



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

February 7, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ravenna City School District, Portage County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ravenna City School District, Portage County, Ohio, as of June 30, 2005, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

November 2, 2006

Ravenna City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

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

Financial Highlights

Key Financial Highlights for 2005 are as follows:

- ❑ General Revenues accounted for \$25.2 million in revenue or 86.3 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for approximately \$4.0 million or 13.7 percent of total revenues of \$29.2 million.
- ❑ Total program expenses were \$29.4 million in Governmental Activities.
- ❑ In total, net assets of Governmental Activities decreased approximately \$210,000.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* excluding fiduciary funds using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

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

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

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Unaudited

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2005 compared to 2004:

(Table 1)
Net Assets

	Governmental Activities	
	2005	Restated 2004
Assets		
Current and Other Assets	\$ 12,694,239	\$ 13,196,579
Capital Assets	6,935,965	6,910,905
Total Assets	19,630,204	20,107,484
Liabilities		
Long-Term Liabilities	6,090,938	6,369,047
Other Liabilities	13,695,288	13,684,384
Total Liabilities	19,786,226	20,053,431
Net Assets		
Invested in Capital Assets, Net of Debt	2,835,965	2,535,905
Restricted	1,051,022	866,870
Unrestricted (Deficit)	(4,043,009)	(3,348,722)
Total Net Assets	\$ (156,022)	\$ 54,053

Total assets decreased approximately \$477,000. The primary factor contributing to the decrease in current and other assets (and net assets) was decrease in cash of approximately \$795,000 and increase in intergovernmental receivables of approximately \$148,000.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
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Total liabilities decreased slightly over \$267,000. A combination of increases and decreases contributed to this overall decrease. There were no individually significant items or events that generated these differences as compared to fiscal year 2004.

Table 2 shows the changes in net assets for fiscal year 2005 and 2004.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2005	Restated 2004
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,716,249	\$ 1,403,316
Operating Grants	2,298,795	2,975,901
<i>General Revenue:</i>		
Property Taxes	11,076,733	10,519,241
Grants and Entitlements	13,801,202	12,806,971
Investment Earnings	69,680	51,755
Gifts and Donations	0	20,424
Miscellaneous	280,318	133,324
<i>Total Revenues</i>	29,242,977	27,910,932
Program Expenses		
Instruction	16,945,529	16,718,479
<i>Support Services:</i>		
Pupil and Instructional Staff	2,090,971	2,316,435
Board of Education, Administration, Fiscal and Business	3,358,481	3,123,590
Operation and Maintenance	2,551,034	2,686,238
Pupil Transportation	1,133,037	1,081,219
Central	804,455	841,521
Operation of Non-Instructional	1,174,999	1,252,469
Extracurricular Activities	1,121,672	1,025,822
Food Service Operations	175,594	0
Interest and Fiscal Charges	97,280	126,199
<i>Total Expenses</i>	29,453,052	29,171,972
<i>Change in Net Assets</i>	(210,075)	(1,261,040)
Net Assets Beginning of Year	54,053	1,315,093
<i>Increase (Decrease) in Net Assets</i>	\$ (156,022)	\$ 54,053

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Management's Discussion and Analysis
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The majority of revenues supporting governmental activities are general revenue. General revenue totaled \$25,227,933 or 86 percent of total revenue. The most significant portion of the general revenue is local property taxes and grants and entitlements not restricted for specific programs. The remaining amount of revenue received was in the form of program revenues which equated to \$4,015,044 or 14 percent of total revenue.

Overall revenue increased \$1,330,000 or approximately 4.8 percent over fiscal year 2004. The primary factor contributing to this increase included an increase in school foundation grants and entitlements.

Program expenses increased from \$29.2 million in 2004 to \$29.5 million in 2005. There were no individually significant events that generated these differences as compared to fiscal year 2004.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activity had total revenues of \$29.2 million and expenses of \$29.4 million.

(Table 3)
Governmental Activities

	2005		Restated 2004	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 16,945,529	\$ 14,202,861	\$ 16,718,479	\$ 14,306,301
Support Services:				
Pupil and Instructional Staff	2,090,971	1,818,413	2,316,435	2,033,935
Board of Education, Administration				
Fiscal and Business	3,358,481	3,350,831	3,123,590	2,990,679
Operation and Maintenance of Plant	2,551,034	2,504,979	2,686,238	2,637,703
Pupil Transportation and Central	1,937,492	1,902,977	1,922,740	1,799,559
Operation of Non-Instructional Services	1,174,999	966,017	1,252,469	150,417
Food Service Operations	175,594	(297,457)	0	0
Extracurricular Activities	1,121,672	892,107	1,025,822	747,962
Interest and Fiscal Charges	97,280	97,280	126,199	126,199
Total	\$ 29,453,052	\$ 25,438,008	\$ 29,171,972	\$ 24,792,755

Total cost of service for 2005 increased 1.0 percent over 2004. Instruction and Student Support Services comprise 91.3 percent of governmental program expenses.

Ravenna City School District
Management's Discussion and Analysis
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The dependence upon tax revenues for governmental activities is apparent. Over 86 percent of expenses are not supported by program specific revenues. General revenues, primarily local property taxes and grant and entitlements not restricted to specific programs are used to provide program services. The community, as a whole, is by far the primary supporter for Ravenna City School District students.

General Fund Budgeting Highlights

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

During the course of fiscal year 2005, there were minor changes to the School District's total general fund budget. The School District uses site-based budgeting and the budgeting system which are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue was approximately \$24.8 million and actual revenue was \$24.9 million.

The School District revises its appropriations throughout the fiscal year. During fiscal year 2005, no significant fluctuations between original and final budget were noted. Final expenditures plus outstanding encumbrances were above the final appropriated amounts by \$551,230. There were no individually significant events that caused this variance. The School District has adopted a fund level of budgeting.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$6.9 million invested in land, buildings, equipment, library, and textbooks. Table 4 shows fiscal year 2005 balances compared with 2004 net of depreciation.

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

	Governmental Activities	
	2005	2004
Land	\$ 34,984	\$ 34,984
Land Improvements	2,982,486	3,096,778
Buildings and Improvements	3,063,850	2,891,040
Furniture and Equipment	518,567	454,401
Vehicles	336,078	433,702
Totals	\$ 6,935,965	\$ 6,910,905

The insignificant increase in capital assets was attributable to additional purchases exceeding depreciation. A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2005, this amounted to \$463,475 for each set aside. The

Ravenna City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

School District has qualifying disbursements or offsets exceeding these requirements for capital improvement and textbooks. See Note 23 for additional information.

