

RITTMAN EXEMPTED VILLAGE
SCHOOL DISTRICT

GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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The Board of Education
Rittman EVSD
220 North First Street
Rittman, Ohio 44270

We have reviewed the Independent Auditor's Report of the Rittman EVSD, Wayne County, prepared by Rea & Associates, for the audit period July 1, 2000 through June 30, 2001. 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 EVSD is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

November 29, 2001

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RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2001

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

October 3, 2001
Except for Note 14,
Dated November 2, 2001

The Board of Education
Rittman Exempted Village School District
Rittman, Ohio 44270

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying general purpose financial statements of Rittman Exempted Village School District as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the Rittman Exempted Village School District management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Rittman Exempted Village School District as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2001, on our consideration of Rittman Exempted Village School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Rea & Associates, Inc.

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2001

Governmental Fund Types			
	General	Special Revenue	Capital Projects
<u>Assets</u>			
Cash and Cash Equivalents - Unrestricted	\$ 3,247,284	\$ 112,290	\$ 191,538
Cash and Cash Equivalents - Restricted	96,299	0	0
Receivables:			
Taxes	3,120,503	0	200,869
Accounts	46	821	0
Interfund	15,172	0	0
Intergovernmental Receivable	0	15,739	0
Prepaid Items	19,148	0	0
Inventory Held For Resale	0	0	0
Materials and Supplies Inventory	4,827	0	0
Fixed Assets, (Net of Accumulated Depreciation)	0	0	0
<u>Other Debits</u>			
Amount to be Provided From			
General Resources	0	0	0
Total Assets and Other Debits	\$ 6,503,279	\$ 128,850	\$ 392,407
<u>Liabilities</u>			
Accounts Payable	\$ 4,400	\$ 3,774	\$ 36,563
Accrued Wages and Benefits	476,140	41,732	0
Compensated Absences Payable	0	0	0
Interfund Payable	0	72	0
Intergovernmental Payable	149,221	9,493	0
Deferred Revenue	2,644,037	0	170,198
Undistributed Monies	0	0	0
Claims Payable	0	0	0
Total Liabilities	3,273,798	55,071	206,761
<u>Fund Equity and Other Credits</u>			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	286,279	7,249	39,500
Reserved for Inventory	4,827	0	0
Reserved for Prepaid Items	19,148	0	0
Reserved for Tax Revenue Unavailable for Appropriations	476,466	0	30,671
Reserved for Budget	96,299	0	0
Unreserved:			
Undesignated	2,346,462	66,530	115,475
Total Fund Equity and Other Credits	3,229,481	73,779	185,646
Total Liabilities, Fund Equity and Other Credits	\$ 6,503,279	\$ 128,850	\$ 392,407

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations		(Memorandum Only)
\$ 9,604	\$ 257,424	\$ 9,674	\$ 0	\$ 0	\$ 0	\$ 3,827,814
0	0	0	0	0	0	96,299
0	0	0	0	0	0	3,321,372
300	14,763	141	0	0	0	16,071
0	0	0	0	0	0	15,172
0	0	0	0	0	0	15,739
10	0	100	0	0	0	19,258
7,151	0	0	0	0	0	7,151
0	0	0	0	0	0	4,827
96,793	0	0	6,240,573	0	0	6,337,366
0	0	0	0	474,721	0	474,721
<u>\$ 113,858</u>	<u>\$ 272,187</u>	<u>\$ 9,915</u>	<u>\$ 6,240,573</u>	<u>\$ 474,721</u>	<u>\$ 0</u>	<u>\$ 14,135,790</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,737
5,393	0	0	0	0	0	523,265
9,071	0	0	0	414,819	0	423,890
15,100	0	0	0	0	0	15,172
16,401	0	0	0	59,902	0	235,017
6,803	0	0	0	0	0	2,821,038
0	0	7,915	0	0	0	7,915
0	82,991	0	0	0	0	82,991
<u>52,768</u>	<u>82,991</u>	<u>7,915</u>	<u>0</u>	<u>474,721</u>	<u>0</u>	<u>4,154,025</u>
0	0	0	6,240,573	0	0	6,240,573
61,090	189,196	0	0	0	0	250,286
0	0	0	0	0	0	333,028
0	0	0	0	0	0	4,827
0	0	0	0	0	0	19,148
0	0	0	0	0	0	507,137
0	0	0	0	0	0	96,299
0	0	2,000	0	0	0	2,530,467
<u>61,090</u>	<u>189,196</u>	<u>2,000</u>	<u>6,240,573</u>	<u>0</u>	<u>0</u>	<u>9,981,765</u>
<u>\$ 113,858</u>	<u>\$ 272,187</u>	<u>\$ 9,915</u>	<u>\$ 6,240,573</u>	<u>\$ 474,721</u>	<u>\$ 0</u>	<u>\$ 14,135,790</u>

