



Mary Taylor, CPA  
Auditor of State



**RAVENNA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

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# Mary Taylor, CPA

Auditor of State

## 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, 2006, 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, 2006, and the respective changes in financial position and 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 October 25, 2007, 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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

October 25, 2007

**Ravenna City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

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The discussion and analysis of the Ravenna City School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. 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 2006 are as follows:

- General Revenues accounted for approximately \$28.0 million in revenue or 84 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for approximately \$5.3 million or 16 percent of total revenues of \$33.3 million.
- Total program expenses were \$31.2 million in Governmental Activities.
- In total, net assets of Governmental Activities increased approximately \$2.2 million.

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

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" 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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**Reporting the School District's Most Significant Funds**

*Fund Financial Statements*

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

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

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2006 compared to 2005:

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

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Current and Other Assets	\$ 32,180,715	\$ 12,694,239
Capital Assets	6,549,170	6,935,965
Total Assets	38,729,885	19,630,204
<b>Liabilities</b>		
Long-Term Liabilities	21,274,313	6,090,938
Other Liabilities	15,439,623	13,695,288
Total Liabilities	36,713,936	19,786,226
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	2,329,263	2,835,965
Restricted	1,689,851	1,051,022
Unrestricted (Deficit)	(2,003,165)	(4,043,009)
Total Net Assets	\$ 2,015,949	\$ (156,022)

Total assets increased approximately \$19.1 million. The primary factor contributing to the increase in current and other assets (and net assets) was increase in cash of approximately \$14.9 million and an increase in taxes receivables of approximately \$3.9 million.



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*Management's Discussion and Analysis*  
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*Unaudited*

Total liabilities increased approximately \$16.9 million. A combination of increases and decreases contributed to this increase. The most significant factor that caused this increase was the issuance of general obligation bonds and capital appreciation bonds that totaled approximately \$14.5 million for the construction of a new high school.

Table 2 shows the changes in net assets for fiscal year 2006 and 2005.

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

	Governmental Activities	
	2006	2005
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,105,656	\$ 1,716,249
Operating Grants	3,235,573	2,298,795
<i>General Revenue:</i>		
Property Taxes	14,094,138	11,076,733
Grants and Entitlements, not restricted to specific programs	13,642,208	13,801,202
Investment Earnings	134,498	69,680
Miscellaneous	110,605	280,318
<i>Total Revenue</i>	33,322,678	29,242,977
<b>Program Expenses</b>		
Instruction	18,377,394	16,945,529
<i>Support Services:</i>		
Pupil and Instructional Staff	2,007,834	2,090,971
Board of Education, Administration, Fiscal and Business	3,581,862	3,358,481
Operation and Maintenance	2,531,388	2,551,034
Pupil Transportation	1,288,465	1,133,037
Central	765,847	804,455
Operation and Non-Instructional	299,124	194,052
Extracurricular Activities	974,718	1,121,672
Food Service Operations	1,156,948	1,156,541
Interest and Fiscal Charges	167,127	97,280
<i>Total Expenses</i>	31,150,707	29,453,052
<i>Change in Net Assets</i>	2,171,971	(210,075)
Net Assets Beginning of Year	(156,022)	54,053
<i>Increase (Decrease) in Net Assets</i>	\$ 2,015,949	\$ (156,022)

The majority of revenues supporting governmental activities are general revenue. General revenue totaled approximately \$28.0 million or 84 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

**Ravenna City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
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remaining amount of revenue received was in the form of program revenues which totaled approximately \$5.3 million or 16 percent of total revenue.

Overall revenue increased approximately \$4.1 million or 14 percent over fiscal year 2005. The primary factor contributing to this increase included an increase in school foundation grants and entitlements.

Program expenses increased from approximately \$29.5 million in 2005 to approximately \$31.2 million in 2006. There were no individually significant events that generated these differences as compared to fiscal year 2005.

**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 approximately \$33.3 million and expenses of approximately \$31.2 million.

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

	2006		2005	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 18,377,394	\$ 15,333,644	\$ 16,945,529	\$ 14,202,861
Support Services:				
Pupil and Instructional Staff	2,007,834	1,394,084	2,090,971	1,818,413
Board of Education, Administration				
Fiscal and Business	3,581,862	3,296,862	3,358,481	3,350,831
Operation and Maintenance of Plant	2,531,388	2,515,832	2,551,034	2,504,979
Pupil Transportation and Central	2,054,312	2,015,553	1,937,492	1,902,977
Operation of Non-Instructional Services	299,124	299,124	194,052	(14,930)
Food Service Operations	1,156,948	105,343	1,156,541	683,490
Extracurricular Activities	974,718	681,909	1,121,672	892,107
Interest and Fiscal Charges	167,127	167,127	97,280	97,280
<b>Total</b>	<b>\$ 31,150,707</b>	<b>\$ 25,809,478</b>	<b>\$ 29,453,052</b>	<b>\$ 25,438,008</b>

Total cost of service for 2006 increased 6 percent over 2005. Instruction and Student Support Services comprise 92 percent of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. Over 82 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.