Long Term Obligations

At June 30, 2005, the School District had improvement bonds totaling \$405,000 outstanding with \$20,000 due within one year and a capital lease for a stadium with an outstanding balance of \$3,695,000 with \$160,000 due within one year. During fiscal year 2005, \$275,000 of debt was retired. Table 5 summarizes bonds and lease outstanding. See Note 15 for additional information

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

	2005	2004
General Obligation Bonds:		
1994 Energy Conservation	\$ 0	\$ 100,000
2003 Energy Conservation	405,000	425,000
Total General Obligation Bonds	405,000	525,000
Capital Lease	3,695,000	3,850,000
Total Long Term Obligations	\$ 4,100,000	\$ 4,375,000

Current Issues

The School District has been successful in collaborating with the City of Ravenna in the establishment of several enterprise zone agreements which generate additional revenue from the portion of property tax forgiven. In addition, the city shares part of the additional city income tax revenue generated by the new employees contributing as a result of those tax abatement arrangements.

School District enrollment has declined somewhat over the last couple years. The study conducted for the School District by Dejong Associates suggests the potential for a gradual decline of approximately 17% over the next ten (10) years.

Leading real estate people indicate the future focus for growth in Portage County is moving south toward the Ravenna area. Ravenna is the county seat of Portage County.

Two negative concerns still face the School District: (1) State funding for public education still remains flat, and (2) It is very difficult to measure the impact on the School District of the State's decision to eliminate the personal property tax revenue over the next few years.

Contacting the School District's Financial Management

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

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Ravenna City School District
Statement of Net Assets
June 30, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,016,168
Receivables:	
Taxes	11,142,762
Notes (Net of Allowances)	101,770
Intergovernmental	433,539
Nondepreciable Capital Assets	34,984
Depreciable Capital Assets (Net)	6,900,981
<i>Total Assets</i>	19,630,204
Liabilities	
Accounts Payable	85,343
Accrued Wages and Benefits	2,134,418
Due to Fiduciary Funds	275,000
Intergovernmental Payable	939,863
Deferred Revenue	10,005,212
Accrued Vacation Leave Payable	66,191
Matured Compensated Absences Payable	189,261
Long Term Liabilities:	
Due Within One Year	339,000
Due Within More Than One Year	5,751,938
<i>Total Liabilities</i>	19,786,226
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,835,965
Restricted for:	
Debt Service	28,362
Capital Projects	13,961
Other Purposes	514,578
Permanent Fund-Scholarships	
Expendable	405,055
Nonexpendable	89,066
Unrestricted	(4,043,009)
<i>Total Net Assets</i>	\$ (156,022)

See accompanying notes to the basic financial statements.

Ravenna City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 11,632,350	\$ 24,665	\$ 624,597	\$ (10,983,088)
Special	3,870,161	0	1,294,563	(2,575,598)
Vocational	608,449	798,843	0	190,394
Other	834,569	0	0	(834,569)
Support Services:				
Pupils	1,446,371	0	230,994	(1,215,377)
Instructional Staff	644,600	0	41,564	(603,036)
Board of Education	39,379	0	0	(39,379)
Administration	2,474,136	0	7,650	(2,466,486)
Fiscal	681,499	0	0	(681,499)
Business	163,467	0	0	(163,467)
Operation and Maintenance of Plant	2,551,034	32,429	13,626	(2,504,979)
Pupil Transportation	1,133,037	0	0	(1,133,037)
Central	804,455	0	34,515	(769,940)
Operation of Non-Instructional Services	1,174,999	198,758	10,224	(966,017)
Food Service Operations	175,594	450,980	22,071	297,457
Extracurricular Activities	1,121,672	210,574	18,991	(892,107)
Interest and Fiscal Charges	97,280	0	0	(97,280)
<i>Total Governmental Activities</i>	<u>\$ 29,453,052</u>	<u>\$ 1,716,249</u>	<u>\$ 2,298,795</u>	<u>(25,438,008)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				10,657,109
Debt Service				36,766
Capital Outlay				382,858
Grants and Entitlements not				
Restricted to Specific Programs				13,801,202
Investment Earnings				69,680
Miscellaneous				280,318
<i>Total General Revenues</i>				<u>25,227,933</u>
<i>Change in Net Assets</i>				(210,075)
<i>Net Assets Beginning of Year, Restated (See Note 3)</i>				<u>54,053</u>
<i>Net Assets End of Year</i>				<u>\$ (156,022)</u>

See accompanying notes to the basic financial statements.

Ravenna City School District
Balance Sheet
Governmental Funds
June 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 140,118	\$ 876,050	\$ 1,016,168
Receivables:			
Taxes	10,729,702	413,060	11,142,762
Notes (Net of Allowances)	0	101,770	101,770
Intergovernmental	52,620	380,919	433,539
<i>Total Assets</i>	<u>\$ 10,922,440</u>	<u>\$ 1,771,799</u>	<u>\$ 12,694,239</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 73,513	\$ 11,830	\$ 85,343
Accrued Wages and Benefits	2,065,017	69,401	2,134,418
Interfund	275,000	0	275,000
Intergovernmental Payable	848,724	91,139	939,863
Deferred Revenue	10,064,719	505,044	10,569,763
Matured Compensated Absences Payable	189,261	0	189,261
<i>Total Liabilities</i>	13,516,234	677,414	14,193,648
Fund Balances			
Reserved for Encumbrances	363,667	413,124	776,791
Reserved for Tax Revenue Unavailable for Appropriation	717,603	19,670	737,273
Reserved for Budget Stabilization	180,940	0	180,940
Undesignated, Reported in:			
General Fund	(3,856,004)	0	(3,856,004)
Special Revenue Funds	0	266,654	266,654
Capital Projects Funds	0	(99,184)	(99,184)
Permanent Fund	0	494,121	494,121
<i>Total Fund Balances</i>	<u>(2,593,794)</u>	<u>1,094,385</u>	<u>(1,499,409)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 10,922,440</u>	<u>\$ 1,771,799</u>	<u>\$ 12,694,239</u>

See accompanying notes to the basic financial statements.

Ravenna City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2005*

Total Governmental Fund Balances	\$	(1,499,409)
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		6,935,965
Other long-term assets are not available to pay for current- period expenditures and therefore, are deferred in the funds.		
Grants	\$ 111,654	
Excess Cost Tuition	52,620	
Delinquent Property Taxes	400,277	564,551
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
General Obligation Bonds	(405,000)	
Capital Lease Obligation	(3,695,000)	(4,100,000)
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(1,990,938)	
Accrued Vacation Payable	(66,191)	(2,057,129)
<i>Net Assets of Governmental Activities</i>	\$	(156,022)

See accompanying notes to the basic financial statements.