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances*

All Governmental Fund Types and Expendable Trust Funds

For the Year Ended June 30, 2001

	Governmental Fund Type		
	General	Special Revenue	Capital Projects
<u>Revenues</u>			
Taxes	\$ 3,631,744	\$ 0	\$ 231,417
Intergovernmental	3,934,671	564,106	85,698
Investment Income	229,495	0	0
Tuition and Fees	184,722	0	0
Extracurricular Activities	0	49,674	0
Miscellaneous	24,412	95,274	0
Total Revenues	8,005,044	709,054	317,115
<u>Expenditures</u>			
Current:			
Instruction			
Regular	3,523,244	113,283	42,500
Special	702,026	242,535	0
Vocational	73,346	0	0
Support Services:			
Pupils	295,425	165,318	0
Instructional Staff	425,138	74,450	0
Board of Education	58,674	0	0
Administration	473,178	44,636	0
Fiscal	215,238	0	2,909
Operation and Maintenance of Plant	886,104	6,338	20,304
Pupil Transportation	243,324	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	113,660	59,510	0
Capital Outlay	99,707	0	271,733
Total Expenditures	7,109,064	706,070	337,446
Excess of Revenues Over (Under) Expenditures	895,980	2,984	(20,331)
<u>Other Financing Sources (Uses)</u>			
Proceeds from Sales of Fixed Assets	2,387	0	0
Operating Transfers In	0	89	0
Operating Transfers Out	(10,312)	0	0
Total Other Financing Sources (Uses)	(7,925)	89	0
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	888,055	3,073	(20,331)
Fund Balance at Beginning Of Year	2,341,208	70,706	205,977
Increase in Reserve for Inventory	218	0	0
Fund Balance at End of Year	\$ 3,229,481	\$ 73,779	\$ 185,646

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Type			
Expendable Trust		Totals (Memorandum Only)	
\$	0	\$	3,863,161
	0		4,584,475
	0		229,495
	0		184,722
	0		49,674
	0		119,686
	0		9,031,213
	0		3,679,027
	0		944,561
	0		73,346
	0		460,743
	0		499,588
	0		58,674
	0		517,814
	0		218,147
	0		912,746
	0		243,324
	2,000		2,000
	0		173,170
	0		371,440
	2,000		8,154,580
	(2,000)		876,633
	0		2,387
	0		89
	0		(10,312)
	0		(7,836)
	(2,000)		868,797
	4,000		2,621,891
	0		218
\$	2,000	\$	3,490,906

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual*

All Governmental Fund Types and Expendable Trust Funds
(Non-GAAP Budgetary Basis)