**Ravenna City School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

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

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of approximately \$30.7 million and expenditures of approximately \$31.2 million. The net change in fund balance for the year was most significant in the Classroom Facilities Project capital project fund, with an increase of approximately \$12.4 million.

***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 2006, 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 \$26.9 million, \$1.3 million over the original budget estimates of approximately \$25.6 million. The primary cause of this increase was due to an increase in intergovernmental revenues and tax collections.

The School District revises its appropriations throughout the fiscal year. During fiscal year 2006, no significant fluctuations between original and final budget were noted. Final appropriations of approximately \$25.8 million were \$.7 million higher than the approximately \$25.1 million original budget and \$.1 million below actual fiscal year 2006 expenditures. 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 2006, the School District had \$6.5 million invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2006 balances compared with 2005 net of depreciation. See Note 9 for more information regarding the capital assets of the School District.

**Ravenna City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

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

	Governmental Activities	
	2006	2005
Land	\$ 34,984	\$ 34,984
Land Improvements	2,809,838	2,982,486
Buildings and Improvem	2,988,687	3,063,850
Furniture and Equipment	439,797	518,567
Vehicles	275,864	336,078
	\$ 6,549,170	\$ 6,935,965

The decrease in capital assets was attributable to depreciation exceeding additional purchases.

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 2006, this amounted to \$473,429 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvement and textbooks. See Note 22 for additional information.

**Long -Term Obligations**

At June 30, 2006, the School District had improvement total bonds outstanding of \$14,884,559 with \$25,000 due within one year and a capital lease for a stadium with an outstanding balance of \$3,535,000 with \$165,000 due within one year. During fiscal year 2006, \$20,000 of debt was retired. During fiscal year 2006 School Improvement and Capital Appreciation Bonds were issued totaling over \$14.5 million. The bonds were issued for the construction of a new high school. Table 5 summarizes bonds and lease outstanding. See Note 14 for additional information regarding the long-term obligations of the School District.

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

	2006	2005
General Obligation Bonds:		
2003 Energy Conservation	\$ 385,000	\$ 405,000
2006 School Improvement Bond	14,080,000	0
Capital Appreciation Bonds	419,559	0
Total General Obligation Bonds	14,884,559	405,000
Capital Lease	3,535,000	3,695,000
Total Long Term Obligations	\$ 18,419,559	\$ 4,100,000

**Ravenna City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

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

**Ravenna City School District**

*Statement of Net Assets*

June 30, 2006

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 15,913,653
Receivables:	
Accounts	271,231
Taxes	15,047,133
Notes (Net of Allowances)	120,060
Intergovernmental	407,563
Deferred Charges	421,075
Nondepreciable Capital Assets	34,984
Depreciable Capital Assets (Net)	<u>6,514,186</u>
<i>Total Assets</i>	<u>38,729,885</u>
<b>Liabilities</b>	
Accounts Payable	22,800
Accrued Wages and Benefits	2,617,360
Intergovernmental Payable	1,010,010
Unearned Revenue	11,624,833
Accrued Vacation Leave Payable	53,246
Matured Compensated Absences Payable	111,374
Long Term Liabilities:	
Due Within One Year	379,228
Due In More Than One Year	<u>20,895,085</u>
<i>Total Liabilities</i>	<u>36,713,936</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	2,329,263
Restricted for:	
Debt Service	285,976
Capital Projects	357,669
Other Purposes	281,451
Set Asides	250,489
Permanent Fund-Scholarships	
Expendable	425,200
Nonexpendable	89,066
Unrestricted	<u>(2,003,165)</u>
<i>Total Net Assets</i>	<u>\$ 2,015,949</u>

See accompanying notes to the basic financial statements.

**Ravenna City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$ 11,778,287	\$ 258,292	\$ 349,538	\$ (11,170,457)
Special	4,965,129	0	1,335,737	(3,629,392)
Vocational	564,404	1,100,183	0	535,779
Other	1,069,574	0	0	(1,069,574)
Support Services:				
Pupils	1,303,499	0	348,876	(954,623)
Instructional Staff	704,335	0	264,874	(439,461)
Board of Education	49,496	0	0	(49,496)
Administration	2,667,230	0	285,000	(2,382,230)
Fiscal	704,076	0	0	(704,076)
Business	161,060	0	0	(161,060)
Operation and Maintenance of Plant	2,531,388	15,556	0	(2,515,832)
Pupil Transportation	1,288,465	0	0	(1,288,465)
Central	765,847	0	38,759	(727,088)
Operation of Non-Instructional Services	299,124	0	0	(299,124)
Food Service Operations	1,156,948	450,795	600,810	(105,343)
Extracurricular Activities	974,718	280,830	11,979	(681,909)
Interest and Fiscal Charges	167,127	0	0	(167,127)
<i>Total Governmental Activities</i>	<u>\$ 31,150,707</u>	<u>\$ 2,105,656</u>	<u>\$ 3,235,573</u>	<u>(25,809,478)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
				13,841,022
				36,066
				217,050
Grants and Entitlements not				
				13,642,208
Investment Earnings				
				134,498
Miscellaneous				
				110,605
				<u>27,981,449</u>
				2,171,971
				(156,022)
				<u>\$ 2,015,949</u>

See accompanying notes to the basic financial statements.