Ravenna City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 10,641,274	\$ 419,518	\$ 11,060,792
Intergovernmental	13,333,959	2,622,618	15,956,577
Investment Income	51,690	17,989	69,679
Tuition and Fees	798,843	222,443	1,021,286
Extracurricular Activities	0	210,574	210,574
Charges for Services	9,026	450,980	460,006
Rentals	19,029	13,400	32,429
Gifts and Donations	300	32,684	32,984
Miscellaneous	172,047	47,602	219,649
<i>Total Revenues</i>	<u>25,026,168</u>	<u>4,037,808</u>	<u>29,063,976</u>
Expenditures			
Current:			
Instruction:			
Regular	11,093,633	526,358	11,619,991
Special	2,889,391	1,127,964	4,017,355
Vocational	640,188	0	640,188
Other	834,569	0	834,569
Support Services:			
Pupils	1,340,069	98,655	1,438,724
Instructional Staff	582,470	81,479	663,949
Board of Education	35,678	0	35,678
Administration	2,450,732	40,614	2,491,346
Fiscal	651,915	15,393	667,308
Business	160,520	0	160,520
Operation and Maintenance of Plant	2,458,990	26,141	2,485,131
Pupil Transportation	1,043,963	5,140	1,049,103
Central	775,510	37,239	812,749
Operation of Non-Instructional Services	250	1,236,798	1,237,048
Food Service Operations	0	149,082	149,082
Extracurricular Activities	521,608	314,966	836,574
Capital Outlay	100,826	407,417	508,243
Debt Service:			
Principal Retirement	0	275,000	275,000
Interest and Fiscal Charges	0	97,280	97,280
<i>Total Expenditures</i>	<u>25,580,312</u>	<u>4,439,526</u>	<u>30,019,838</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(554,144)	(401,718)	(955,862)
Other Financing Sources (Uses)			
Transfers In	0	437,234	437,234
Transfers Out	(355,918)	(81,316)	(437,234)
<i>Total Financing Sources and (Uses)</i>	<u>(355,918)</u>	<u>355,918</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(910,062)	(45,800)	(955,862)
<i>Fund Balance (Deficit) at Beginning of Year Restated(See Note 3)</i>	<u>(1,683,732)</u>	<u>1,140,185</u>	<u>(543,547)</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (2,593,794)</u>	<u>\$ 1,094,385</u>	<u>\$ (1,499,409)</u>

See accompanying notes to the basic financial statements.

Ravenna City School District
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances to Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005*

Net Change in Fund Balances - Total Governmental Funds	\$	(955,862)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 561,730	
Current Year Depreciation	<u>(534,901)</u>	26,829
 Net effect of transactions involving sale of capital assets are not reflected in the funds.		
		(1,769)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Grants	110,439	
Excess Cost Tuition	52,620	
Delinquent Property Taxes	<u>15,942</u>	179,001
 Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Principal	120,000	
Capital Lease	<u>155,000</u>	275,000
 Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	3,109	
Pension Obligation	329,808	
Accrued Vacation Payable	<u>(66,191)</u>	<u>266,726</u>
 Change in Net Assets of Governmental Activities	 \$	 <u><u>(210,075)</u></u>

See accompanying notes to the basic financial statements.

Ravenna City School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 10,177,250	\$ 10,259,000	\$ 10,235,905	\$ (23,095)
Intergovernmental	13,178,250	13,260,000	13,333,959	73,959
Investment Income	50,000	50,000	51,690	1,690
Tuition and Fees	770,000	770,000	832,883	62,883
Charges for Services	9,000	9,000	9,026	26
Gifts and Donations	0	0	300	300
Rent	19,000	19,000	19,029	29
Miscellaneous	169,000	169,000	175,683	6,683
<i>Total Revenues</i>	<u>24,372,500</u>	<u>24,536,000</u>	<u>24,658,475</u>	<u>122,475</u>
Expenditures:				
Current:				
Instruction	15,089,794	15,056,277	15,350,928	294,651
Support Services:				
Pupils	1,392,953	1,358,176	1,351,106	(7,070)
Instructional Staff	572,302	558,076	597,698	39,622
Board of Education	47,188	43,788	45,142	1,354
Administration	2,479,213	2,419,064	2,450,773	31,709
Fiscal	636,292	627,197	644,715	17,518
Business	201,344	189,654	160,053	(29,601)
Operation and Maintenance of Plant	2,425,971	2,427,771	2,549,268	121,497
Pupil Transportation	955,395	983,328	1,035,728	52,400
Central	817,231	786,051	807,313	21,262
Operation of Non-Instructional Services	0	750	650	(100)
Extracurricular Activities	491,616	511,616	516,664	5,048
Capital Outlay	92,881	102,255	105,195	2,940
<i>Total Expenditures</i>	<u>25,202,180</u>	<u>25,064,003</u>	<u>25,615,233</u>	<u>551,230</u>
Excess of Revenues Over (Under) Expenditures	(829,680)	(528,003)	(956,758)	(428,755)
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	1,500	1,500	337	(1,163)
Advance In	275,000	275,000	275,000	0
Transfers Out	(419,000)	(375,000)	(355,918)	19,082
<i>Total Other Financing Sources (Uses)</i>	<u>(142,500)</u>	<u>(98,500)</u>	<u>(80,581)</u>	<u>17,919</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(972,180)	(626,503)	(1,037,339)	(410,836)
<i>Fund Balance (Deficit) at Beginning of Year</i>	166,451	166,451	166,451	0
Prior Year Encumbrances Appropriated	630,227	630,227	630,227	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (175,502)</u>	<u>\$ 170,175</u>	<u>\$ (240,661)</u>	<u>\$ (410,836)</u>

See accompanying notes to the basic financial statements.

Ravenna City School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 93,042	\$ 62,692
Interfund Receivable	275,000	0
Notes Receivable	289,572	0
<i>Total Assets</i>	657,614	62,692
Liabilities		
Undistributed Monies	\$ 0	\$ 3,676
Due to Students	0	59,016
<i>Total Liabilities</i>	0	62,692
Net Assets		
Held in Trust for Scholarships	657,614	
<i>Total Net Assets</i>	\$ 657,614	

See accompanying notes to the basic financial statements.

Ravenna City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Period Ended June 30, 2005

	Private Purpose Trust
Additions	
Interest	\$ 19,963
<i>Total Additions</i>	19,963
Deductions	
Payments in Accordance with Trust Agreements	5,608
<i>Total Deductions</i>	5,608
<i>Change in Net Assets</i>	14,355
<i>Net Assets Beginning of Year, Restated (See Note 3)</i>	643,259
<i>Net Assets End of Year</i>	\$ 657,614

See accompanying notes to the basic financial statements.

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 1 – Description of the School District

The Ravenna City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. Average daily membership on, or as of, October 1, 2004, was 3,234. The School District employs 245 certificated and 195 non-certificated employees.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes for the organization. The School District has no component units.

The following activity is included within the reporting entity.

