

**Rittman Exempted Village
School District**
Audited Financial Statements

June 30, 2011



Dave Yost • Auditor of State

Board of Education
Rittman Exempted Village School District
100 Saurer Street
Rittman, Ohio 44270

We have reviewed the *Independent Auditor's Report* of the Rittman Exempted Village School District, Wayne County, prepared by Rea & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 22, 2011

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RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

November 30, 2011

To the Board of Education
Rittman Exempted Village School District
100 Saurer Street
Rittman, Ohio 44270

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rittman Exempted Village School District (the "School District"), as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the School District's primary government as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the primary government of the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while, material, we cannot determine at this time.

The financial statements referred to above do not include financial data of the Rittman Academy, a discretely presented component unit. Accounting principles generally accepted in the United States of America, as applied to the School District's cash basis of accounting, require the financial data for the discretely presented component unit to be reported with the financial data of the School District's primary government unless the School District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The School District has not issued such reporting entity financial statements. We cannot determine the amounts of assets, net assets, receipts and disbursements that the accompanying statements should present for the omitted discretely presented component unit in order to comply with basis of accounting as described in Note 2.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with the basis of accounting as described in Note 2, the financial position of the aggregate discretely presented component unit of the School District, as of June 30, 2011, or the changes in financial position thereof for the year then ended.

Further in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of the School District, as of June 30, 2011, and the respective changes in cash basis financial position and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting as described in Note 2.

For the year ended June 30, 2011, the School District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011 on our consideration of the primary government of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements of the primary government of the School District but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the primary government of the School District's basic financial statements. The accompanying schedule of expenditures of federal awards – cash basis is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the primary government of the School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements of the primary government of the School District and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements of the primary government of the School District taken as a whole.

Rea & Associates, Inc.

Rittman Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

The discussion and analysis of the Rittman Exempted Village School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. 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 2011 are as follows:

- General receipts accounted for \$9,726,418 or 61 percent of all receipts. Program specific receipts in the form of charges for services, operating grants, contributions and interest, and capital grants contributions and interest accounted for \$6,190,013 or 39 percent of total receipts of \$15,916,431.
- Total program expenses were \$21,796,036 in Governmental Activities.
- In total, net assets of Governmental Activities decreased \$5,879,605.

Using this Annual Report

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the Rittman Exempted Village School District, the general and classroom facilities funds are by far the most significant funds.

Basis of Accounting

The School District has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and investments and changes in cash and investments resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net assets will be equity in pooled cash and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and investments. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Rittman Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

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 2011?" The Statement of Net Assets and the Statement of Activities answer this question.

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 operations and extracurricular activities.

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 major governmental funds are the General Fund and the Classroom Facilities Fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using a cash basis of accounting. Receipts are recognized when received in cash and disbursements are recognized when paid. 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.

Proprietary Funds – When the School District charges customers (whether internal or external) for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Activities and Statement of Net Assets. The School District has one proprietary fund, an Internal Service Fund, accounting for employee health care benefits. Interfund receipts and disbursements have been eliminated on the government-wide statements. The net assets of the internal service fund was zero as of June 30, 2011 as the fund was closed.

Rittman Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Fiduciary Funds - The School District acts in a trustee capacity as an agent for student organizations. These activities are reported in agency funds. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 17. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. The financial statements for fiscal year 2011 were prepared on the cash basis utilizing the GASB Statement No. 34 format. The financial statements for fiscal year 2010 were prepared on the generally accepted account principles. The balances for fiscal year 2010 have been restated from prior year for accuracy in comparing the years.

Table 1 provides a summary of the School District's net assets for 2011 compared to 2010:

(Table 1)
Net Assets - Cash basis

| | Governmental Activities | |
|---|-------------------------|----------------------|
| | 2011 | 2010 - Restated |
| Assets | | |
| Equity in pooled cash and investments | \$ 7,604,595 | \$ 13,485,025 |
| Cash and investments in segregated accounts | 1,227,809 | 1,226,984 |
| Total Assets | 8,832,404 | 14,712,009 |
| Net Assets | | |
| Restricted for: | | |
| Capital Projects | 4,582,136 | 9,790,876 |
| Debt Service | 585,417 | 583,234 |
| Other Purposes | 215,937 | 266,163 |
| Budget Reserve | 96,299 | 96,299 |
| Unrestricted | 3,352,615 | 3,975,437 |
| Total Net Assets | \$ 8,832,404 | \$ 14,712,009 |

Total assets decreased \$5,879,605; the net assets restricted for capital projects decreased by \$5,208,740. This decrease was primarily due to the construction of the new school buildings. A significant portion of the proceeds for the project were received in the prior year, with a majority of the disbursements occurring during fiscal year 2011.

These statements were prepared on the cash basis of accounting utilizing GASB 34 format. Table 2 shows the changes in net assets for fiscal years 2011 and 2010, comparatively. This comparison enables the reader to draw further conclusion about the School District's financial status and possibly project future problems. The financial statements for fiscal year 2010 were prepared on the generally accepted account principles. The balances for fiscal year 2010 have been restated from prior year for accuracy in comparing the years.

Rittman Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

(Table 2)
Changes in Net Assets

| | Governmental Activities | |
|--|-------------------------|---------------------|
| | 2011 | 2010 - Restated |
| Receipts | | |
| <i>Program Receipts:</i> | | |
| Charges for Services | \$ 510,920 | \$ 523,613 |
| Operating Grants, Contributions and Interest | 974,806 | 919,403 |
| Capital Grants, Contributions and Interest | 4,704,287 | 9,499,663 |
| <i>General Receipts:</i> | | |
| Property Taxes | 3,604,590 | 3,376,760 |
| Grants and Entitlements | 6,009,507 | 6,017,549 |
| Other | 112,321 | 117,620 |
| Total Receipts | 15,916,431 | 20,454,608 |
| Disbursements | | |
| <i>Program Disbursements</i> | | |
| Instruction | 6,691,404 | 5,814,283 |
| Support Services | 3,761,697 | 3,426,527 |
| Operation of Food Services | 510,449 | 449,831 |
| Extracurricular Activities | 205,381 | 187,076 |
| Capital Outlay | 10,003,631 | 3,929,253 |
| Debt Service | 623,474 | 625,474 |
| Total Disbursements | 21,796,036 | 14,432,444 |
| (Decrease) Increase in Net Assets | \$ (5,879,605) | \$ 6,022,164 |

General receipts totaled \$9,726,418 which is approximately 61 percent of total receipts. The most significant portion of the general receipts is intergovernmental receipts which accounts for 38 percent of total receipts. The intergovernmental receipts consist of State foundation, homestead and rollback and personal property tax exemption. Property taxes account for approximately 23 percent of total receipts and other receipts accounts for 1 percent of total receipts. The remaining amount of receipts received was in the form of program receipts, which equaled \$6,190,013 or 39 percent of total receipts. The decrease in receipts is due to a large portion of OFSC grant money which was received in fiscal year 2010.

Total disbursements increased \$7,363,592 or 51 percent from fiscal year 2010. The largest contributors to this increase were \$877,121 in regular instruction and \$6,074,378 in capital outlay disbursements. In fiscal year 2011 the School District received several federal stimulus grants which allowed them to replace and retain staff. The increase in capital outlay is due to the proceeds for the OSFC project received in fiscal year 2010 were spent during fiscal year 2011.