**Ravenna City School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2006*

	<b>General</b>	<b>Classroom Facilities Project</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 27,550	\$ 12,373,904	\$ 3,512,199	\$ 15,913,653
Receivables:				
Accounts	267,580	0	3,651	271,231
Taxes	15,010,168	0	36,965	15,047,133
Notes (Net of Allowances)	0	0	120,060	120,060
Intergovernmental	0	0	407,563	407,563
<i>Total Assets</i>	<u>\$ 15,305,298</u>	<u>\$ 12,373,904</u>	<u>\$ 4,080,438</u>	<u>\$ 31,759,640</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 12,221	\$ 0	\$ 10,579	\$ 22,800
Accrued Wages and Benefits	2,444,352	0	173,008	2,617,360
Intergovernmental Payable	900,981	0	109,029	1,010,010
Deferred Revenue	14,759,074	0	92,085	14,851,159
Matured Compensated Absences Payable	111,374	0	0	111,374
<i>Total Liabilities</i>	18,228,002	0	384,701	18,612,703
<b>Fund Balances</b>				
Reserved for Encumbrances	12,326	12,338	237,392	262,056
Reserved for Tax Revenue Unavailable for Appropriation	501,094	0	0	501,094
Reserved for Budget Stabilization	180,940	0	0	180,940
Reserved for Capital Improvements	69,549	0	0	69,549
Undesignated, Reported in:				
General Fund	(3,686,613)	0	0	(3,686,613)
Special Revenue Funds	0	0	183,717	183,717
Capital Projects Funds	0	12,361,566	2,474,386	14,835,952
Debt Service Funds	0	0	285,976	285,976
Permanent Fund	0	0	514,266	514,266
<i>Total Fund Balances</i>	<u>(2,922,704)</u>	<u>12,373,904</u>	<u>3,695,737</u>	<u>13,146,937</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 15,305,298</u>	<u>\$ 12,373,904</u>	<u>\$ 4,080,438</u>	<u>\$ 31,759,640</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, 2006*

Total Governmental Fund Balances	\$	13,146,937
 <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.		6,549,170
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 55,120	
Excess Cost Tuition	250,000	
Delinquent Property Taxes	2,921,206	3,226,326
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	(14,465,000)	
Capital Appreciation Bonds	(419,559)	
Premium on Debt Issuance	(720,982)	
Deferred Charges-Issuance Costs	421,075	
Capital Lease Obligation	(3,535,000)	(18,719,466)
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	(2,133,772)	
Accrued Vacation Payable	(53,246)	(2,187,018)
<i>Net Assets of Governmental Activities</i>	\$	2,015,949

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, 2006*

	General	Classroom Facilities Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$11,306,242	\$ 0	\$ 266,967	\$ 11,573,209
Intergovernmental	13,687,693	275,000	2,960,525	16,923,218
Investment Income	102,031	2,537	29,931	134,499
Tuition and Fees	893,094	0	254,573	1,147,667
Extracurricular Activities	0	0	216,001	216,001
Charges for Services	13,306	0	446,026	459,332
Rentals	15,726	0	9,680	25,406
Gifts and Donations	0	0	12,008	12,008
Miscellaneous	129,644	0	39,919	169,563
<i>Total Revenues</i>	<u>26,147,736</u>	<u>277,537</u>	<u>4,235,630</u>	<u>30,660,903</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	11,123,851	0	651,985	11,775,836
Special	3,395,878	0	1,464,171	4,860,049
Vocational	556,263	0	0	556,263
Other	1,069,574	0	0	1,069,574
Support Services:				
Pupils	1,219,715	0	120,310	1,340,025
Instructional Staff	544,472	0	137,365	681,837
Board of Education	49,313	0	0	49,313
Administration	2,589,548	226	53,209	2,642,983
Fiscal	689,038	0	14,522	703,560
Business	160,009	0	0	160,009
Operation and Maintenance of Plant	2,402,689	0	10,930	2,413,619
Pupil Transportation	1,195,209	0	22,605	1,217,814
Central	726,079	0	42,900	768,979
Operation of Non-Instructional Services	316	0	294,536	294,852
Food Service Operations	0	0	1,156,971	1,156,971
Extracurricular Activities	454,640	0	233,324	687,964
Capital Outlay	2,921	18,417	65,910	87,248
Debt Service:				
Principal Retirement	0	0	180,000	180,000
Bond Issuance Costs	0	0	421,075	421,075
Interest and Fiscal Charges	0	0	167,127	167,127
<i>Total Expenditures</i>	<u>26,179,515</u>	<u>18,643</u>	<u>5,036,940</u>	<u>31,235,098</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(31,779)	258,894	(801,310)	(574,195)
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	297,148	297,148
General Obligation Bonds Issued	0	12,115,010	2,384,549	14,499,559
Premium on Bonds and Issued	0	0	720,982	720,982
Transfers Out	(297,131)	0	(17)	(297,148)
<i>Total Financing Sources and (Uses)</i>	<u>(297,131)</u>	<u>12,115,010</u>	<u>3,402,662</u>	<u>15,220,541</u>
<i>Net Change in Fund Balance</i>	(328,910)	12,373,904	2,601,352	14,646,346
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>(2,593,794)</u>	<u>0</u>	<u>1,094,385</u>	<u>(1,499,409)</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (2,922,704)</u>	<u>\$ 12,373,904</u>	<u>\$ 3,695,737</u>	<u>\$ 13,146,937</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, 2006*