Parochial School – Within the School District boundaries, Immaculate Conception School is operated through the Cleveland Catholic Diocese. Current State legislation provided funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity of these State monies by the School District is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with two organizations which are defined as jointly governed organizations, two public entity risk pools, and a related organization. These organizations are the Stark-Portage Area Computer Consortium, the Maplewood Area Joint Vocational School, Ohio School Boards Association Workers Compensation Group Rating Plan, the Stark County Council of Governments Health Benefits Program and Reed Memorial Public Library. These organizations are presented in Notes 11, 20 and 21 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental type activities provided they do not conflict with or contradict GASB pronouncements. For the year ended June

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

30, 2005, the School District has implemented GASB Statement No. 40 "*Deposit and Investment Risk Disclosures*." GASB Statement No. 40 establishes disclosure requirements related to investment risks. The School District also implemented GASB Technical Bulletin 2004-2 "*Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*". GASB technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans. There was no effect on fund balance as a result of this implementation. The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

B. Fund Accounting

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

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

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District's major governmental fund:

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

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2005, investments were limited to money market funds, U. S Treasury Notes and repurchase agreements. These nonparticipating investment contracts are reported at cost.

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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

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

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$51,690 which includes \$29,991 assigned from other School District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets may include amounts required by statute to be set aside for the purchase of textbooks and capital improvements. See Note 23 for additional information regarding set-asides.

G. Capital Assets

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

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

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

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

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

H. Compensated Absences

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

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

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

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

I. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

J. Net Assets

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

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

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

K. Fund Balance Reserves

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

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

L. 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.

M. 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 2005.

N. Estimates

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

O. 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 School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005.

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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.

Note 3 – Restatement of Net Assets

For the period ending June 30, 2004 notes receivable were understated in error. The following is summary of the effect on the net asset amount reported in the basic financial statements for the period ending June 30, 2004:

	Other Governmental Funds	Total Governmental Funds
Fund Balances, June 30, 2004	\$ 1,084,895	\$ (598,837)
Adjustment for notes receivable	55,290	55,290
Fund Balances, June 30, 2004, restated	<u>\$ 1,140,185</u>	<u>\$ (543,547)</u>

	Governmental Activities	Private Purpose Trust Fund
Net Assets, June 30, 2004	\$ (1,237)	\$ 547,259
Adjustment for notes receivable	55,290	96,000
Restated Net Assets June 30, 2004	<u>\$ 54,053</u>	<u>\$ 643,259</u>

Note 4 – Accountability

A. Fund Deficits

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

	Deficit	
	Fund Balance	Net Assets
General Fund	\$ 2,593,794	\$ 4,149,609
Nonmajor Governmental Funds:		
Athletics	5,958	5,958
Miscellaneous State Grants	7,243	7,243
Permanent Improvement	59,220	45,370

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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

B. Legal Compliance

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

At fiscal year-end for 2005, the School District had funds in which expenditures exceeded the appropriations. Appropriations consist of carryover encumbrances from fiscal year 2004 and final appropriation balances passed. Expenditures represent balances plus outstanding encumbrances as of June 30, 2005.

Name (fund type)	Appropriations	Expenditures	Variance
General Fund (GF)	\$ 25,420,000	\$ 25,953,750	\$ (533,750)
Principals Fund (SR)	130,000	160,440	(30,440)
Entry Year Teacher Grant (SR)	0	4,383	(4,383)
Ohio Reads (SR)	20,500	29,000	(8,500)
Student Reading Int. (SR)	84,000	84,691	(691)
Misc. State Grants (SR)	5,950	9,976	(4,026)
Permanent Improvement (CP)	527,200	541,724	(14,524)
Trust Fund (Ex Trust's)	111,500	363,913	(252,413)

Ohio Revised Code Section 5705.39 states, in part, that the total appropriation from each fund shall not exceed the total estimated revenue.

The School District appropriated more than estimated resources in the following funds at fiscal-year end 2005:

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Name (fund type)	Estimated Resources (including prior year carryover)	Appropriations	Variance
Other Fund (SR)	\$ 21,076	\$ 26,100	\$ (5,024)
Athletic-District Managed (SR)	105,210	152,125	(46,915)
Auxilliary (SR)	25,874	31,573	(5,699)
School Improvement (SR)	7,955	8,450	(495)
Public Preschool (SR)	186,118	275,195	(89,077)
DPIA (SR)	22,500	236,690	(214,190)
ONENET (SR)	0	24,000	(24,000)
School Net Prof Dev (SR)	0	4,140	(4,140)
Ohio Reads (SR)	10,000	20,500	(10,500)
Student Reading Int. (SR)	49,181	84,000	(34,819)
Misc State Grants (SR)	1,444	5,950	(4,506)
Idea-B (SR)	595,011	753,400	(158,389)
Title1 (SR)	542,433	662,100	(119,667)
Early Child, Spec. Ed (SR)	17,516	28,525	(11,009)
Title II-A (SR)	170,712	225,600	(54,888)
Title II-D (SR)	13,683	26,100	(12,417)
Permanent Improvement (CP)	403,040	527,200	(124,160)
Special Enterprise (ET)	441,939	462,000	(20,061)
Rotary (IS)	543	24,600	(24,057)

Note 5 – Budgetary Basis of Accounting

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

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

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

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$ (910,062)
Net Adjustment for Revenue Accruals	(92,356)
Net Adjustment for Expenditure Accruals	402,259
Adjustment for Encumbrances	<u>(437,180)</u>
Budget Basis	<u><u>\$ (1,037,339)</u></u>

Note 6 – Deposits and Investments

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

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

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

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

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

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

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements is the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the

RAVENNA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

The following information classifies deposits and investments by categories of custodial risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits - At fiscal year-end, the carrying amount of the School District's deposits was (\$1,018,456) and the bank balance was \$5,238. Of the bank balance, \$5,238 was covered by federal depository insurance corporation (FDIC).

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

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Rating by Standard and Poor's	Entity	Fair Value	Investment Maturity (in years)	
			less than 1	1-5
N/A	First Merit-Repurchase Agreement	\$ 620,000	\$ 620,000	\$ 0
N/A	U. S. Treasury	352,087	114,775	237,312
Aaa	FNM Bank	109,601	50,407	59,194
Aaa	FHL Bank	216,015	99,156	116,859
AAAm	Allegiant Gov't Money Market Fund	26,365	26,365	0
A2	Key Corp-Common Stock and Options	39,780	N/A	N/A
AAAm	Victory Gradison Government Reserves Fund	11,501	11,501	0
AAAm	STAROhio	815,009	815,009	0
		<u>\$ 2,190,358</u>	<u>\$ 1,737,213</u>	<u>\$ 413,365</u>

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

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

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

A. commercial paper notes issued by a for-profit corporation, business trust or association, real estate investment trust, common-law trust, unincorporated business, or general or limited partnership which has assets exceeding \$500,000,000. Such notes must:

1. be rated at the time of purchase in the highest classification established by at least two (2) rating services;
2. have an aggregate value that does not exceed ten percent of the outstanding commercial paper of the issuing entity;
3. mature within 180 days after purchase.

B. Bankers acceptances of banks that are members of the FDIC and whose obligations:

1. are eligible for purchase by the Federal Reserve System;
2. mature no later than 180 days after purchase.