Rittman Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

Governmental Activities

Several sources fund the School District's governmental activities with the grants and entitlements being the largest contributor. The School District received \$6 million in foundation settlement payments and Homestead and Rollback reimbursements in fiscal year 2011. Property tax levies generated \$3.6 million in 2011. The School District's operations are reliant upon its tax levies and the state's foundation program. Thus, the School District monitors both of these receipt sources closely.

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 for fiscal year 2011 and 2010, comparatively. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements.

**(Table 3)
Governmental Activities**

| | 2011 | | 2010 - Restated | |
|--|--------------------------|------------------------|--------------------------|------------------------|
| | Total Cost of Service | Net Cost of Service | Total Cost of Service | Net Cost of Service |
| Instruction | \$ 6,691,404 | \$ (6,174,837) | \$ 5,814,283 | \$ (5,277,178) |
| Support Services: | | | | |
| Pupil and Instructional Staff | 1,217,049 | (1,093,656) | 1,060,578 | (927,203) |
| Board of Education, Administration and Fiscal | 1,204,968 | (1,111,430) | 1,116,591 | (1,020,260) |
| Operation and Maintenance of Plant | 1,059,345 | (969,117) | 932,944 | (616,560) |
| Pupil Transportation | 279,630 | (279,630) | 316,414 | (316,414) |
| Central | 705 | (705) | 0 | 0 |
| Operation of Food Services | 510,449 | (89,015) | 449,831 | (25,995) |
| Extracurricular Activities | 205,381 | 125,413 | 187,076 | 65,293 |
| Capital Outlay | 10,003,631 | (5,389,572) | 3,929,253 | 5,254,026 |
| Debt Service | 623,474 | (623,474) | 625,474 | (625,474) |
| Total | <u>\$ 21,796,036</u> | <u>\$ (15,606,023)</u> | <u>\$ 14,432,444</u> | <u>\$ (3,489,765)</u> |

Instruction and Student Support Services comprise 42 percent of governmental program expenses. Pupil transportation and the operation/maintenance of plant account for 6 percent of governmental program expenses.

The dependence upon tax revenues and general revenue entitlements from the State for governmental activities is apparent. The community, as a whole, is the primary support for Rittman Exempted Village School District students.

Rittman Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

The School District's Funds

Information about the School District's major funds starts on page 12. These funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$15,916,431 and expenditures of \$21,787,507. The net change in fund balance for the year was most significant in the Classroom Facilities funds. The \$5,300,205 decrease in the Classroom Facilities fund was the result of OSFC grant expenditures exceeding intergovernmental receipts on construction projects. Debt proceeds issued in a prior year were used to offset some of the current year construction costs.

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 2011, there were 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 of \$8,726,547 showed a \$624,361 increase from the original budget estimates. The School District begins the fiscal year with a temporary budget. This is updated in September with Board approval of the permanent appropriations. Budget adjustments are made throughout the year as updated information becomes available.

Actual revenues of \$8,756,507 were \$29,960 more than the final budgeted amounts. This amount is insignificant.

Final expenditures of \$9,385,430 were \$253,318 lower than the \$9,638,748 in the final budget. The major area of this decrease was in operation and maintenance of plant as the School District closely monitored spending.

Debt Administration

At June 30, 2011, the School District had \$8,423,502 in bonds outstanding with \$310,000 due within one year. See Note 11 to the basic financial statements for additional details on the School District's long-term obligations.

Current Issues

Rittman Exempted Village School District receives approximately 62% of its general fund revenue from the State. The State of Ohio changed the funding formula in biannual budget approved in June 2011. The new formula has not yet been presented by the Governor. However, due to the financial status of the State of Ohio, any increase or decrease was capped.

The School District was notified that it was eligible to participate in the Ohio School Facilities Commission (OSFC) Classroom Facilities Assistance Program. In November 2007, School District voters approved a ½ mill maintenance levy required by OSFC. The School District formally approved to participate in April 2008. A new grade 6 through 12 building was then opened in the fall of 2011.

Rittman Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

The School District relies on its local property taxpayers. A five year levy passed in 1999, for 6.7 mills expired in 2004. A \$1,000,000 emergency levy was defeated in November 2004. In May and August of 2005, a \$1,555,000 emergency levy was defeated. A reduction in force took place. In May 2006, the School District passed a five-year emergency levy for \$950,000.

With House Bill 920, current levies do not provide inflationary revenue growth as valuation increases, with the exception of inside millage and new construction. Thus, as a School District dependent upon property tax and a decline in the State Foundation and with changes in the Ohio tax structure, the School District will need to request property tax increases to maintain a constant level of service.

The School District experienced a reduction in force at the end of the 2005 and 2006 fiscal years. The resulting savings helped balance the School District's budget. Some of those reductions have been reinstated. Future changes in staffing will be monitored in connection the potential deficits and State funding.

The School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

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 Mark Dickerhoof, Treasurer of Rittman Exempted Village School District, 100 Saurer Street, Rittman, Ohio 44270.

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT

WAYNE COUNTY Y

Statement of Net Assets - Cash Basis

June 30, 2011

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Investments | \$ 7,604,595 |
| Cash and Investments in Segregated Accounts | <u>1,227,809</u> |
| | <u>\$ 8,832,404</u> |
| | |
| Net Assets | |
| Restricted for: | |
| Capital Projects | \$ 4,582,136 |
| Debt Service | 585,417 |
| Other Purposes | 215,937 |
| Budget Reserve | 96,299 |
| Unrestricted | <u>3,352,615</u> |
| <i>Total Net Assets</i> | <u>\$ 8,832,404</u> |

See accompanying notes to the basic financial statements.

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
WAYNE COUNTY

Statement of Activities-Cash Basis
For the Fiscal Year Ended June 30, 2011

| | Cash Disbursements | Program Cash Receipts | | | Net (Disbursements) Receipts and Changes in Net Assets |
|--|-----------------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants Contributions, and Interest | Capital Grants Contributions, and Interest | Primary Governmental Activities |
| Governmental Activities: | | | | | |
| Instruction | | | | | |
| Regular | \$ 5,328,307 | \$ 264,536 | \$ 288,847 | \$ 0 | \$ (4,774,924) |
| Special | 1,277,439 | 0 | 179,379 | 0 | (1,098,060) |
| Vocational | 78,354 | 0 | 10,019 | 0 | (68,335) |
| Student Intervention Services | 7,304 | 0 | 0 | 0 | (7,304) |
| Support Services | | | | | |
| Pupil | 547,522 | 0 | 102,033 | 0 | (445,489) |
| Instructional Staff | 669,527 | 0 | 47,071 | 0 | (622,456) |
| Board of Education | 46,521 | 0 | 0 | 0 | (46,521) |
| Administration | 814,160 | 0 | 55,151 | 0 | (759,009) |
| Fiscal | 344,287 | 0 | 41,521 | 0 | (302,766) |
| Operation and Maintenance of Plant | 1,059,345 | 0 | 0 | 90,228 | (969,117) |
| Pupil Transportation | 279,630 | 0 | 0 | 0 | (279,630) |
| Central | 705 | 0 | 0 | 0 | (705) |
| Operation of Food Services | 510,449 | 182,624 | 238,810 | 0 | (89,015) |
| Extracurricular Activities | 205,381 | 63,760 | 11,975 | 0 | (129,646) |
| Capital Outlay | 10,003,631 | 0 | 0 | 4,614,059 | (5,389,572) |
| Repayment of Debt | | | | | |
| Repayment of Principal | 184,532 | 0 | 0 | 0 | (184,532) |
| Repayment of Interest | 438,942 | 0 | 0 | 0 | (438,942) |
| Total Governmental Activities | \$ 21,796,036 | \$ 510,920 | \$ 974,806 | \$ 4,704,287 | (15,606,023) |
| | | | | | |
| General Receipts | | | | | |
| Property Taxes Levied for: | | | | | |
| | | | | | 2,910,020 |
| | | | | | 501,025 |
| | | | | | 193,545 |
| | | | | | 6,009,507 |
| | | | | | 36,238 |
| | | | | | 76,083 |
| | | | | | <u>9,726,418</u> |
| Change in Net Assets | | | | | |
| | | | | | (5,879,605) |
| Net Assets - Beginning of Year (Restated - See Note 3) | | | | | |
| | | | | | <u>14,712,009</u> |
| Net Assets - End of Year | | | | | |
| | | | | | <u>\$ 8,832,404</u> |

See accompanying notes to the basic financial statements.

**RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
WAYNE COUNTY**

*Statement of Cash Basis Assets and Fund Balances - Governmental Funds
June 30, 2011*

| | <u>General Fund</u> | <u>Classroom Facilities Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------------|--|---|---|
| Assets | | | | |
| Equity in Pooled Cash and Investments | \$ 3,352,615 | \$ 3,143,903 | \$ 1,011,778 | \$ 7,508,296 |
| Cash and Investments in Segregated Accounts | 0 | 1,227,809 | 0 | 1,227,809 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Investments | <u>96,299</u> | <u>0</u> | <u>0</u> | <u>96,299</u> |
| <i>Total Assets</i> | <u><u>\$ 3,448,914</u></u> | <u><u>\$ 4,371,712</u></u> | <u><u>\$ 1,011,778</u></u> | <u><u>\$ 8,832,404</u></u> |
| Fund Balances | | | | |
| Restricted | \$ 96,299 | \$ 4,371,712 | \$ 1,000,880 | \$ 5,468,891 |
| Committed | 0 | 0 | 10,898 | 10,898 |
| Assigned | 170,614 | 0 | 0 | 170,614 |
| Unassigned | <u>3,182,001</u> | <u>0</u> | <u>0</u> | <u>3,182,001</u> |
| <i>Total Fund Balances</i> | <u><u>\$ 3,448,914</u></u> | <u><u>\$ 4,371,712</u></u> | <u><u>\$ 1,011,778</u></u> | <u><u>\$ 8,832,404</u></u> |

See accompanying notes to the basic financial statements.

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
WAYNE COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

| | General Fund | Classroom Facilities Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------------------|--------------------------------|--------------------------------|
| Receipts | | | | |
| Property and Other Local Taxes | \$ 2,910,020 | \$ 0 | \$ 694,570 | \$ 3,604,590 |
| Intergovernmental | 5,520,271 | 4,615,434 | 1,516,347 | 11,652,052 |
| Interest | 36,238 | 24,572 | 0 | 60,810 |
| Tuition and Fees | 258,012 | 0 | 0 | 258,012 |
| Rent | 6,524 | 0 | 0 | 6,524 |
| Extracurricular Activities | 13,100 | 0 | 47,694 | 60,794 |
| Gifts and Donations | 0 | 0 | 10,570 | 10,570 |
| Customer Sales and Services | 0 | 0 | 182,624 | 182,624 |
| Miscellaneous | 71,519 | 45 | 8,891 | 80,455 |
| <i>Total Receipts</i> | <u>8,815,684</u> | <u>4,640,051</u> | <u>2,460,696</u> | <u>15,916,431</u> |
| Disbursements | | | | |
| Current: | | | | |
| Instruction | | | | |
| Regular | 4,853,541 | 0 | 466,237 | 5,319,778 |
| Special | 845,922 | 0 | 431,517 | 1,277,439 |
| Vocational | 78,354 | 0 | 0 | 78,354 |
| Student Intervention Services | 7,304 | 0 | 0 | 7,304 |
| Support Services | | | | |
| Pupil | 449,139 | 0 | 98,383 | 547,522 |
| Instructional Staff | 623,443 | 0 | 46,084 | 669,527 |
| Board of Education | 46,521 | 0 | 0 | 46,521 |
| Administration | 749,878 | 0 | 64,282 | 814,160 |
| Fiscal | 307,637 | 0 | 36,650 | 344,287 |
| Operation and Maintenance of Plant | 912,772 | 55,584 | 90,989 | 1,059,345 |
| Pupil Transportation | 279,630 | 0 | 0 | 279,630 |
| Central | 705 | 0 | 0 | 705 |
| Operation of Food Services | 0 | 0 | 510,449 | 510,449 |
| Extracurricular Activities | 152,960 | 0 | 52,421 | 205,381 |
| Capital Outlay | 0 | 9,884,672 | 118,959 | 10,003,631 |
| Repayment of Debt | | | | |
| Principal | 0 | 0 | 184,532 | 184,532 |
| Interest | 0 | 0 | 438,942 | 438,942 |
| <i>Total Disbursements</i> | <u>9,307,806</u> | <u>9,940,256</u> | <u>2,539,445</u> | <u>21,787,507</u> |
| <i>Excess of Receipts Over/(Under) Disbursements</i> | <u>(492,122)</u> | <u>(5,300,205)</u> | <u>(78,749)</u> | <u>(5,871,076)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers-In | 197,463 | 0 | 122,170 | 319,633 |
| Transfers-Out | (37,000) | 0 | 0 | (37,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>160,463</u> | <u>0</u> | <u>122,170</u> | <u>282,633</u> |
| <i>Net Change in Fund Balances</i> | (331,659) | (5,300,205) | 43,421 | (5,588,443) |
| <i>Fund Balances - Beginning of Year (Restated - See Note 3)</i> | <u>3,780,573</u> | <u>9,671,917</u> | <u>968,357</u> | <u>14,420,847</u> |
| <i>Fund Balances - End of Year</i> | <u>\$ 3,448,914</u> | <u>\$ 4,371,712</u> | <u>\$ 1,011,778</u> | <u>\$ 8,832,404</u> |

See accompanying notes to the basic financial statements.

**RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
WAYNE COUNTY**

*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds (\$5,588,443)

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

Internal service fund charges insurance costs to other funds. The entity-wide statements eliminate governmental fund disbursements and related internal service fund charges. Governmental activities report allocated net internal service fund disbursements.

(291,162)

Change in Net Assets of Governmental Activities

(\$5,879,605)

See accompanying notes to the basic financial statements.