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**Net Change in Fund Balances - Total Governmental Funds** \$ 14,646,346

*Amounts reported for governmental activities in the  
statement of activities are different because:*

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

Capital Asset Additions	\$ 147,973	
Current Year Depreciation	<u>(534,768)</u>	(386,795)

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

Grants	(56,534)	
Excess Cost Tuition	197,380	
Delinquent Property Taxes	<u>2,520,929</u>	2,661,775

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	20,000	
Capital Lease	<u>160,000</u>	180,000

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	(142,834)	
Accrued Vacation Payable	<u>12,945</u>	(129,889)

The issuance of general obligation bonds are expenditures and other financing sources and uses in the governmental funds, but these transactions are reflected in the statement of net assets as long-term assets and liabilities.

School Improvement Bonds, Series 2006	(14,080,000)	
Capital Appreciation Bonds	(419,559)	
Premium on Debt Issuance	(720,982)	
Deferred Charges- Issuance Costs	<u>421,075</u>	<u>(14,799,466)</u>

**Change in Net Assets of Governmental Activities** \$ 2,171,971

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, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 11,300,000	\$ 11,780,000	\$ 11,522,751	\$ (257,249)
Intergovernmental	13,400,000	14,050,540	13,687,693	(362,847)
Investment Income	50,000	100,000	100,449	449
Tuition and Fees	735,000	883,903	883,903	0
Charges for Services	1,000	6,000	13,306	7,306
Rent	0	0	15,726	15,726
Miscellaneous	116,850	116,850	122,837	5,987
<i>Total Revenues</i>	25,602,850	26,937,293	26,346,665	(590,628)
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction	15,309,180	15,703,334	15,974,374	271,040
Support Services:				
Pupils	1,152,065	1,217,314	1,262,245	44,931
Instructional Staff	549,795	547,276	524,270	(23,006)
Board of Education	48,200	47,150	42,156	(4,994)
Administration	2,554,125	2,580,793	2,533,878	(46,915)
Fiscal	647,575	669,475	649,440	(20,035)
Business	159,715	159,215	154,238	(4,977)
Operation and Maintenance of Plant	2,484,800	2,473,165	2,417,174	(55,991)
Pupil Transportation	1,055,440	1,174,875	1,198,533	23,658
Central	694,870	716,370	694,448	(21,922)
Operation of Non-Instructional Services	1,000	1,000	316	(684)
Extracurricular Activities	428,235	459,035	460,355	1,320
Capital Outlay	35,000	27,300	2,921	(24,379)
<i>Total Expenditures</i>	25,120,000	25,776,302	25,914,348	138,046
Excess of Revenues Over (Under) Expenditures	482,850	1,160,991	432,317	(728,674)
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	0	5,000	9,192	4,192
Transfers In	0	0	0	0
Advance In	250,000	450,000	0	(450,000)
Advance Out	(275,000)	(275,000)	(275,000)	0
Transfers Out	(275,000)	(300,000)	(297,131)	2,869
<i>Total Other Financing Sources (Uses)</i>	(300,000)	(120,000)	(562,939)	(442,939)
<i>Net Change in Fund Balance</i>	182,850	1,040,991	(130,622)	(1,171,613)
<i>Fund Balance (Deficit) at Beginning of Year</i>	(243,525)	(243,525)	(243,525)	0
Prior Year Encumbrances Appropriated	437,178	437,178	437,178	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 376,503	\$ 1,234,644	\$ 63,031	\$ (1,171,613)

See accompanying notes to the basic financial statements.

**Ravenna City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2006*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 347,085	\$ 52,288
Notes Receivable	322,482	0
<i>Total Assets</i>	669,567	52,288
<b>Liabilities</b>		
Undistributed Monies	\$ 0	\$ 4,518
Due to Students	0	47,770
<i>Total Liabilities</i>	0	52,288
<b>Net Assets</b>		
Held in Trust for Scholarships	669,567	
<i>Total Net Assets</i>	\$ 669,567	

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, 2006*

	Private Purpose Trust
<b>Additions</b>	
Interest	\$ 17,085
<i>Total Additions</i>	17,085
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	5,132
<i>Total Deductions</i>	5,132
<i>Change in Net Assets</i>	11,953
<i>Net Assets Beginning of Year</i>	657,614
<i>Net Assets End of Year</i>	\$ 669,567

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, 2006*

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

The Ravenna City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. Average daily membership on, or as of, October 1, 2005, was 3,087. The School District employs 238 certificated and 153 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 10, 19 and 20 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, 2006*

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30, 2006, the School District has implemented GASB Statement No 42, “*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*,” GASB Statement No. 46 “*Net Assets Restricted by Enabling Legislation*”, and Statement No. 47 “*Accounting for Termination Benefits*.”