For the Year Ended June 30, 2001

GENERAL FUND			
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 3,330,906	\$ 3,209,297	\$ (121,609)
Intergovernmental	4,040,927	3,934,721	(106,206)
Investment Income	234,850	229,495	(5,355)
Tuition and Fees	130,150	184,722	54,572
Extracurricular Activities	0	0	0
Rentals	0	4,146	4,146
Miscellaneous	10,000	23,493	13,493
Total Revenues	7,746,833	7,585,874	(160,959)
Expenditures			
Current			
Instruction	4,517,403	4,358,319	159,084
Support Services			
Pupils	302,933	293,604	9,329
Instructional Staff	450,427	449,549	878
Board of Education	71,475	63,371	8,104
Administration	523,757	531,408	(7,651)
Fiscal	288,977	298,770	(9,793)
Operation and Maintenance of Plant	922,603	928,044	(5,441)
Pupil Transportation	222,979	371,921	(148,942)
Non-instructional services	0	0	0
Extracurricular Activities	109,975	113,660	(3,685)
Capital Outlay	234,352	109,807	124,545
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	7,644,881	7,518,453	126,428
Excess of Revenues Over (Under) Expenditures	101,952	67,421	(34,531)
Other Financing Sources (Uses)			
Other Financing Sources	5,000	264	(4,736)
Advances In	0	0	0
Advances Out	(15,100)	(15,100)	0
Operating Transfers In	65,000	0	(65,000)
Operating Transfers Out	(69,400)	(10,312)	59,088
Total Other Financing Sources (Uses)	(14,500)	(25,148)	(10,648)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	87,452	42,273	(45,179)
Fund Balance at Beginning of Year	2,779,615	2,779,615	0
Prior Year Encumbrances Appropriated	231,011	231,011	0
Fund Balance at End of Year	\$ 3,098,078	\$ 3,052,899	\$ (45,179)

See accompanying notes to the general purpose financial statements.

SPECIAL REVENUE FUND			CAPITAL PROJECTS FUND		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 207,300	\$ 204,215	\$ (3,085)
541,229	523,498	(17,731)	94,500	85,698	(8,802)
0	0	0	0	0	0
0	0	0	0	0	0
50,419	49,674	(745)	0	0	0
0	0	0	0	0	0
105,457	94,610	(10,847)	0	0	0
697,105	667,782	(29,323)	301,800	289,913	(11,887)
373,941	367,404	6,537	92,105	68,104	24,001
177,089	168,130	8,959	0	0	0
92,187	67,885	24,302	0	0	0
0	0	0	0	0	0
53,266	45,968	7,298	0	0	0
5,000	0	5,000	2,000	2,909	(909)
6,338	6,338	0	30,000	20,304	9,696
0	0	0	0	0	0
100	100	0	0	0	0
61,077	59,553	1,524	0	0	0
0	0	0	218,000	285,629	(67,629)
0	0	0	0	0	0
0	0	0	0	0	0
768,998	715,378	53,620	342,105	376,946	(34,841)
(71,893)	(47,596)	24,297	(40,305)	(87,033)	(46,728)
25,993	24,869	(1,124)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
89	89	0	0	0	0
0	0	0	0	0	0
26,082	24,958	(1,124)	0	0	0
(45,811)	(22,638)	23,173	(40,305)	(87,033)	(46,728)
115,867	115,867	0	102,485	102,485	0
8,035	8,035	0	100,022	100,022	0
\$ 78,091	\$ 101,264	\$ 23,173	\$ 162,202	\$ 115,474	\$ (46,728)

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual*

All Governmental Fund Types and Expendable Trust Funds
(Non-GAAP Budgetary Basis)

For the Year Ended June 30, 2001

EXPENDABLE TRUST FUNDS			
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental	0	0	0
Investment Income	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Rentals	0	0	0
Miscellaneous	0	0	0
Total Revenues	0	0	0
Expenditures			
Current			
Instruction	0	0	0
Support Services			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Non-instructional services	4,000	2,000	2,000
Extracurricular Activities	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	4,000	2,000	2,000
Excess of Revenues Over (Under) Expenditures	(4,000)	(2,000)	2,000
Other Financing Sources (Uses)			
Other Financing Sources	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,000)	(2,000)	2,000
Fund Balance at Beginning of Year	4,000	4,000	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balance at End of Year	\$ 0	\$ 2,000	\$ 2,000

See accompanying notes to the general purpose financial statements.