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
WAYNE COUNTY

Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$ 3,276,000 | \$ 3,276,000 | \$ 2,910,020 | \$ (365,980) |
| Intergovernmental | 4,556,900 | 5,146,423 | 5,520,271 | 373,848 |
| Interest | 29,914 | 33,784 | 36,238 | 2,454 |
| Tuition and Fees | 212,985 | 240,539 | 258,012 | 17,473 |
| Rent | 5,385 | 6,082 | 6,524 | 442 |
| Extracurricular Activities | 10,814 | 12,213 | 13,100 | 887 |
| Miscellaneous | 10,188 | 11,506 | 12,342 | 836 |
| <i>Total Receipts</i> | <u>8,102,186</u> | <u>8,726,547</u> | <u>8,756,507</u> | <u>29,960</u> |
| Disbursements | | | | |
| Current: | | | | |
| Instruction | | | | |
| Regular | 8,440,982 | 4,529,469 | 4,882,515 | (353,046) |
| Special | 10,250 | 804,129 | 855,109 | (50,980) |
| Vocational Education | 0 | 76,180 | 78,354 | (2,174) |
| Student Intervention Services | 0 | 600 | 7,304 | (6,704) |
| Support Services | | | | |
| Pupil | 26,546 | 371,538 | 400,361 | (28,823) |
| Instructional Staff | 55,306 | 595,484 | 643,550 | (48,066) |
| Board of Education | 6,820 | 59,537 | 51,136 | 8,401 |
| Administration | 29,529 | 675,707 | 749,877 | (74,170) |
| Fiscal | 1,569 | 157,575 | 314,697 | (157,122) |
| Operation and Maintenance of Plant | 1,064,160 | 2,036,982 | 967,768 | 1,069,214 |
| Pupil Transportation | 3,586 | 259,751 | 281,094 | (21,343) |
| Central | 0 | 0 | 705 | (705) |
| Extracurricular Activities | | | | |
| Academic Oriented Activities | 0 | 21,031 | 17,006 | 4,025 |
| Sport Oriented Activities | 0 | 50,765 | 131,299 | (80,534) |
| School and Public Service Co-Curricular Activities | 0 | 0 | 4,655 | (4,655) |
| <i>Total Disbursements</i> | <u>9,638,748</u> | <u>9,638,748</u> | <u>9,385,430</u> | <u>253,318</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(1,536,562)</u> | <u>(912,201)</u> | <u>(628,923)</u> | <u>283,278</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers-In | 0 | 0 | 197,463 | 197,463 |
| Transfers-Out | 0 | 0 | (37,000) | (37,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>0</u> | <u>0</u> | <u>160,463</u> | <u>160,463</u> |
| <i>Net Change in Fund Balances</i> | (1,536,562) | (912,201) | (468,460) | 443,741 |
| <i>Fund Balances - Beginning of Year</i> | 3,606,297 | 3,606,297 | 3,606,297 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | <u>138,914</u> | <u>138,914</u> | <u>138,914</u> | <u>0</u> |
| <i>Fund Balances - End of Year</i> | <u>\$ 2,208,649</u> | <u>\$ 2,833,010</u> | <u>\$ 3,276,751</u> | <u>\$ 443,741</u> |

See accompanying notes to the basic financial statements.

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
WAYNE COUNTY
Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Fund
For the Fiscal Year Ended June 30, 2011

| | Governmental Activities |
|--|-------------------------|
| | Internal Service |
| | Fund |
| Operating Receipts | |
| Charges for Services | \$ 10,000 |
| Operating Disbursements | |
| Claims | 18,529 |
| <i>Total Operating Disbursements</i> | 18,529 |
| <i>Operating Income Before Transfers</i> | (8,529) |
| Transfers Out | (282,633) |
| <i>Change in Net Assets</i> | (291,162) |
| <i>Net Assets - Beginning of Year</i> | 291,162 |
| <i>Net Assets - End of Year</i> | \$ 0 |

See accompanying notes to the basic financial statements.

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
WAYNE COUNTY
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
June 30, 2011

| | <u>Agency</u> |
|---------------------------------------|------------------------|
| Assets | |
| Equity in Pooled Cash and Investments | <u>\$ 5,676</u> |
| <i>Total Assets</i> | <u><u>\$ 5,676</u></u> |
| | |
| Net Assets | |
| Held in Trust for: | |
| Due to Students | <u>\$ 5,676</u> |
| <i>Total Net Assets</i> | <u><u>\$ 5,676</u></u> |

See accompanying notes to the basic financial statements.

Rittman Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 1 – Description of the School District

The Rittman Exempted Village School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by state and federal agencies. Average daily membership on, or as of, October 1, 2010, was 1,109. The School District employs 84 certificated and 45 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 the following component unit:

The Rittman Academy (the Academy) is a component unit that is reported separately from the Rittman Exempted Village School District. The financial data for the Academy is not included in these financial statements, which are reported on the accounting principles generally accepted in the United States of America (GAAP).

Rittman Academy is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to educate students in kindergarten through twelfth grade. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the school. The Academy is fiscally dependent on the School District for all accounting and fiscal purposes and is, therefore, considered as a component unit of the School District. Financial statements can be obtained from the Rittman Academy, 100 Saurer Street, Rittman, Ohio 44270.

The School District participates in one jointly governed organization and one insurance purchasing pool. These organizations are the Tri-County Computer Services Association and the Stark County Schools Council of Governments Health Benefit Plan. They are presented in Notes 13 and 14.

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.A., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. Following are the more significant of the School District's accounting policies.

A. Basis of Accounting

Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash accounting basis. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e. when an encumbrance is approved). Differences between disbursements reported in the fund and government-wide statements versus budgetary disbursements are due to encumbrances outstanding at the beginning and end of the fiscal year.

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

B. Basis of Presentation – Fund Accounting

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 activity of the internal service fund is also eliminated to avoid "doubling up" receipts and disbursements.

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 disbursements and program receipts for each program or function of the School District's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the School District, with certain limitations. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts.

Rittman Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 2 - Summary of Significant Accounting Policies (Continued)

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

The School District uses funds to maintain its financial records during the fiscal year. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its receipts and disbursements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

- a. Total assets, receipts, or disbursements of that individual governmental are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, receipts, or disbursements of the individual governmental fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds - Governmental funds are those through which most governmental functions of the School District are financed. 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 Fund - The Classroom Facilities 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 to which the School District is bound to observe constraints imposed upon the use of the resources.

Proprietary Funds - Proprietary funds focus on the determination of changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District's only proprietary fund is an internal service fund.

Internal Service Fund - The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee medical, dental and prescription drug benefits. This self-insurance program ceased on March 1, 2008 when the School District contracted with Portage Area School Consortium Health and Welfare Insurance Pool (the Consortium), to provide employee medical/surgical benefits. During fiscal year 2011, the School District closed this fund after paying all run-out claims. The remaining fund balance was refunded to the appropriate School District funds which had originally remitted the charges for service in prior years.

Rittman Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 2 - Summary of Significant Accounting Policies (Continued)

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 net assets) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund that accounts for student activities.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

The legal level of budgetary control established by the Board of Education is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board. Budgetary allocations at the function and object level within all funds, are made by the Treasurer.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected receipt of each fund. Prior to June 30, the School District must revise its budget so that total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipt are identified by the School District Treasurer.

Appropriations

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying a new certificate is not necessary, the annual Appropriation Resolution Report must be legally enacted by the Board of Education at the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation Resolution, by fund, must be

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year end are reported as a restricted or assigned of fund balance for subsequent-year disbursements for governmental funds.

Lapsing of Appropriations

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

D. Cash and Investments

To improve cash management, cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. Cash and cash equivalents belonging to individual funds and not part of the pool are recorded as "cash and investments in segregated accounts."

During fiscal year 2011, the School District investments included a repurchase agreement, STAROhio (the State Treasury Asset Reserve) and various securities. See Note 6 for a full listing of the School District's investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2011. 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, 2011.

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 2011 amounted to \$36,238 which includes \$22,088 assigned from other School District funds.

