,340	\$ 37,780
2019	-	146,083	7,312	77,688	68,935	35,786
2020	-	146,082	4,832	80,168	68,472	33,648
2021	-	146,083	3,194	81,806	72,994	31,526
2022	-	146,082	16,505	648,495	72,457	29,264
2023 - 2027	2,735,000	586,013	-	-	402,501	110,831
2028 - 2032	870,000	429,000	-	-	469,021	44,334
2033 - 2034	1,780,000	87,262	-	-	-	-
Total	<u>\$ 5,385,000</u>	<u>\$ 1,832,688</u>	<u>\$ 42,908</u>	<u>\$ 962,092</u>	<u>\$ 1,218,720</u>	<u>\$ 323,169</u>

Fiscal Year	Tax Anticipation Notes		Energy Conservation Bond	
	Principal	Interest	Principal	Interest
<u>Ending June 30</u>				
2018	\$ 255,000	\$ 36,436	\$ 35,000	\$ 2,530
2019	260,000	30,179	40,000	880
2020	270,000	23,801	-	-
2021	270,000	17,182	-	-
2022	280,000	10,493	-	-
2023	290,000	3,547	-	-
Total	<u>\$ 1,625,000</u>	<u>\$ 121,638</u>	<u>\$ 75,000</u>	<u>\$ 3,410</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of \$15,421,001 (including available funds of \$639,939), an unvoted debt margin of \$308,391, and an unvoted conservation debt margin of \$2,700,523.

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The 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 \$5,000. The deductibles for the fleet insurance and inland marine coverage vary from \$0 to \$1,000 depending on the incident.

The Board President, Board Members, Superintendent and Athletic Director 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 three fiscal years.

B. Workers' Compensation

The District pays the State Workers' Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. The District is a member of the Sheakley group retrospective rating program, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs.

C. Employee Medical Benefits

The District has contracted with the Stark County Schools Council of Governments Health Benefits Program (COG) to provide employee medical/surgical and dental benefits. The Stark County Schools Council of Governments Health Benefits Programs is a shared risk pool comprised of school districts. Rates are set through an annual calculation process. The 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 District pays premiums 85% of the total premiums while the employee pays 15% of the total premiums. The District paid premiums of \$1,403.47 for family coverage and \$577.80 for single coverage per employee per month in fiscal year 2017.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - RISK MANAGEMENT - (Continued)

The COG historically employs two monthly premium holidays per year based on positive claims experience; however, in fiscal year 2017, the COG granted three premium holidays. The holidays represent a savings of approximately \$400,000 per holiday.

Dental insurance is also provided through the Stark County Schools Council of Governments Health Benefits Program. The District pays 93% of the total premiums while the employee pays 7% of the total premiums. Premiums for dental coverage were \$198.02 for family coverage and \$80.33 for single coverage per employee per month.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$591,425 for fiscal year 2017. Of this amount, \$38,632 is reported as pension and postemployment benefits payable.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$1,720,596 for fiscal year 2017. Of this amount, \$290,004 is reported as pension and postemployment benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.13587800%	0.11839547%	
Proportion of the net pension liability current measurement date	<u>0.13233650%</u>	<u>0.11126765%</u>	
Change in proportionate share	<u>-0.00354150%</u>	<u>-0.00712782%</u>	
Proportionate share of the net pension liability	\$ 9,685,811	\$ 37,244,636	\$ 46,930,447
Pension expense	\$ 937,062	\$ 2,207,221	\$ 3,144,283

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 130,638	\$ 1,504,863	\$ 1,635,501
Net difference between projected and actual earnings on pension plan investments	798,939	3,092,304	3,891,243
Changes of assumptions	646,580	-	646,580
District contributions subsequent to the measurement date	<u>591,425</u>	<u>1,720,596</u>	<u>2,312,021</u>
Total deferred outflows of resources	<u>\$ 2,167,582</u>	<u>\$ 6,317,763</u>	<u>\$ 8,485,345</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Difference between District contributions and proportionate share of contributions/change in proportionate share	\$ 169,437	\$ 1,839,700	\$ 2,009,137
Total deferred inflows of resources	\$ 169,437	\$ 1,839,700	\$ 2,009,137