RAVENNA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Portage County. The Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the 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 revenue.

The amount available as an advance at June 30, 2005, was \$717,603 in the General Fund, \$19,670 in the Permanent Improvement Capital Projects Fund.

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

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$283,458,235	82.43%	\$292,633,094	83.08%
Public Utility	14,035,120	4.08%	13,918,720	3.95%
Tangible Personal Property	46,380,455	13.49%	45,667,447	12.97%
Total	<u>\$343,873,810</u>	<u>100.00%</u>	<u>\$352,219,261</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$57.44		\$57.44	

Note 8 - Receivables

Receivables at June 30, 2005, consisted of taxes, intergovernmental and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The intergovernmental receivable at June 30 consisted of excess cost tuition state and federal grants.

Note 9 – Notes Receivable

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

At the close of fiscal year 2005, there was 62 students with a total principal loan balance outstanding of \$391,342.

The Board of Education granted amnesty to 29 students on the Jenkins Memorial Loan, the total amount forgiven was \$55,765.

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 10 - Capital Assets

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

	Balance 6/30/04	Additions	Reductions	Balance 6/30/05
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 34,984	\$ 0	\$ 0	\$ 34,984
<i>Capital Assets, being depreciated:</i>				
Land Improvements	4,590,062	97,503	0	4,687,565
Buildings and Improvements	10,785,432	297,568	0	11,083,000
Furniture and Equipment	1,797,828	166,659	(11,674)	1,952,813
Vehicles	1,639,906	0	0	1,639,906
Total Capital Assets, being depreciated	18,813,228	561,730	(11,674)	19,363,284
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,493,284)	(211,795)	0	(1,705,079)
Buildings and Improvements	(7,894,392)	(124,758)	0	(8,019,150)
Furniture and Equipment	(1,343,427)	(100,724)	9,905	(1,434,246)
Vehicles	(1,206,204)	(97,624)	0	(1,303,828)
Total Accumulated Depreciation	(11,937,307)	(534,901)	9,905	(12,462,303)
Total Capital Assets being depreciated, net	6,875,921	26,829	(1,769)	6,900,981
Governmental Activities Capital Assets, Net	\$ 6,910,905	\$ 26,829	\$ (1,769)	\$ 6,935,965

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For the Fiscal Year Ended June 30, 2005*

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 57,419
Special	295
Support Services:	
Pupil	1,119
Instructional Staff	1,168
Administration	6,383
Fiscal	1,871
Operation and Maintenance of Plant	17,577
Pupil Transportaion	88,825
Central	10,644
Operation of non instructional	63,986
Food Service Operations	1,413
Extracurricular Activities	<u>284,201</u>
Total Depreciation	<u><u>\$ 534,901</u></u>

Note 11– Risk Management

A. Property and Liability

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

The board president and superintendent have a \$30,000 position bond with Travelers. The treasurer is covered under a surety bond in the amount of \$100,000. There has been no reduction in insurance coverage from the prior year.

B. Workers' Compensation

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

C. Employee Medical Benefits

The School District has contracted with the Stark County School Council of Governments Health Benefits Program to provide employee medical/surgical and dental benefits. The Stark County Council of Governments Health Benefits Programs is a shared risk pool comprised of fifteen school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid to

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

a common fund from which claim payments are made for all participants regardless of claim flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The School District pays premiums of \$727.71 for family coverage and \$299.58 for single coverage per employee per month.

Dental insurance is also provided through the Stark County School Council of Governments Health Benefits Program. Premiums for dental coverage are \$98.76 for family coverage and \$40.05 for single coverage per employee per month.

Note 12 - Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$584,748, \$547,932 and \$535,512 respectively; 48 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or

RAVENNA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

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

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

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

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,894,596, \$1,881,252 and \$1,847,532 respectively. Contributions to the DC and Combined Plans for fiscal year 2005 were \$12,912 made by the School District and \$15,972 made by the plan members. \$352,712 represents the unpaid contribution for fiscal year 2005, and is recorded as a liability within the respective funds, 81% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

C. Social Security System

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

Note 13- Postemployment Benefits

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

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$135,328 during the 2005 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, the health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on year of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$202,685.

Net health care costs for the year ending June 30, 2005 were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits is 58,123.

Note 14– Other Employee Benefits

A. Life Insurance

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

B. Compensated Absences

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

RAVENNA CITY SCHOOL DISTRICT

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

C. Personal and Sick Leave Incentive

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

D. Special Termination Benefits

Classified employees meeting the requirements included in the negotiated agreement, and the provision of the retirement system, at the time of retirement, and have accrued more than one-hundred eighty (180) days of sick leave, shall be given an additional payment of twenty-nine percent (29%) for bus drivers and twenty seven percent (27%) for custodial and maintenance employees of his/her accrued, but unused, sick leave in excess of one hundred eighty (180) days. The additional payment shall not exceed twenty-nine days.

Note 15- Long - Term Obligations

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

	Outstanding 7/01/2004	Additions	Reductions	Outstanding 6/30/2005	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
Energy Conservation Improvement	\$ 100,000	\$ 0	\$ 100,000	\$ 0	0
Energy Conservation	425,000	0	20,000	405,000	\$ 20,000
Total General Obligation Bonds	525,000	0	120,000	405,000	20,000
Capital Lease					
Capital Lease Obligation	3,850,000	0	155,000	3,695,000	160,000
Compensated Absences	1,994,047	159,172	162,281	1,990,938	159,000
Total Governmental Activities Long-Term Liabilities	<u>\$ 6,369,047</u>	<u>\$ 159,172</u>	<u>\$ 437,281</u>	<u>\$ 6,090,938</u>	<u>\$ 339,000</u>

Energy Conservation Bonds – On March 1, 1994, the School District issued \$825,000 in unvoted general obligation bonds for the purpose of providing energy conservation measures for the School District, under authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The bonds were issued for a ten year period with final maturity during fiscal year 2005. On November 1, 2003, the School District issued another \$425,000 in general obligation bonds for energy conservation measures for a five year period with final maturity during fiscal year 2008. The bonds will be retired from the debt service fund.