Rittman Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 2 - Summary of Significant Accounting Policies (Continued)

The School District has segregated bank accounts for monies and investments held separate from the School District's central bank account. These interest bearing depository accounts are presented as "cash and investments in segregated accounts" since they are not required to be deposited into the School District's treasury. See Note 6, Deposits and Investments.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and investments". Investments with an original maturity of more than three months that are not made from the pool are reported as "investments".

E. Restricted Assets

Assets are reported as restricted when limitation on their use change the nature or 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 law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for budget stabilization. See Note 16 for additional information regarding set-asides.

F. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Depreciation is not recorded on these capital assets.

H. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting as presented here by the School District.

I. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds are not reported as liabilities on the cash basis financial statements. The debt proceeds are reported as receipts when received and payment of principal and interest are reported as disbursements when paid.

J. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for are recorded as receipt when the grant is received.

Rittman Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 2 - Summary of Significant Accounting Policies (Continued)

K. Interfund Transactions

During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be disbursed are recorded as transfers.
2. Reimbursements from one fund to another are treated as disbursements in the reimbursing fund and a reduction in disbursements in the reimbursed fund.

L. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

M. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net assets, and displayed in separate components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation. Net assets restricted for other purposes primarily include resources for instruction of students and food service operations. As of June 30, 2011, the School District did not have any net assets restricted by enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of “restricted.”

The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

FUND FINANCIAL STATEMENTS

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

- a. Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

Rittman Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 2 - Summary of Significant Accounting Policies (Continued)

- b. Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.
- e. Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

N. Receipts and Disbursements

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for service, operating and capital grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as a general receipt even if restricted for a specific purpose.

Operating Receipts and Disbursements

Operating receipts and disbursements for governmental funds result from providing services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

O. Implementation of New Accounting Policies

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” and GASB Statement No. 59, “*Financial Instruments Omnibus*.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

Note 3 – Restatement of Fund Balance/Net Assets

The School District previously reported under generally accepted accounting principles (GAAP). Effective July 1, 2010, the School District is reporting under the method described in Note 2. Beginning balances were restated on the basis of accounting in Note 2.

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

Rittman Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 3 – Restatement of Fund Balance/Net Assets (Continued)

All revenue and expense adjustments due to the accrual basis of accounting and the restatement of fund balance/net assets were adjusted as follows:

| | Governmental Funds | | | Total Governmental Funds |
|--|---------------------|---------------------------------|------------------------------------|--------------------------------|
| | General | Classroom Facilities Fund | All Other Governmental Funds | |
| GAAP Basis, 6/30/10 | \$ 2,725,059 | \$ 8,824,706 | \$ 853,156 | \$ 12,402,921 |
| Adjustments: | | | | |
| Balance Sheet Accruals (do not affect Rev. or Exp.) | 1,026,978 | 202,845 | 280,400 | 1,510,223 |
| Revenue Accruals | (129,746) | (29,059) | (126,823) | (285,628) |
| Expense Accruals | 122,921 | 673,425 | (3,015) | 793,331 |
| Change in Fund Structure | 35,361 | 0 | (35,361) | 0 |
| Cash Basis, 7/1/10 | <u>\$ 3,780,573</u> | <u>\$ 9,671,917</u> | <u>\$ 968,357</u> | <u>\$ 14,420,847</u> |

| | Governmental Activities | Agency |
|----------------------------|----------------------------|-----------------|
| GAAP Basis, 6/30/10 | \$ 23,063,484 | \$ 0 |
| Adjustments: | | |
| Balance sheet accruals | 0 | 9,431 |
| Revenue accruals | (23,264,917) | 0 |
| Expense accruals | 14,913,442 | 0 |
| Cash basis, 7/1/10 | <u>14,712,009</u> | <u>\$ 9,431</u> |

Note 4 – Accountability and Compliance

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2011, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

Note 5 – Budgetary Basis of Accounting

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

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

Rittman Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 5 – Budgetary Basis of Accounting (Continued)

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

| | General Fund |
|-----------------------------|--------------------|
| Budget basis | \$(468,460) |
| Funds budgeted elsewhere** | (7,953) |
| Adjustment for encumbrances | 144,754 |
| Cash basis | <u>\$(331,659)</u> |

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the uniform school supplies fund, the Rittman - Orrville compact fund, and the PSSF funds.

Note 6 – Deposits and Investments

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

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

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

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

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 in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Note 6 – Deposits and Investments (Continued)

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 (STAROhio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 % of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits - At fiscal year-end, the carrying amount of the School District's deposits was \$1,144,926 and the bank balance was \$1,616,836. Of the bank balance:

1. \$858,576 was covered by federal depository insurance; and
2. \$758,260 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments – Investments are reported at cost. As of June 30, 2011, the School District had the following investments:

Rittman Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 6 – Deposits and Investments (Continued)

| Rating by S & P | Entity | Cost | Investment Maturities | | | | Percentage of Total Investment |
|--------------------|-----------------------------------|---------------------|-----------------------|---------------------|----------------------|---------------------------|--------------------------------------|
| | | | In Months (0-6) | In Months (7-12) | In Months (13-23) | In Months More than 24 | |
| Aaa | First Merit -Repurchase Agreement | \$ 2,440,000 | \$ 2,440,000 | \$ 0 | \$ 0 | \$ 0 | 31.72% |
| AAAm | STAROhio | 1,988,596 | 1,988,596 | 0 | 0 | 0 | 25.85% |
| AAAm | Fifth Third Money Market | 92,540 | 92,540 | 0 | 0 | 0 | 1.20% |
| AAA | Federal Home Loan Bank | 556,716 | 154,775 | 50,256 | 351,685 | 0 | 7.24% |
| AAA | Federal Farm Credit Banks Cons | 748,614 | 338,425 | 410,189 | 0 | 0 | 9.73% |
| AAA | US Treasury Note | 76,175 | 0 | 0 | 76,175 | 0 | 0.99% |
| AAA | Federal Home Loan Mortgage | 51,243 | 0 | 51,243 | 0 | 0 | 0.67% |
| AAA | Fannie Mae | 968,668 | 149,687 | 50,125 | 252,628 | 516,228 | 12.59% |
| AAA | Freddie Mac | 770,602 | 0 | 100,249 | 413,022 | 257,331 | 10.01% |
| | | <u>\$ 7,693,154</u> | <u>\$ 5,164,023</u> | <u>\$ 662,062</u> | <u>\$ 1,093,510</u> | <u>\$ 773,559</u> | <u>100.00%</u> |

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchases of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. 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.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District’s investment in repurchase agreements is collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2%. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Credit Risk – The School District’s investment credit ratings are summarized above. The School District’s investments in the federal agency securities that underlie the School District’s repurchase agreement were rated Aaa by Standard & Poor’s Rating Services.