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 46 establishes that any amount of the primary government’s net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to *all* termination benefits without limitation as to the period of time during which the benefits are offered.

There was no effect on fund balances 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.



## RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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

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

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

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

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

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

***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds are private purpose trust and agency funds. The School District's 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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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 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 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred/Unearned Revenue*** Deferred/unearned 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, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred/unearned 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.

## RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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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 2006, investments were limited to certificates of deposits, money market funds, U. S Treasury Notes and repurchase agreements. These nonparticipating investment contracts are reported at cost.

The School District has also invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2006. 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, 2006.

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 2006 amounted to \$102,031 which includes \$101,021 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 22 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

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006*

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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:

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

***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.

## **RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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### ***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.

### ***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, capital improvements 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 2006.

### ***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

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006*

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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 2006.

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 – Accountability**

**A. Fund Deficits**

Fund balances at June 30, 2006 included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
General Fund	\$ 2,922,704
Nonmajor Governmental Funds:	
Athletics	1,142
Title VI-B	4,493
Title II	4,686

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

**Note 4 – 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:

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006*

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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.

**Net Change in Fund Balance**

	<u>General</u>
GAAP Basis	\$ (328,910)
Net Adjustment for Revenue Accruals	208,121
Net Adjustment for Expenditure Accruals	702,345
Advances Out	(275,000)
Adjustment for Encumbrances	<u>(437,178)</u>
Budget Basis	<u>\$ (130,622)</u>

**Note 5 – Deposits and Investments**

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

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

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

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

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

## RAVENNA CITY SCHOOL DISTRICT

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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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 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.

**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$13,584,683. The School District's bank balance of \$14,006,581 was exposed to custodial credit risk as follows:

1. \$606,581 of the bank balance was covered by federal depository insurance corporation (FDIC).
2. \$13,400,000 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.



**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

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**Investments** Investments are reported at fair value. As of June 30, 2006, the School District had the following investments:

Rating by Standard and Poor's	Entity	Fair Value	Investment Maturity (in years)	
			less than 1	1-5
N/A	First Merit-Repurchase Agreement	\$ 1,140,000	\$ 1,140,000	\$ 0
N/A	U. S. Treasury	287,941	40,066	247,875
Aaa	FNM Bank	227,186	49,109	178,077
Aaa	FHL Bank	116,040	0	116,040
AAAm	Allegiant Gov't Money Market Fund	52,080	0	52,080
A3	Key Corp-Common Stock and Options *	42,816	N/A	N/A
AAAm	Victory Gradison Government Reserves Fund	13,465	13,465	0
AAAm	STAROhio	848,815	848,815	0
		<u>\$ 2,728,343</u>	<u>\$ 2,091,455</u>	<u>\$ 594,072</u>

\*Rated by Moody's Investors Service

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

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

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

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

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

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

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

## RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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### **Note 6 - 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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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 2006 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. 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, 2006, are available to finance fiscal year 2006 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, 2006 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, 2006, was \$501,094 in the General 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.

The assessed values upon which the fiscal year 2006 taxes were collected are:

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
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	2005 Second Half Collections		2006 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$292,633,094	83.08%	\$298,944,583	85.59%
Public Utility	13,918,720	3.95%	12,166,800	3.48%
Tangible Personal Property	45,667,447	12.97%	38,182,210	10.93%
Total	<u>\$352,219,261</u>	<u>100.00%</u>	<u>\$349,293,593</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$57.44		\$61.04	

**Note 7 - Receivables**

Receivables at June 30, 2006, consisted of taxes, accounts and intergovernmental. 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 8 – Notes Receivable**

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

At the close of fiscal year 2006, there were 71 students with a total principal loan balance outstanding of \$442,542. This amount is made up of notes receivable of \$322,482 and \$120,060 in the private purpose trust fund and the permanent improvement capital project fund, respectively.

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006*

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance 6/30/05	Additions	Reductions	Balance 6/30/06
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 34,984	\$ 0	\$ 0	\$ 34,984
<i>Capital Assets, being depreciated:</i>				
Land Improvements	4,687,565	42,653	0	4,730,218
Buildings and Improvements	11,083,000	49,826	0	11,132,826
Furniture and Equipment	1,952,813	25,720	0	1,978,533
Vehicles	1,639,906	29,774	0	1,669,680
Total Capital Assets, being depreciated	19,363,284	147,973	0	19,511,257
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,705,079)	(215,301)	0	(1,920,380)
Buildings and Improvements	(8,019,150)	(124,989)	0	(8,144,139)
Furniture and Equipment	(1,434,246)	(104,490)	0	(1,538,736)
Vehicles	(1,303,828)	(89,988)	0	(1,393,816)
Total Accumulated Depreciation	(12,462,303)	(534,768)	0	(12,997,071)
Total Capital Assets being depreciated, net	6,900,981	(386,795)	0	6,514,186
Governmental Activities Capital Assets, Net	\$ 6,935,965	\$ (386,795)	\$ 0	\$ 6,549,170