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

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	20,000	16,065	36,065
2007	25,000	15,278	40,278
2008	25,000	14,340	39,340
2009	25,000	13,340	38,340
2010	25,000	12,340	37,340
2011-2015	140,000	45,800	185,800
2016-2019	145,000	13,020	158,020
Total	<u>\$ 405,000</u>	<u>\$ 130,183</u>	<u>\$ 535,183</u>

Note 16– Capitalized Leases

The School District has entered into capitalized leases for a stadium. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases". The stadium has been capitalized in the capital assets in the amount of \$5,640,462. This amount represents the present value of the minimum lease payments at the time of the acquisition. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	160,000	103,573	263,573
2007	165,000	98,834	263,834
2008	170,000	93,938	263,938
2009	176,000	88,883	264,883
2010	182,000	83,662	265,662
2011-2015	1,003,000	333,805	1,336,805
2016-2020	1,176,000	175,090	1,351,090
2021-2023	663,000	19,532	682,532
Total	<u>\$ 3,695,000</u>	<u>\$ 997,317</u>	<u>\$ 4,692,317</u>

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 17– Deferred Revenue

Deferred/unearned revenue consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 10,005,212	\$ 10,405,489
Grants Receivable	0	111,654
Excessive Cost		52,620
Total	<u>\$ 10,005,212</u>	<u>\$ 10,569,763</u>

Note 18- Interfund Transfers

Transfers made during fiscal year 2005 were as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 0	\$ 355,918
Other Governmental Funds:		
Bond Retirement	350,250	0
Food Service	3,007	7,557
Scholarships	0	573
Uniform School Supplies	0	831
Public School Support	11,596	18,524
Other Local Grants	0	12
Special Enterprise	8,055	0
Athletics	27,699	22,863
Disadvantaged Pupil Impact Aid	5,671	0
Title I Disadvantaged Children	30,857	2,085
IDEA Preschool Grant for the Handicapped	99	0
Title II Improving Teacher Quality	0	28,871
	<u>\$ 437,234</u>	<u>\$ 437,234</u>

These transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 19– Interfund Balances

The fiduciary fund did a one time advance of \$275,000 to the general fund prior to the end of the current fiscal year, the advance will be repaid within two weeks of the start of the new fiscal year 2006.

Note 20 - Jointly Governed Organizations

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 28 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports SPARCC based upon a per pupil charge dependent upon the software package utilized. The SPARCC assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. SPARCC is governed by a board of directors chosen from the general membership of the SPARCC assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Stark County Education Services Center, which serves as fiscal agent, located at 2100 38th Street, NW, Canton, Ohio 44709. During the year ended June 30, 2005, the School District paid \$52,371 to SPARCC for basic service charges.

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

Note 21– Related Organization

The Reed Memorial Public Library is a distinct political subdivision of the State of Ohio created under chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Ravenna School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax and the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Reed Memorial Public Library, Janice Kent, Clerk/Treasurer, at 167 East Main Street, Ravenna, Ohio 44266.

Note 22 Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However,

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at year end.

B. Litigation

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

Note 23- Set-Asides

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

Effective April 10, 2001, Senate Bill 345 amended Ohio Revised Code 5705.29 effectively eliminating the requirement for the School District to establish and maintain a budget stabilization reserve. As of June 30, 2005, the Board had not acted on the Senate Bill to eliminate the reserve balance.

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Budget Stabilizaion	Totals
Set-Aside Cash Balance as of June 30, 2004	\$ 0	\$ 0	\$ 180,940	\$ 180,940
Set-Aside Carryover Balance as of June 30, 2004	0	(324,704)	0	(324,704)
Current Year Set-Aside Requirement	473,429	473,429	0	946,858
Qualifying Disbursements	(814,443)	(430,378)	0	(1,244,821)
Total	<u>\$ (341,014)</u>	<u>\$ (281,653)</u>	<u>\$ 180,940</u>	<u>(441,727)</u>
Balance Carried Forward to FY 2006		<u>\$ (281,653)</u>	<u>\$ 180,940</u>	<u>(100,713)</u>

The School District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. The extra amounts for the textbook and/or instructional materials may be used to reduce the set-aside requirement in future fiscal years. Amounts remaining at the fiscal year-end are represented by a reserve fund balance presented on the balance sheet. The corresponding amounts that should be reported as “cash and cash equivalents – restricted” were not reported in the current year. This was due to the general fund only reporting \$140,118 in cash and cash equivalents at year-end.

Note 24- Subsequent Event

In February of 2005, the School District voters approved a new continuing operating levy of 6.5 mils. It is estimated that it will raise approximately \$2.2 million in new money for the School District operations.

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

In February of 2006, the School District voters approved by a 60% majority, a 4.35 mil combined bond issue/permanent improvement levy to construct a new high school on property already owned by the School District. This project is in conjunction with the Ohio School Facilities Commission which is funding nearly 53% of the total cost. In June, 2006, the bonds were sold with a maturity date of January 15, 2034 and interest rate of 4.85%.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster :</i>						
Food Distribution	None	10.550		\$55,940		\$55,940
National School Breakfast Program	044685-05-PU 2003	10.553	\$81,099		\$78,423	
National School Lunch Program	044685-LL-P4 2003	10.555	439,277		439,277	
Total U.S.Department of Agriculture-Nutrition Cluster			520,376	55,940	517,700	55,940
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	044685- C1S1-2004	84.010	26,710		91,770	
Title I Grants to Local Educational Agencies	044685-C1S1-2005	84.010	488,925		498,008	
Total Title 1 Grants to Local Educational Agencies			515,635	0	589,778	0
<i>Special Education Cluster:</i>						
Special Education-Grants to States	044685-6BSF-2004	84.027	104,989		41,519	
Special Education-Grants to States	044685-6BSF-2005	84.027	536,444		561,667	
Total Special Education-Grants to States			641,433	0	603,186	0
Special Education-Preschool Grant	044685-PGS1-2004	84.173	1,484		3,227	
Special Education-Preschool Grant	044685-PGS1-2005	84.173	14,705		16,002	
Total Special Education			16,189	0	19,229	0
Total Special Education Cluster			657,622		622,415	
Safe and Drug-Free Schools and Communities-State Grants	044685-DRS1-2004	84.186	-1,164		100	
Safe and Drug-Free Schools and Communities-State Grants	044685-DRS1-2005	84.186	15,658		15,691	
Total Safe and Drug-Free Schools and Communities			14,494	0	15,791	0
Advance Placement	AVTF-2005	84.318	208		208	
Innovative Education Program Strategies	044685-C2S1-2004	84.298	-669		0	
Innovative Education Program Strategies	044685-C2S1-2005	84.298	12,505		12,247	
Total Innovative Education Program Strategies			11,836	0	12,247	0
Technology Literacy Challenge	044685-TJS1-2004	84.318	1,030		8,716	
Technology Literacy Challenge	044685-TJS1-2005	84.318	11,950		11,469	
Total Technology Literacy Challenge			12,980	0	20,185	0
Improving Teacher Quality	044685-TR-S1-2004	84.367	33,285		20,041	
Improving Teacher Quality	044685-TR-S1-2005	84.367	146,445		150,011	
Total Improving Teacher Quality			179,730	0	170,052	0
Total U.S. Department of Education			1,392,505	0	1,430,676	0
U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through Ohio Department of MR/DD</i>						
Medical Assistance Program Title XIX Community Alternative Funding System (CAFS)		93.778	177,060	0	91,191	0
State Children's Health Insurance Program (SCHIP) Title XXI		93.767	22,128	0	22,128	0
Total US Department of Health and Human Services			199,188	0	113,319	0
Total Federal Financial Assistance			<u>\$2,112,069</u>	<u>\$55,940</u>	<u>\$2,061,695</u>	<u>\$55,940</u>

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

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

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



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' 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 the financial statements of the governmental activities, each major fund and, the aggregate remaining fund information of Ravenna City School District (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 2, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A Reportable condition is described in the accompanying schedule of findings as item 2005-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is material weakness. In a separate letter to the District's management dated November 2, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings 2005-001, 2005-002 and 2005-003. In a separate letter to the District's management dated November 2, 2006, we reported other matters related to noncompliance we deemed immaterial.