Concentration of Credit Risk – The School District places no limit on the amount the School District may invest in any one issuer, however State statute limits investments in commercial paper and bankers’ acceptances to 25% of the interim monies available for investment at any one time. See percentages above.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Rittman Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 7 - Property Taxes (Continued)

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2011 (other than public utility property) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

The School District receives property taxes from Wayne and Medina 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, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2011 taxes were collected are:

| | Wayne County | | | |
|---|-----------------------|----------------|-----------------------|----------------|
| | 2011 First | | 2010 Second | |
| | Half Collections | | Half Collections | |
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$ 103,348,570 | 98.24% | \$ 103,397,410 | 98.19% |
| Public Utility | 23,640 | 0.02% | 18,380 | 0.02% |
| Tangible Personal Property | 1,831,610 | 1.74% | 1,883,716 | 1.79% |
| | <u>\$ 105,203,820</u> | <u>100.00%</u> | <u>\$ 105,299,506</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of Assessed Value | <u>\$ 63.20</u> | | <u>\$ 63.20</u> | |

Rittman Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 7 - Property Taxes (Continued)

| | Medina County | | | |
|---|--------------------------------|----------------|---------------------------------|----------------|
| | 2011 First Half Collections | | 2010 Second Half Collections | |
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$ 2,537,370 | 90.53% | \$ 2,637,780 | 90.87% |
| Tangible Personal Property | 265,560 | 9.47% | 264,936 | 9.13% |
| | <u>\$ 2,802,930</u> | <u>100.00%</u> | <u>\$ 2,902,716</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of Assessed Value | <u>\$ 63.20</u> | | <u>\$ 63.20</u> | |

Note 8 – 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 comprehensive property and casualty policy with Ohio Casualty Insurance Company. The deductible is \$5,000 per incident on property and \$250 per incident on equipment. All vehicles are also insured with Ohio Casualty Company and have a \$250 deductible. All board members, administrators, and employees are covered under a school district liability policy with Ohio Casualty Insurance Company. The limits of this coverage are \$1,000,000 per occurrence and \$6,000,000 per aggregate. The board president and superintendent have a \$20,000 position bond with the Cincinnati Insurance Company. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction from the prior year.

The Treasurer is covered under a surety bond in the amount of \$20,000. This bond is provided by the Cincinnati Insurance Company.

B. Workers' Compensation

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries.

C. Employee Health Insurance

Beginning July 1, 2010, the School District is a member of the Stark County Schools Council of Governments Health Benefit Plan (the "Council") to provide employee medical/surgical benefits. The Council is a risk sharing pool created pursuant to State statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits. The Assembly is the legislative decision-making body of the Council. The Assembly is comprised of the superintendents or executive officers of the members, who have been appointed by the respective governing body of each member.

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Note 8 – Risk Management (Continued)

The intent of the insurance pool is to achieve a reduced, stable and competitive rate for the School District by grouping with other members of the Health Benefits Program. The experience of all participating districts is calculated as one, and a common premium rate is applied to all member districts.

Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The employees share the cost of the monthly premium with the Board. For fiscal year 2011, the School District's monthly premiums were \$1,297.86 for family coverage and \$534.30 for single coverage. Dental insurance is also provided by the School District to qualified employees through the Stark County Schools Council for Governments. For fiscal year 2011, the School District's cost was \$167.35 for family coverage and \$67.88 for single coverage per employee per month.

Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance. The Stark County Schools Council of Government Board of Directors has the right to return monies to an existing school district subsequent to the settlement of all expenses and claims.

Note 9 – Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2011, it was determined the employer contribution rate to pension and death benefits to be 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to the Health Care and Medicare B Funds.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$124,771, \$165,828 and \$81,711, respectively; 42 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009.

Rittman Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 9 – Defined Benefit Pension Plans (Continued)

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 is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more year of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Note 9 – Defined Benefit Pension Plans (Continued)

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1 percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another 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. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DV Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$586,419, \$564,053 and \$477,990, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$16,052 made by the School District and \$11,465 made by the plan members.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2010 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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, 2011, 3 members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

Rittman Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 10 - Postemployment Benefits

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

A. School Employees Retirement System

Medicare Part B Plan

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76 percent.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$8,029, \$9,861 and \$6,742, respectively, which equaled the required contributions each year.

Health Care Plan

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105 (e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2011, the health care allocation was 1.43 percent.

Rittman Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 10 - Postemployment Benefits (Continued)

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$30,628, \$19,101 and \$54,808, respectively, which equaled the required contributions each year.

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

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

B. State Teachers Retirement System

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$45,109, \$43,389 and \$36,768, respectively.

Note 11 - Long - Term Obligations

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

| | Outstanding 6/30/2010 | Additions | Reductions | Outstanding 6/30/2011 | Amounts Due in One Year |
|---|--------------------------|-------------------|-------------------|--------------------------|-------------------------------|
| Governmental Activities: | | | | | |
| OSFC Construction Bonds | | | | | |
| Capital Appreciation Bonds | \$ 256,012 | \$ 0 | \$ 134,532 | \$ 121,480 | \$ 121,480 |
| Accretion of Capital Bonds | 218,250 | 45,738 | 125,468 | 138,520 | 138,520 |
| 2007 School Improvement Refunding Bonds | | | | | |
| \$8,124,993 - 4.00-4.25% Serial and | | | | | |
| Term Bonds | 7,675,000 | 0 | 50,000 | 7,625,000 | 50,000 |
| Capital Appreciation Bonds | 204,993 | 0 | 0 | 204,993 | 0 |
| Accretion of Capital Bonds | 216,118 | 117,391 | 0 | 333,509 | 0 |
| Total Governmental Activities | | | | | |
| Long-Term Obligations | <u>\$ 8,570,373</u> | <u>\$ 163,129</u> | <u>\$ 310,000</u> | <u>\$ 8,423,502</u> | <u>\$ 310,000</u> |

Rittman Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 11 - Long - Term Obligations (Continued)

General obligation bonds will be paid from the debt service fund.

2007 School Improvement Refunding General Obligation Bonds

On October 25, 2007, the School District issued \$8,124,993 in voted general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$4,640,000, \$3,280,000 and \$204,993, respectively. The bonds advance refunded \$8,125,000 of outstanding 2004 School Improvement General Obligation Bonds. The bonds were issued for a twenty-four year period with final maturities at December 1, 2031.

At the date of refunding, \$8,480,777 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$8,125,000 of the 2004 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The advance refunding reduced cash flows required for debt service by \$301,010 over the next twenty-four years and resulted in an economic gain of \$463,839.

The bond issue consists of serial, term and capital appreciation bonds. The serial bonds were issued with a varying interest rate of 4.0 to 4.125 percent. The term bonds that mature in fiscal year 2028 with an interest rate of 4.15 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2026 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule.

| <u>Fiscal Year</u> | <u>Principal Amount to be Redeemed</u> |
|--------------------|--|
| 2027 | \$ 490,000 |

The term bonds due December 1, 2027, with an interest rate of 4.15 percent, are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2028 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule.

| <u>Fiscal Year</u> | <u>Principal Amount to be Redeemed</u> |
|--------------------|--|
| 2029 | \$ 535,000 |

The term bonds due December 1, 2029, with an interest rate of 4.15 percent, are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2030 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule.

| <u>Fiscal Year</u> | <u>Principal Amount to be Redeemed</u> |
|--------------------|--|
| 2031 | \$ 580,000 |

The term bonds maturing after December 1, 2015 are subject to optional redemption, in whole or in part, on any date in order of maturity as determined by the School District and by lot within a maturity, at the option of the Board of Education on or after June 1, 2015.

Rittman Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 11 - Long - Term Obligations (Continued)

The capital appreciation bonds will mature December 1, 2012 through December 1, 2014. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$955,000. The fiscal year 2011 accretion amount is \$117,391.

2004 School Improvement Refunding General Obligation Bonds

On June 17, 2004, the School District issued \$9,499,997 in voted general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$5,825,000, \$3,270,000 and \$404,997, respectively. The bonds were issued for the purpose of various construction and renovations projects throughout the School district. The bonds were issued for a twenty-seven year period with final maturities at December 1, 2031.