\$2,312,021 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$ 330,252	\$ 250,489	\$ 580,741
2019	329,675	250,488	580,163
2020	517,130	1,437,092	1,954,222
2021	229,663	819,398	1,049,061
Total	\$ 1,406,720	\$ 2,757,467	\$ 4,164,187

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 12,823,410	\$ 9,685,811	\$ 7,059,510

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 <u>100.00 %</u>	 <u>7.61 %</u>

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 49,495,095	\$ 37,244,636	\$ 26,910,652

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to District's NPL is expected to be significant.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was \$69,508.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$69,508, \$67,027, and \$102,269, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 15 - OTHER EMPLOYEE BENEFITS

A. Life Insurance

The District provides life insurance to its employees through the Stark County Schools Council of Governments 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. Teachers, Administrators, and Classified employees earn sick leave at a rate of one and one-quarter days per month. Upon retirement, payment is made for one-fourth of accrued days. Severance days paid for classified employees are dependent on their years of experience.

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 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) - general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 1,656,890
Net adjustment for revenue accruals	110,371
Net adjustment for expenditure accruals	(167,863)
Net adjustment for other sources/uses	216,825
Funds budgeted elsewhere	(1,917)
Adjustment for encumbrances	172,265
GAAP basis	<u>\$ 1,986,571</u>

The public school support fund is legally budgeted as a separate special revenue fund but is considered part of the general fund on a GAAP basis.

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not party to legal proceedings which, in the opinion of District management, will have a material effect, if any, on the financial condition of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 17 - CONTINGENCIES - (Continued)

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance to the extent of available fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 152,662
Other governmental	<u>5,801</u>
Total	<u>\$ 158,463</u>

NOTE 19 - OPERATING LEASE

On June 1, 2008, the District (Lessee) entered into a 30-year lease agreement with the Family and Community Services of Portage County, Inc. (Lessor) to lease a building to be used as the District's bus garage. The rent for the premises is \$375 per month for the 30-year term. The lease required the District to pay the Lessor the rent for the full term in one payment (\$135,000) by the commencement of the term (June 1, 2008). If the Lessee completes the 30-year term, the Lessor shall refund the Lessee \$75,000 within 14 days of May 31, 2038, the end of the term.

NOTE 20 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 20 - SET-ASIDES - (Continued)

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	427,236
Current year offsets	<u>(466,519)</u>
Total	<u>\$ (39,283)</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

NOTE 21 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Enterprise Zones

The City of Ravenna entered into property tax abatement agreements with local businesses under Enterprise Zone tax abatement agreements. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation or job retention. These tax abatements reduce assessed value by a percentage agreed upon by all parties that authorize these types of agreements. The agreements affect the property tax receipts collected and distributed to the District. Under the agreements, the District's property taxes were reduced by \$23,169 during fiscal year 2017.