Ravenna City School District
Portage County
Report of Independent Accountants on Compliance and on Internal Control
Required by Government Auditing Standards
Page 2

We intend this report solely for the information and use of the Board of Education, management, and, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

November 2, 2006



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

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

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

In our opinion, the Ravenna City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated November 2, 2006.

We intend this report solely for the information and use of the, management, Board of Education and federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

November 2, 2006

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster Program 10.550 Food Distribution 10.553 School Breakfast Program 10.555 School Program
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

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

Finding Number	2005-001
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Citation – Budgetary – Amending or supplementing appropriations

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

At fiscal year-end for 2005, the District had numerous funds in which expenditures exceeded the appropriations. There were many other funds in violation throughout the year, however, due to the large number of violations the chart only reflects those violations at year end. Appropriations consist of carryover encumbrances from fiscal year 2004 and final appropriation balances passed. Expenditures represent balances plus outstanding encumbrances as of June 30, 2005.

Fund number (name, fund type)	Appropriations	Expenditures	Variance
001-General Fund (GF)	\$25,420,000	\$25,953,750	\$(533,750)
018-Principals Fund (SR)	130,000	160,440	(30,440)
440-Entry Year Teacher Grant (SR)	0	4,383	(4,383)
459-Ohio Reads (SR)	20,500	29,000	(8,500)
460-Student Reading Int. (SR)	84,000	84,691	(691)
499-Misc. State Grants (SR)	5,950	9,976	(4,026)
003-Permanent Improvement (CP)	527,200	541,724	(14,524)
007-Trust Fund (Ex Trust's)	111,500	363,913	(252,413)

The District’s computerized financial accounting system enables the treasurer’s office to utilize their system as a budgetary monitoring tool that contains an internal system control. The Treasurer’s office can input the approved appropriation balances into the system, then the system will automatically compare appropriation balances to actual expenditures and outstanding encumbrances. If the expenditures exceed the appropriation balance, the system will notify the user. After such notification, the user may proceed with processing the transaction through the system. However, the District chose to override the system and process expenditures without having sufficient appropriations.

We recommend the District utilize the above internal system control in order to comply with the above code section by not allowing expenditures to exceed appropriation balances. The Treasurer should not certify the availability of funds and should deny payment request exceeding appropriations. The Treasurer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

OFFICIALS’ RESPONSE

Finding 2005-001

The expenditures column, as noted, includes outstanding encumbrances. Those totals at the end of June,

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

OFFICIALS' RESPONSE

Finding 2005-001 (Continued)

2005, were significantly overstated as they contained many open purchase orders which were to be cancelled prior to June 30, but in reality didn't get cancelled until July of 2006.

If one were to remove the carryover encumbrances from the equation, the finding would go away.

At the end of the 2006 school year, treasurer's staff made a concerted effort to cancel out the open orders and the carryover encumbrance number dramatically descended to just over \$18,000.00 in the General Fund. These efforts will be continued.

Finding Number	2005-002
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Citation – Total Appropriations Exceed Total Estimated Revenue

Ohio Revised Code Section 5705.39 states, in part, that the total appropriation from each fund shall not exceed the total estimated revenue.

The District appropriated more than estimated resources in the following funds at fiscal-year end 2005:

Fund number (name, fund type)	Estimated Resources (including prior year carryover)	Appropriations	Variance
019-Other Fund (SR)	\$ 21,076	\$ 26,100	\$(5,024)
300-Athletic-District Managed (SR)	105,210	152,125	(46,915)
401-Auxilliary (SR)	25,874	31,573	(5,699)
435-School Improvement (SR)	7,955	8,450	(495)
439-Public Preschool (SR)	186,118	275,195	(89,077)
447-DPIA (SR)	225,000	236,690	(11,690)
451-ONENET (SR)	0	24,000	(24,000)
452-School Net Prof Dev (SR)	0	4,140	(4,140)
459-Ohio Reads (SR)	10,000	20,500	(10,500)
460-Student Reading Int. (SR)	49,181	84,000	(34,819)
499-Misc State Grants (SR)	1,444	5,950	(4,506)
516-Idea-B (SR)	595,011	753,400	(158,389)
572-Title1 (SR)	542,433	662,100	(119,667)
587-Early Child, Spec. Ed (SR)	17,516	28,525	(11,009)
590-Title II-A (SR)	170,712	225,600	(54,888)
599-Title II-D (SR)	13,683	26,100	(12,417)
003-Permanent Improvement (CP)	403,040	527,200	(124,160)
020-Special Enterprise (ET)	441,939	462,000	(20,061)
014-Rotary (IS)	543	24,600	(24,057)

We recommend the District more closely monitor budget v. actual figures, and obtain the appropriate amended certificates as needed.

RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)

OFFICIALS' RESPONSES

Finding 2005-002

The Estimated Resources column would have been diminished by the inclusion of "carryover encumbrances" from the prior year. Had the issue been properly addressed most of the variances would have disappeared.

Two exceptions would have been funds number 451 and 452. When Permanent Appropriations were being considered, the District did not know it would be receiving those dollars. It was the treasurer's failure to note said situation prior to year-end so it could be addressed in the final appropriations amendment.

In very few of these funds was there a deficit balance at year-end, the exceptions being in the federal projects (500 level funds) wherein the District did not receive the funds from the state in late June, when they had been promised.

The Treasurer will be more attentive to this matter as final appropriations measure is crafted in the Spring.

Finding Number	2005-003
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Citation – School Policy

Board Policy 6611 - Ticket Sales- provides for the following guidelines that apply to all school events at which tickets are sold.

Responsibilities of the Ticket Seller – Includes the following guidelines: Part "D" under the responsibility of the ticket seller states in part that at the end of the sale of tickets, to record the number of the first unsold ticket, and count the number of tickets sold. Part "E" requires the ticket seller to organize the money collected and then count each denomination. For each price category, compare the actual total with the total obtained by multiplying the number of tickets sold by the price of each ticket. Part "F" requires the ticket seller to provide the activity supervisor with the money, ticket-sales accounting record, and the unsold tickets.

Responsibilities of the Activity Sponsor- Includes the following guidelines: Part "D" under the responsibilities of the Activity Sponsor provides a requirement to record the number of tickets given to each seller. Also part "E" requires the Activity Sponsor to reconcile the money collected with the ticket-sales accounting record and to maintain a record of unsold tickets.