The capital appreciation bond will mature December 1, 2011. This bond was purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bond is \$260,000. The fiscal year 2011 accretion amount is \$45,738.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2011 are as follows:

| Fiscal Year Ending June 30 | General Obligation Bonds | | Capital Appreciation Bonds | | Total | |
|----------------------------------|--------------------------|---------------------|----------------------------|-------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2012 | \$ 50,000 | \$ 311,474 | \$ 121,480 | \$ 138,520 | \$ 171,480 | \$ 449,994 |
| 2013 | 0 | 310,474 | 86,714 | 233,286 | 86,714 | 543,760 |
| 2014 | 0 | 310,474 | 67,126 | 252,874 | 67,126 | 563,348 |
| 2015 | 0 | 310,474 | 51,153 | 263,847 | 51,153 | 574,321 |
| 2016 | 325,000 | 303,974 | 0 | 0 | 325,000 | 303,974 |
| 2017-2021 | 1,790,000 | 1,314,168 | 0 | 0 | 1,790,000 | 1,314,168 |
| 2022-2026 | 2,180,000 | 916,685 | 0 | 0 | 2,180,000 | 916,685 |
| 2027-2031 | 2,680,000 | 417,084 | 0 | 0 | 2,680,000 | 417,084 |
| 2032 | 600,000 | 12,750 | 0 | 0 | 600,000 | 12,750 |
| Total | <u>\$ 7,625,000</u> | <u>\$ 4,207,557</u> | <u>\$ 326,473</u> | <u>\$ 888,527</u> | <u>\$ 7,951,473</u> | <u>\$ 5,096,084</u> |

Rittman Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 12 – Interfund Activity

During fiscal year 2011, the School District made transfers between funds as follows:

| | Transfers- In | Transfers- Out |
|------------------------|-------------------|-------------------|
| Governmental: | | |
| General | \$ 197,463 | \$ 37,000 |
| All Other Governmental | 122,170 | 0 |
| Proprietary: | | |
| Internal Service | 0 | 282,633 |
| Total | <u>\$ 319,633</u> | <u>\$ 319,633</u> |

Transfers were made by the General Fund to move unrestricted balances to the Food Service Fund to cover obligations. During fiscal year 2011, the School District closed out the internal service fund and made a residual equity transfer to the funds that originally contributed the monies.

Note 13 - Jointly Governed Organization

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 23 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 TCCSA based upon a per pupil charge dependent upon the software package utilized. The TCCSA council of governments consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by an executive committee chosen from the general membership of the TCCSA council of governments. The executive committee consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Tri-County Education Services Center, which serves as fiscal agent, located at 741 Winkler Drive, Wooster, Ohio 44691. During the year ended June 30, 2011, the School District paid \$67,916 to TCCSA for basic service charges.

Note 14 – Public Entity Risk Pool

The School District is a member of the Stark County Schools Council of Governments Health Benefit Plan (the Council), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the “Program”) is an employee health benefit plan which covers the participating members’ employees. The Council acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purpose of paying health benefit claims for employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. The School District accounts for the premiums paid as expenditures in the general or applicable fund.

Rittman Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 15- 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 an obligation of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at year end.

B. Litigation

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

Note 16 – Statutory Restrictions

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

The following cash basis information describes the change in the year end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute. 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. By resolution, the Board can eliminate the reserve in accordance with the Act. As of June 30, 2011, the Board had not acted on the Senate Bill, in regards to the balance representing Bureau of Workers' Compensation rebates. For fiscal year ended June 30, 2011, the restriction activity was as follows:

| | Textbook Instructional Materials | Capital Improvement | Budget Stabilization |
|--|--|------------------------|-------------------------|
| Set-Aside Cash Balance as of June 30, 2010 | \$ 0 | \$ 0 | \$ 96,229 |
| Current Year Set-Aside Requirement | 159,534 | 159,534 | 0 |
| Current Year Qualifying Expenditures | (151,594) | 0 | 0 |
| Excess Qualified Expenditures from Prior Years | (7,940) | | 0 |
| Current Year Offsets | 0 | (207,897) | 0 |
| Total | <u>\$ 0</u> | <u>\$ (48,363)</u> | <u>\$ 96,229</u> |
| Cash Balance Carried Forward FY 2012 | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 96,229</u> |
| Set Aside Restricted Balance June 30, 2011 | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 96,229</u> |

The School District had authorized offsets and qualifying expenditures during the fiscal year that reduced the capital maintenance set aside amount below zero. For the capital maintenance balances, only the extra amount, which was a result of bond proceeds for capital disbursements, can be used to reduce the set-aside requirements of future years. The balance for the budget stabilization at the end of the fiscal year was \$96,299. The set aside amount of \$96,299 is reported as restricted cash and investments in the general fund. Effective July 1, 2011, the textbook set-aside laws have been repealed.

Rittman Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 17 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

| | <u>General</u> | <u>Classroom Facilities</u> | <u>Other Governmental</u> | <u>Total Governmental</u> |
|--------------------------------------|--------------------|-----------------------------|---------------------------|---------------------------|
| Restricted for: | | | | |
| Permanent Improvements & Maintenance | \$ 0 | \$4,371,712 | \$ 356,873 | \$4,728,585 |
| Debt Service | 0 | 0 | 585,417 | 585,417 |
| Budget Stabilization – BWC Refund | 96,299 | 0 | 0 | 96,299 |
| Access Grant | 0 | 0 | 2,157 | 2,157 |
| Food Service Operations | 0 | 0 | 18 | 18 |
| Athletics, Band and Choir | 0 | 0 | 8,832 | 8,832 |
| EMIS | 0 | 0 | 2,000 | 2,000 |
| Improving teacher quality | 0 | 0 | 1,238 | 1,238 |
| Ohio Reads | 0 | 0 | 47 | 47 |
| IDEA and IDEA part B | 0 | 0 | 32,165 | 32,165 |
| Technology | 0 | 0 | 3,940 | 3,940 |
| Title programs | 0 | 0 | 8,193 | 8,193 |
| Total Restricted | 96,299 | 4,371,712 | 1,000,880 | 5,468,891 |
| Committed to: | | | | |
| Educational funds | 0 | 0 | 10,898 | 10,898 |
| Total Committed | 0 | 0 | 10,898 | 10,898 |
| Assigned for: | | | | |
| Unpaid obligations | 146,704 | 0 | 0 | 146,704 |
| Educational Activities | 23,910 | 0 | 0 | 23,910 |
| Total Assigned | 170,614 | 0 | 0 | 170,614 |
| Unassigned | <u>3,182,001</u> | <u>0</u> | <u>0</u> | <u>3,182,001</u> |
| Total Fund Balance | <u>\$3,448,914</u> | <u>\$4,371,712</u> | <u>\$1,011,778</u> | <u>\$8,832,404</u> |

Note 18 – Construction Commitments

As of June 30, 2011, the School District had contractual commitments for the construction of for new middle and high schools totaling \$13,805,854. The balance remaining on these contracts as of June 30, 2011 was \$1,650,329.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

November 30, 2011

To the Board of Education
Rittman Exempted Village School District
100 Saurer Street
Rittman, Ohio 44270

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rittman Exempted Village School District (the "School District") as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the School District's primary government, and have issued our report thereon dated November 30, 2011, which emphasized the primary government of the School District changed their reporting format to the cash basis, which is an other comprehensive basis of accounting not in accordance with generally accepted accounting principles and that the School District's cash basis financial statements do not include amounts related to the Rittman Academy, which should be presented as a discretely presented component unit. 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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2011-01.