TOTALS
(MEMORANDUM ONLY)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 3,538,206	\$ 3,413,512	\$ (124,694)
4,676,656	4,543,917	(132,739)
234,850	229,495	(5,355)
130,150	184,722	54,572
50,419	49,674	(745)
0	4,146	4,146
115,457	118,103	2,646
<u>8,745,738</u>	<u>8,543,569</u>	<u>(202,169)</u>
4,983,449	4,793,827	189,622
480,022	461,734	18,288
542,614	517,434	25,180
71,475	63,371	8,104
577,023	577,376	(353)
295,977	301,679	(5,702)
958,941	954,686	4,255
222,979	371,921	(148,942)
4,100	2,100	2,000
171,052	173,213	(2,161)
452,352	395,436	56,916
0	0	0
0	0	0
<u>8,759,984</u>	<u>8,612,777</u>	<u>147,207</u>
<u>(14,246)</u>	<u>(69,208)</u>	<u>(54,962)</u>
0	0	
30,993	25,133	(5,860)
0	0	0
(15,100)	(15,100)	0
65,089	89	(65,000)
<u>(69,400)</u>	<u>(10,312)</u>	<u>59,088</u>
<u>11,582</u>	<u>(190)</u>	<u>(11,772)</u>
(2,664)	(69,398)	(66,734)
3,001,967	3,001,967	0
339,068	339,068	0
<u>\$ 3,338,371</u>	<u>\$ 3,271,637</u>	<u>\$ (66,734)</u>

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT

*Combined Statement of Revenues,
Expenses, and Changes in Fund Equity*
All Proprietary Fund Types

For the Year Ended June 30, 2001

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Operating Revenues</u>			
Sales	\$ 283,269	\$ 0	\$ 283,269
Charges for Services	0	829,634	829,634
<i>Total Operating Revenues</i>	283,269	829,634	1,112,903
<u>Operating Expenses</u>			
Salaries	137,579	0	137,579
Fringe Benefits	65,967	0	65,967
Purchased Services	91	0	91
Materials and Supplies	198,543	0	198,543
Depreciation	10,000	0	10,000
Maintenance	54	0	54
Claims	0	764,771	764,771
<i>Total Operating Expenses</i>	412,234	764,771	1,177,005
Operating Income (Loss)	(128,965)	64,863	(64,102)
<u>Non-Operating Revenues (Expenses)</u>			
Operating Grants	107,911	0	107,911
Refund of Prior Year Expenses	257	0	257
Other Non-Operating Revenue	1,999	0	1,999
Interest	3	0	3
<i>Total Non-Operating Revenues (Expenses)</i>	110,170	0	110,170
Income (Loss) Before Operating Transfers	(18,795)	64,863	46,068
Operating Transfers In	5,800	0	5,800
Net Income (Loss)	(12,995)	64,863	51,868
Retained Earnings/Fund Balance at Beginning of Year	74,085	124,333	198,418
Total Fund Equity at End of Year	\$ 61,090	\$ 189,196	\$ 250,286

See accompanying notes to the general purpose financial statements.