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REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.13233650%	0.13587800%	0.13658100%	0.13658100%
District's proportionate share of the net pension liability	\$ 9,685,811	\$ 7,753,330	\$ 6,912,287	\$ 8,122,034
District's covered-employee payroll	\$ 4,101,929	\$ 4,090,637	\$ 3,968,788	\$ 3,957,717
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	236.13%	189.54%	174.17%	205.22%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.11126765%	0.11839547%	0.11967855%	0.11967855%
District's proportionate share of the net pension liability	\$ 37,244,636	\$ 32,721,045	\$ 29,109,965	\$ 34,675,600
District's covered-employee payroll	\$ 11,593,050	\$ 12,479,121	\$ 12,227,846	\$ 13,047,923
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	321.27%	262.21%	238.06%	265.76%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 591,425	\$ 574,270	\$ 539,146	\$ 550,074
Contributions in relation to the contractually required contribution	<u>(591,425)</u>	<u>(574,270)</u>	<u>(539,146)</u>	<u>(550,074)</u>
Contribution deficiency (excess)	<u><u> </u></u>	<u><u> </u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
District's covered-employee payroll	\$ 4,224,464	\$ 4,101,929	\$ 4,090,637	\$ 3,968,788
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 547,748	\$ 558,635	\$ 548,730	\$ 617,915	\$ 434,177	\$ 425,165
<u>(547,748)</u>	<u>(558,635)</u>	<u>(548,730)</u>	<u>(617,915)</u>	<u>(434,177)</u>	<u>(425,165)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,957,717	\$ 4,153,420	\$ 4,365,394	\$ 4,563,626	\$ 4,412,368	\$ 4,329,582
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,720,596	\$ 1,623,027	\$ 1,747,077	\$ 1,589,620
Contributions in relation to the contractually required contribution	<u>(1,720,596)</u>	<u>(1,623,027)</u>	<u>(1,747,077)</u>	<u>(1,589,620)</u>
Contribution deficiency (excess)	<u><u> </u></u>	<u><u> </u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
District's covered-employee payroll	\$ 12,289,971	\$ 11,593,050	\$ 12,479,121	\$ 12,227,846
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,696,230	\$ 1,779,316	\$ 1,765,659	\$ 1,762,772	\$ 1,707,891	\$ 1,695,074
<u>(1,696,230)</u>	<u>(1,779,316)</u>	<u>(1,765,659)</u>	<u>(1,762,772)</u>	<u>(1,707,891)</u>	<u>(1,695,074)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 13,047,923	\$ 13,687,046	\$ 13,581,992	\$ 13,559,785	\$ 13,137,623	\$ 13,039,031
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

SUPPLEMENTAL INFORMATION

**RAVENNA CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Child Nutrition Grant Cluster:			
(D) (E) School Breakfast Program	10.553	2017	\$ 332,557
(D) (E) National School Lunch Program	10.555	2017	708,782
(C) (D) National School Lunch Program - Food Donation	10.555	2017	77,092
Total National School Lunch Program			785,874
Total U.S. Department of Agriculture and Child Nutrition Grant Cluster			1,118,431
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2017	747,499
Title I Grants to Local Educational Agencies	84.010	2016	143,675
Total Title I Grants to Local Educational Agencies			891,174
Special Education Grant Cluster:			
(F) Special Education_Grants to States	84.027	2017	630,502
(F) Special Education_Grants to States	84.027	2016	47,455
Total Special Education _Grants to States			677,957
(F) Special Education_Preschool Grants	84.173	2017	19,931
(F) Special Education_Preschool Grants	84.173	2016	2,404
Total Special Education_Preschool Grants			22,335
Total Special Education Grant Cluster			700,292
Improving Teacher Quality State Grants	84.367	2017	126,937
Improving Teacher Quality State Grants	84.367	2016	20,392
Total Improving Teacher Quality State Grants			147,329
Total U.S. Department of Education			1,738,795
Total Federal Financial Assistance			\$ 2,857,226

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2017.
- (B) This schedule includes the federal award activity of the Ravenna City School District under programs of the federal government for the fiscal year ended June 30, 2017 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Ravenna City School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Ravenna City School District.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Special Education Grant Cluster" in determining major programs.
- (G) CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimis indirect cost rate.



Julian & Grube, Inc.
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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Ravenna City School District, Portage County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Ravenna City School District's basic financial statements and have issued our report thereon dated November 7, 2017.

Internal Control Over Financial Reporting

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

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

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

Board of Education
Ravenna City School District

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 7, 2017



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Ravenna City School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Ravenna City School District's major federal program for the fiscal year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Ravenna City School District's major federal program.

Management's Responsibility

The Ravenna City School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Ravenna City School District's compliance for the Ravenna City School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Ravenna City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Board of Education
Ravenna City School District

Opinion on the Major Federal Program

In our opinion, the Ravenna City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
November 7, 2017

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §.200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Title I Grants to Local Educational Agencies, CFDA #84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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Dave Yost • 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
DECEMBER 26, 2017**