We reviewed the pay-ins made for eight athletic events and their corresponding Ticket Sales Reports from the Ravenna High School Football fund during the 2004-2005 school year and found the following discrepancies and weaknesses:

- The ticket sellers are not completing and signing the Ticket Sales reports. Instead, the ticket sellers turn over the unused tickets and cash collected to the athletic advisor who is completing the Ticket Sales Reports.
- A record of unsold tickets or a ticket log is not maintained, therefore, we were not able to follow and thus confirm the completeness of tickets sold for the events reviewed. Numerous ticket rolls of varying colors are being utilized throughout the year. Some rolls may be used for several years, for different sports, and for both adult and student ticket sales. All tickets from one roll or color may not be sold before tickets from another roll are sold.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

Finding Number	2005-003 (Continued)
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Citation – School Policy (Continued)

- Reserve tickets were being sold and documented on the Ticket Sales Reports but did not include the ticket roll numbers from which the tickets were sold from.
- Duplicate receipts are not being issued to individuals purchasing season tickets or for the sale of fundraiser discount cards and pizza cards. The individual’s name and check number are written on the pay-in forms.

We recommend the District implement the following procedures to enhance internal controls, accountability, and completeness of the number of tickets sold for the District’s athletic events:

- The District should immediately enforce that the Ticket Sales Reports are completed at the athletic events by the ticket sellers. Also, each ticket seller should document on the Ticket Sales Report the first and last ticket numbers sold, the amount of cash collected and then sign the report attesting to the information provided. The Ticket Sales Report, along with the ticket sales money and the unused tickets, should then be turned over to the Athletic Director or other designated person. Someone independent of the cash collection process should reconcile the Ticket Sales Reports and make the cash deposit. The reconciliation should include a review of the unused tickets, recalculation of the number of tickets sold, and the counting of the cash. The Ticket Sales Report should then be signed by the person performing the reconciliation and by the Athletic Director.
- A ‘master log’ should be maintained to record all ticket rolls and any unused tickets. The log should document, in chronological order, each event, the date, the ticket sequence and color, and the numbers of any unused tickets for every event. This may allow for accountability over the ticket roll sequence and enable a confirmable trail as to how the ticket roll was used.
- Pre-numbered duplicate receipts should be utilized for all season ticket sales and for fundraising activities such as the sale of discount cards and pizza cards.

Implementation of these recommendations may help strengthen controls and help reduce the risk of undetected errors, fraud, and irregularities.

OFFICIALS’ RESPONSES

Finding 2005-003

The Treasurer will review the recommendations made by the audit team along with the superintendent and athletic director to increase the level of accountability.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

Finding Number	2005-004
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Reportable Condition:

Weaknesses in Student Activities' Collection Procedures and Record Keeping

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

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

During the fiscal year 2005 audit, we reviewed the record-keeping and collections of 5 of the District's student activity organizations. Our review of these activities' records (receipts, expenditures, reports, etc) noted the following reportable weaknesses.

1. The Class of 2006 sold T-shirts where duplicate receipts were issued to the students but were not retained for the audit. An alternative method was used for our testing and we issued a management letter citation for destruction of records.
2. Brown Middle School Principal Fund participated in two fundraisers during the fiscal year. A brochure sale and a spring candy bar sale. We were not provided the Annual Budget and Purpose Statement or the Sales Project Potential Statement for the brochure sale for the correct year under audit. For the candy bar sale, the Sales Project Potential Statement was not completed until we requested it during fieldwork in 2006. Also, there is still uncollected money from the spring 2005 candy bar sale for which the students owe the District. The District is attempting to collect these funds.
3. The Class of 2007 sold T-shirts, sold home coming tickets, and participated in a catalog sale. We requested the records from the activity advisor and the only records ever provided were from the wrong audit period. We attempted on several different occasions to obtain the records for FY 2005. We are unable to verify the activity that was recorded in that fund. This will also be communicated in the management letter as a citation issued for destruction of records.
4. The Rausch Intermediate School (RIS) 6th Grade Outdoor Education Program Fund and RIS Principal Fund shared in the participation of two fundraisers selling candy during FY 2005. Receipts for both fundraisers were posted into two different funds depending on the grade level that sold the candy (5th and 6th grade). We were not provided the Annual Budget and Purpose Statement or the Sales Project Potential Statement for the correct audit period for the fundraisers. Duplicate receipts were issued to the students when payment was made for the boxes of candy sold, however, the receipts were not pre-numbered, and did not always document the reason for collection or who collected the money. In addition, we did not receive the duplicate receipts for the spring candy sale from the 6th grade class, therefore, we could not rely on the duplicate receipts to support the deposited amounts. We applied other auditing procedures to test the amounts deposited. It was determine that candy bar sales revenue were sometimes commingled with the camp fees revenue which was posted to the same fund. The duplicate receipts given to the students did not always document as to what the collection was for.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

Finding Number	2005-004 (Continued)
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Reportable Condition (Continued)

Weaknesses in Student Activities' Collection Procedures and Record Keeping (Continued)

We recommend the District follow the guidelines established by their Board of Education policy #6610. The District may accomplish this by implementing procedures that would require all activity sponsors to submit detailed financial information to the Treasurer's office with each deposit that reconciles back to the Sales Project Potential Statements. Such detail may be in the form of duplicate receipts and/or a daily sales summary which includes details such as the number of items sold, price per item, and total revenue collected.

The activity sponsors should also perform reconciliations on each activity they oversee, stating, the items purchased, minus the items sold, plus or minus any adjustments approved, should equal revenues deposited plus remaining inventory. This documentation and the total revenue collected should be verified by both the activity sponsor and any person involved in the collection process by initialing or signing the receipt or daily sales summary. This verification process may help to ensure completeness and accuracy of transactions and revenue collected which also enhances management's ability to properly monitor student activities. The Treasurer's office should monitor these procedures and the activities to ensure the Board's policy is properly being followed and recorded.

We also recommend the District to continue to make reasonable attempts to collect overdue monies from the students who participated in the fundraisers.

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

OFFICIALS' RESPONSES

Finding 2005-004

The Treasurer's staff will review the recommended procedures to determine their viability as their implementation will markedly increase the workload in the treasurer's office.

It seems there are already a myriad of demands we place on these advisers – to the degree that if I were an adviser and had to face all the requirements, I would probably refuse to do them altogether.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	None
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**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC 5705.41(B)	No	Not Corrected – Repeat as Finding No# 2005-001
2004-002	ORC 5705.39	No	Not Corrected – Repeat as Finding No# 2005-002
2004-003	Reportable Condition – Weaknesses in Student Activities Collection Procedures and Record Keeping	No	Not Corrected – Repeat as Finding No# 2005-004



Mary Taylor, CPA
Auditor of State

RAVENNA CITY SCHOOL DISTRICT

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 13, 2007**