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006*

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 51,496
Special	295
Support Services:	
Pupil	1,841
Instructional Staff	2,039
Administration	5,707
Fiscal	1,485
Operation and Maintenance of Plant	19,402
Pupil Transportation	81,106
Central	13,303
Operation of non instructional	72,425
Food Service Operations	1,497
Extracurricular Activities	<u>284,172</u>
 Total Depreciation	 <u><u>\$ 534,768</u></u>

**Note 10– Risk Management**

***A. Property and Liability***

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

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

***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, 2006*

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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 11 - 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](http://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, 2006, 2005 and 2004 were \$608,964, \$584,748 and \$547,932 respectively; 50 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

#### ***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](http://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, 2006*

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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, 2006, 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, 2006, 2005, and 2004 were \$1,846,462, \$1,894,596 and \$1,881,252 respectively. Contributions to the DC and Combined Plans for fiscal year 2006 were \$12,717 made by the School District and \$16,259 made by the plan members. \$307,304 represents the unpaid contribution for fiscal year 2006, and is recorded as a liability within the respective funds, 83% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004.

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, 2006, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

### **Note 12- 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 Part B premiums. Benefit provisions and the obligations to contribute are established by the systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

## RAVENNA CITY SCHOOL DISTRICT

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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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, 2006, 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 \$132,799 during the 2006 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2006, (the latest information available), the balance in the Fund was \$3.5 billion. The health care costs paid by STRS were \$82,743,000 and STRS had 119,184 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, 2006, (the latest information available), employer contributions to fund health care benefits were 3.42% 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 2006, (the latest information available), the minimum pay has been established at \$35,800. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$208,549.

Net health care costs for the year ending June 30, 2006 were \$158,751,207. 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, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. 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 59,492.

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

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

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

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

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

Teachers, Administrators, and Classified employees earn sick leave at a rate of one and one-quarter days per month 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.



**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
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**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 14- Long - Term Obligations**

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

	Outstanding 7/01/2005	Additions	Reductions	Outstanding 6/30/2006	Amounts Due in One Year
<b>Governmental Activities:</b>					
General Obligation Bonds:					
Energy Conservation	\$ 405,000	\$ 0	\$ 20,000	\$ 385,000	25,000
School Improvement Bonds	0	14,080,000	0	14,080,000	0
Capital Appreciation Bonds	0	419,559	0	419,559	0
Premium on Debt Issuance	0	720,982	0	720,982	0
Total General Obligation Bonds	405,000	15,220,541	20,000	15,605,541	25,000
Capital Lease :					
Capital Lease Obligation	3,695,000	0	160,000	3,535,000	165,000
Compensated Absences	1,990,938	301,834	159,000	2,133,772	189,228
Total Governmental Activities Long-Term Liabilities	<u>\$ 6,090,938</u>	<u>\$ 15,522,375</u>	<u>\$ 339,000</u>	<u>\$ 21,274,313</u>	<u>\$ 379,228</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.

School Improvement Bonds - On June 21, 2006, the School District issued \$14,499,559 in general obligation bonds for improvements to the schools. The bonds mature in January 2034. These bonds were issued with a premium of \$720,982, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. There was no amortization for June 30, 2006.

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

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

The capital appreciation bonds mature January 15, 2010 through 2013. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$1,240,000. For fiscal year 2006, there was no accretion.

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2006 are as follows:

Fiscal Year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2007	\$ 25,000	\$ 412,645	\$ 0	\$ 0	\$ 25,000	\$ 412,645
2008	320,000	652,964	0	0	320,000	652,964
2009	330,000	640,166	0	0	330,000	640,166
2010	25,000	626,964	159,473	200,527	184,473	827,491
2011	25,000	625,964	113,219	206,781	138,219	832,745
2012 - 2016	1,440,000	3,062,722	146,867	413,133	1,586,867	3,475,855
2017 - 2021	2,650,000	2,617,930	0	0	2,650,000	2,617,930
2022 - 2026	2,925,000	1,999,028	0	0	2,925,000	1,999,028
2027 - 2031	4,010,000	1,232,378	0	0	4,010,000	1,232,378
2032 - 2034	2,715,000	247,948	0	0	2,715,000	247,948
Total	<u>\$ 14,465,000</u>	<u>\$ 12,118,709</u>	<u>\$ 419,559</u>	<u>\$ 820,441</u>	<u>\$ 14,884,559</u>	<u>\$ 12,939,150</u>

**Note 15- 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, 2006.

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
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<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	188,000	78,270	266,270
2012-2016	1,035,000	304,075	1,339,075
2017-2021	1,215,000	140,160	1,355,160
2022-2024	404,000	5,922	409,922
Total	<u>\$ 3,535,000</u>	<u>\$ 893,744</u>	<u>\$ 4,428,744</u>