We noted certain matters that we reported to management of the primary government of the School District in a separate letter dated November 30, 2011.

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

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

Rea & Associates, Inc.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

November 30, 2011

To the Board of Education
Rittman Exempted Village School District
100 Saurer Street
Rittman, Ohio 44270

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Rittman Exempted Village School District (the "School District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Rea & Associates, Inc.

**RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FISCAL YEAR ENDED JUNE 30, 2011**

| Federal Grantor/ Pass Through Grantor Program Title | Program Year | Federal CFDA Number | Cash Receipts | Non-Cash Receipts | Cash Expenditures | Non-Cash Expenditures |
|---|-----------------|---------------------------|---------------------|----------------------|----------------------|--------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| <i>Passed Through the Ohio Department of Education:</i> | | | | | | |
| Child Nutrition Cluster: | | | | | | |
| School Breakfast Program | 2011 | 10.553 | \$ 50,440 | \$ - | \$ 50,440 | \$ - |
| National School Lunch Program (Food Distribution) | 2011 | 10.555 | - | 26,938 | - | 26,938 |
| National School Lunch Program | 2011 | 10.555 | 183,103 | - | 183,103 | - |
| Total Child Nutrition Cluster | | | 233,543 | 26,938 | 233,543 | 26,938 |
| Total U.S. Department of Agriculture | | | 233,543 | 26,938 | 233,543 | 26,938 |
| U.S. DEPARTMENT OF EDUCATION | | | | | | |
| <i>Passed Through the Ohio Department of Education:</i> | | | | | | |
| Special Education Cluster: | | | | | | |
| Special Education - Grants to States (IDEA Part B) | 2010 | 84.027 | 23,851 | - | 36,196 | - |
| Special Education - Grants to States (IDEA Part B) | 2011 | 84.027 | 202,103 | - | 169,947 | - |
| ARRA - Special Education Grants to States (IDEA Part B) | 2010 | 84.391 | 14,688 | - | 24,192 | - |
| ARRA - Special Education Grants to States (IDEA Part B) | 2011 | 84.391 | 106,138 | - | 110,977 | - |
| Total Special Education Cluster | | | 346,780 | - | 341,312 | - |
| Title I Grants Cluster: | | | | | | |
| Grants to Local Educational Agencies (Title I) | 2010 | 84.010 | 14,957 | - | 30,224 | - |
| Grants to Local Educational Agencies (Title I) | 2011 | 84.010 | 200,171 | - | 187,198 | - |
| ARRA - Grants to Local Educational Agencies (Title I) | 2010 | 84.389 | 4,309 | - | 7,089 | - |
| ARRA - Grants to Local Educational Agencies (Title I) | 2011 | 84.389 | 35,622 | - | 35,575 | - |
| Total Title I Grants Cluster | | | 255,059 | - | 260,086 | - |
| Safe and Drug Free Schools (Title IV-A) | 2010 | 84.186 | 83 | - | 96 | - |
| Safe and Drug Free Schools (Title IV-A) | 2011 | 84.186 | 479 | - | 479 | - |
| Total Safe and Drug Free Schools (Title IV-A) | | | 562 | - | 575 | - |
| Technology Literacy Quality State Grants (Title II-D) | 2010 | 84.318 | 804 | - | 93 | - |
| Technology Literacy Quality State Grants (Title II-D) | 2011 | 84.318 | 452 | - | 352 | - |
| Total Technology Literacy Quality State Grants (Title II-D) | | | 1,256 | - | 445 | - |
| Improving Teacher Quality State Grants (Title II-A) | 2010 | 84.367 | 7,589 | - | 9,898 | - |
| Improving Teacher Quality State Grants (Title II-A) | 2011 | 84.367 | 55,245 | - | 55,207 | - |
| Total Improving Teacher Quality State Grants (Title II-A) | | | 62,834 | - | 65,105 | - |
| ARRA - State Fiscal Stabilization | 2010 | 84.394 | - | - | 42,202 | - |
| ARRA - State Fiscal Stabilization | 2011 | 84.394 | 374,338 | - | 374,338 | - |
| Total ARRA - State Fiscal Stabilization | | | 374,338 | - | 416,540 | - |
| Total U.S. Department of Education | | | 1,040,829 | - | 1,084,063 | - |
| Totals | | | \$ 1,274,372 | \$ 26,938 | \$ 1,317,606 | \$ 26,938 |

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

**Rittman Exempted Village School District
Wayne County, Ohio**

*Notes to the Schedule of Expenditures of Federal Awards – Cash Basis
For the Fiscal Year Ended June 30, 2011*

Note A - Child Nutrition Cluster

Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

Note B – Food Donation Program

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

**RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, Section .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|----------------|---|---|
| (d) (1) (i) | Type of Financial Statement Opinion | Unqualified |
| (d) (1) (ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d) (1) (ii) | Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)? | No |
| (d) (1) (iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | Yes |
| (d) (1) (iv) | Was there any material internal control weakness conditions reported for major federal programs? | No |
| (d) (1) (iv) | Were there any other significant deficiencies reported for major federal programs? | No |
| (d) (1) (v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d) (1) (vi) | Are there any reportable findings under Section .510? | No |
| (d) (1) (vii) | Major Programs (list): | Special Education Cluster CFDA #84.027, 84.391 ARRA - State Fiscal Stabilization Funds (SFSF) CFDA #84.394 |
| (d) (1) (viii) | Dollar Threshold: Type A/B Programs | Type A: > \$300,000 Type B: All others |
| (d) (1) (ix) | Low Risk Auditee? | Yes |

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

**FINDING 2011-01
Material Non-Compliance**

Criteria: Ohio Admin. Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

Condition: The School District chose to prepare its financial statements and notes on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than GAAP.

Cause: The Rittman Exempted Village School District Board of Education elected, per resolution 07-7578, to discontinue preparing its financial statements in accordance with GAAP. It was determined that the decision on whether or not to comply will be revisited annually and reviewed in conjunction with recommendation of the Treasurer.

Potential Effect: The financial statements and notes omit assets, liabilities, fund equities, and disclosures that are material, however, cannot be determined at this time.

Recommendation: It is recommended that the School District prepare its annual financial report in accordance with GAAP to comply with Ohio Admin. Code Section 117-2-03(B).

Client Response: The Rittman Exempted Village Board of Education recognizes the value in preparing accurate and timely financial statements to reflect the School District's operations as of fiscal year end. Due to the cost requirement of preparing these financial statements according to Generally Accepted Accounting Principles (GAAP), the Board has determined that preparing year-end statements on a cash basis of accounting will accurately reflect the district's financial position and allow for those resources previously spent on GAAP to be allocated to education purposes.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

Independent Accountant's Report on Applying Agreed-Upon Procedures

November 30, 2011

Rittman Exempted Village School District
100 Saurer Street
Rittman, Ohio 44270

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Rittman Exempted Village School District has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on October 18, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and Management and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

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Dave Yost • Auditor of State

**RITTMAN EXEMPTED VILLAGE OF SCHOOL DISTRICT
WAYNE 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
JANUARY 5, 2012**