**Note 16- Deferred/Unearned Revenue**

Deferred/unearned revenue consisted of the following:

	<u>Statement of Net Assets</u>	<u>Balance Sheet</u>
Property Taxes Receivable	\$ 11,624,833	\$ 14,546,039
Grants Receivable	0	55,120
Excess Costs	0	250,000
Total	<u>\$ 11,624,833</u>	<u>\$ 14,851,159</u>

**Note 17- Interfund Transfers**

Transfers made during fiscal year 2006 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 0	\$ 297,131
Other Governmental Funds:		
Bond Retirement	297,130	0
Public School Support	18	0
Other Local Grants	0	17
	<u>\$ 297,148</u>	<u>\$ 297,148</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, 2006*

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**Note 18– Interfund Balances**

The general fund repaid a one time advance to the fiduciary fund of \$275,000 in fiscal year 2006.

**Note 19 - 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, 2006, 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 20– 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 21 - Contingencies**

**A. Grants**

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

**RAVENNA CITY SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006*

***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 22- 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, 2006, 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, 2005	\$ 0	\$ 0	\$ 180,940	\$ 180,940
Set-Aside Carryover Balance as of June 30, 2005	0	(281,653)	0	(281,653)
Current Year Set-Aside Requirement	473,429	473,429	0	946,858
Qualifying Disbursements	<u>(403,880)</u>	<u>(469,377)</u>	<u>0</u>	<u>(873,257)</u>
Total	<u>\$ 69,549</u>	<u>\$ (277,601)</u>	<u>\$ 180,940</u>	<u>(27,112)</u>
Balance Carried Forward to FY 2007	<u>\$ 69,549</u>	<u>\$ (277,601)</u>	<u>\$ 180,940</u>	<u>\$ 250,489</u>
Amount to Restrict for Set Asides				<u>\$ 250,489</u>

The School District had qualifying disbursements during the year that reduced the textbook reserve set-asides below zero. The extra amounts for the textbook and/or instructional materials may be used to reduce the set-aside requirement in future fiscal years. Amounts remaining at the fiscal year-end are represented by a reserve fund balance presented on the balance sheet. 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 \$27,550 in cash and cash equivalents at year-end.

**RAVENNA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	N/A	10.550		\$70,166		\$70,166
<i>Nutrition Cluster :</i>						
National School Breakfast Program	044685-05-PU 2006	10.553	\$62,822		\$62,822	
National School Lunch Program	044685-LL-P4 2006	10.555	315,507		315,507	
Total Nutrition Cluster			378,329		378,329	
Child Care Meals	044685-LUCF-2006	10.558	1,519		1,519	
Total U.S.Department of Agriculture			379,848	70,166	379,848	70,166
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	044685- C1S1-2005	84.010	79,287		70,204	
Title I Grants to Local Educational Agencies	044685-C1S1-2006	84.010	434,470		460,551	
Total Title 1 Grants to Local Educational Agencies			513,757	0	530,755	0
<i>Special Education Cluster:</i>						
Special Education-Grants to States	044685-6BSF-2005	84.027	175,433		150,209	
Special Education-Grants to States	044685-6BSF-2006	84.027	704,160		758,512	
Total Special Education-Grants to States			879,593	0	908,721	0
Special Education-Preschool Grant	044685-PGS1-2005	84.173	10,591		9,294	
Special Education-Preschool Grant	044685-PGS1-2006	84.173	16,026		15,982	
Total Special Education			26,617	0	25,276	0
Total Special Education Cluster			906,210		933,997	
Safe and Drug-Free Schools and Communities-State Grants	044685-DRS1-2005	84.186	2,099		2,066	
Safe and Drug-Free Schools and Communities-State Grants	044685-DRS1-2006	84.186	13,551		15,185	
Total Safe and Drug-Free Schools and Communities			15,650	0	17,251	0
Innovative Education Program Strategies	044685-C2S1-2005	84.298	2,700		2,958	
Innovative Education Program Strategies	044685-C2S1-2005	84.298	8,304		7,943	
Total Innovative Education Program Strategies			11,004	0	10,901	0
Technology Literacy Challenge	044685-TJS1-2005	84.318	0		481	
Technology Literacy Challenge	044685-TJS1-2006	84.318	11,083		11,563	
Total Technology Literacy Challenge			11,083	0	12,044	0
Improving Teacher Quality	044685-TRS1-2005	84.367	30,200		26,635	
Improving Teacher Quality	044685-TRS1-2006	84.367	149,760		154,467	
Total Improving Teacher Quality			179,960		181,102	
Hurricane Education Recovery Act	044685-MR01-2006	84.938	8,000		0	
Total U.S. Department of Education			1,645,664	0	1,686,050	0
<b>U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed through Ohio Department of MR/DD</i>						
Temporary Assistance for Needy Families	N/A	93.558	66,997	0	55,506	0
Medical Assistance Program Title XIX Community Alternative Funding System (CAFS)	N/A	93.778	156,128	0	177,846	0
Total US Department of Health and Human Services			223,125	0	233,352	0
<b>Total Federal Financial Assistance</b>			<b>\$2,248,637</b>	<b>\$70,166</b>	<b>\$2,299,250</b>	<b>\$70,166</b>

*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, 2006**

**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**

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

**NOTE C – FOOD DONATION PROGRAM**

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 value of the commodities received.

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# Mary Taylor, CPA

Auditor of State

## 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, Portage County, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures 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 Government'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 2006-001.

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 October 25, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293

Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949

[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated October 25, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 25, 2007



# Mary Taylor, CPA

## Auditor of State

### 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 Ravenna City School (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 of its major federal program for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. 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, 2006.

#### Internal Control Over Compliance

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

Ravenna City School District  
Portage County  
Independent Accountants Report on Compliance with Requirements  
Applicable to Each Major Federal Program and Internal  
Control Over Compliance In Accordance With OMB Circular A-133  
Page 2

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.

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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 25, 2007

**RAVENNA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster CFDA 84.027 and 84.173
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

<b>Finding Number</b>	<b>2006-001</b>
-----------------------	-----------------

**Reportable Condition:**

The Ravenna City School District provides employees a benefit to participate in a Flexible Spending Reimbursement Plan Program (IRS Code Section 125).

This Flexible Spending Reimbursement Plan allows participants to use pre-tax money to pay for certain eligible expenses that would otherwise be paid for with after-tax money. These arrangements create reimbursement accounts that are use to pay for qualified expenses related to medical care and dependent care. This plan is administered by the Stark County School Council of Government.

**RAVENNA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2006-001 – (Continued)</b>
-----------------------	-------------------------------

Per our review of the District's outstanding checks at June 30, 2006 we noticed that 55% of the checks listed as outstanding were to Stark County School District. The checks listed were dated from February 2005 through June 2006 totaling \$62,092. The checks were payroll cash deductions payments that were withheld from employees' payroll for the Flexible Spending Reimbursement Plan.

<u>Month Withheld</u>	<u>Amount Withheld</u>	<u>Date Listed As Outstanding</u>	<u>Date Mailed</u>	<u>Date Cleared Bank</u>
February 2005 Total	3,922	2/18/2005	12/14/2006	January-07
March 2005 Total	3,566	3/18/2005	12/14/2006	January-07
April 2005 Total	3,568	4/29/2005	12/14/2006	January-07
May 2005 Total	3,567	5/27/2005	12/14/2006	January-07
June 2005 Total	3,677	6/24/2005	12/14/2006	January-07
Total FYE June 30, 2005	18,300			
July 2005 Total	3,304	7/22/2005	12/14/2006	January-07
August 2005 Total	4,711	8/19/2005	12/14/2006	January-07
September 2005 Total	2,965	9/30/2005	12/14/2006	January-07
October 2005 Total	2,762	10/28/2005	12/14/2006	January-07
November 2005 Total	2,762	11/25/2005	12/14/2006	January-07
December 2005 Total	2,762	12/23/2005	12/14/2006	January-07
January 2006 Total	4,040	1/20/2006	12/14/2006	January-07
February 2006 Total	4,040	2/22/2006	12/14/2006	January-07
March 2006 Total	4,040	3/31/2006	12/14/2006	January-07
April 2006 Total	4,040	4/28/2006	12/27/2006	January-07
May 2006 Total	4,040	5/26/2006	12/27/2006	January-07
June 2006 Total	4,326	6/23/2006	12/27/2006	January-07
Total FYE June 30, 2006	43,792			
Total	62,092			

Per the Payroll Clerk these monies were deducted each paid period, but due to his workload, the checks were not mailed to Stark County School District until December 2006. Because the dates on the checks were over 60 days the checks were rewritten by hand using the original check number assigned them.

We recommend that the School District review the duties of the Payroll Clerk and establish procedures to ensure payments are more prompt. We also recommend the Treasurer monitor those established procedures to ensure they are being implemented timely and consistently.

**RAVENNA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

**OFFICIALS' RESPONSES**

District's administration does not dispute the situation as presented. District treasurer crafted earlier a lengthy response to the on-site audit personnel suggesting how this situation occurred. No employee lost any benefits over that period of time. The matter was addressed some months ago; district is currently in compliance with a monthly reconciliation and payment process.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

<b>Finding Number</b>	<b>None</b>
-----------------------	-------------

**RAVENNA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2006**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2005-001	ORC 5705.41(B)	No	Partially Corrected – Repeat as Management Letter Comment Noncompliance Finding No# 3.
2005-002	ORC 5705.39	No	Partially Corrected – Repeat as Management Letter Comment Noncompliance Finding No# 2.
2005-003	Citation – School Board Policy No# 6611- Ticket Sales.	Yes	
2005-004	Reportable Condition – Weaknesses in Student Activities Collection Procedures and Record Keeping.	Yes	





**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**  
**NOVEMBER 29, 2007**