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT

Combined Statement of Cash Flows
All Proprietary Fund Types

For the Year Ended June 30, 2001

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Cash Flows From Operating Activities</u>			
Cash Received from Customers	\$ 282,636	\$ 0	\$ 282,636
Cash Received from Quasi-External Transactions with other funds	0	807,533	807,533
Cash Paid for Goods and Services	(182,370)	0	(182,370)
Cash Paid to Employees	(205,426)	0	(205,426)
Cash Paid for Claims	0	(764,771)	(764,771)
Net Cash Provided By (Used For) Operating Activities	(105,160)	42,762	(62,398)
<u>Cash Flows From Capital & Related Financing Activities</u>			
Purchase of equipment	(2,179)	0	(2,179)
Net Cash Used for Capital & Related Financing Activities	(2,179)	0	(2,179)
<u>Cash Flows From Non-Capital Financing Activities</u>			
Grants	107,911	0	107,911
Other Non-Operating Revenues	2,259	0	2,259
Operating Transfers-In	5,800	0	5,800
Net Cash Provided By Non-Capital Activities	115,970	0	115,970
Net Increase (Decrease) in Cash and Cash Equivalents	8,631	42,762	51,393
Cash and Cash Equivalents at Beginning of Year	973	214,662	215,635
Cash and Cash Equivalents at End of Year	\$ 9,604	\$ 257,424	\$ 267,028
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</u>			
Operating Income (Loss)	\$ (128,965)	\$ 64,863	\$ (64,102)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:			
Depreciation	10,000	0	10,000
(Increase) decrease in assets:			
Accounts Receivable	148	(13,997)	(13,849)
Inventory	(3,369)	0	(3,369)
Increase (decrease) in liabilities:			
Accrued wages and benefits	(1,414)	0	(1,414)
Compensated absences payable	(466)	0	(466)
Interfund payable	15,100	0	15,100
Intergovernmental payable	4,587	0	4,587
Deferred revenue	(781)	0	(781)
Claims payable	0	(8,104)	(8,104)
Total Adjustments	23,805	(22,101)	1,704
Net Cash Provided By (Used For) Operating Activities	\$ (105,160)	\$ 42,762	\$ (62,398)

See accompanying notes to the general purpose financial statements.

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Rittman Exempted Village School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a school district as defined by Section 3311.04 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2000, was 1,289. The District employs 101 certificated and 57 non-certificated employees.

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

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

Management believes the financial statements included in the report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The accounts of the Rittman Exempted Village School District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Rittman Exempted Village School District has the following fund types and account groups:

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Governmental Fund Types

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue.

Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

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General Fund - used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditure for specified purposes.

Capital Projects Fund - used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary or trust funds.

Proprietary Fund Types

Proprietary fund types are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Unused donated commodities are reported as deferred revenue. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the board of education has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations unless they contradict/conflict with GASB pronouncements. Proprietary funds include the following fund types:

Enterprise Funds - used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - used to account for the financing of goods or services provided by one department or agency to governmental units, on a cost-reimbursement basis.

Fiduciary Fund Types

Fiduciary fund types account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary fund types are as follows:

Expendable Trust Fund - accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting.

Agency Fund - custodial in nature and do not present results of operations or have a measurement focus. Agency Funds are accounted for using the modified

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accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

Account Groups

The District maintains two account groups as described below:

General Fixed Assets Account Group - used to account for fixed assets acquired principally for general purposes other than those accounted for in proprietary or trust funds.

General Long-term Debt Account Group - used to account for the outstanding principal balances of general obligation bonds and other long-term debt not reported in proprietary funds.

B. DEPOSITS AND INVESTMENTS

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Investment income is recorded in the general fund, as permitted by the Ohio Revised Code. Investments are stated at cost which approximates fair value at year-end. Cash deposits are reported as carrying amount, which reasonably estimates fair value.

The District has also invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001. 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, 2001.

C. RESTRICTED CASH

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget reserve. A fund balance reserve has also been established.

D. RECEIVABLES

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

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E. INVENTORIES AND SUPPLIES

The costs of inventory items are recognized as expenditures when purchased in the governmental funds and recognized as expenses when used in the enterprise funds. For all funds, cost is determined on a first-in, first-out basis.

Reported inventories in the governmental fund types are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

F. PREPAID EXPENSES

The District uses the consumption method to account for prepaid expenses. Under the consumption method the prepaid items are recorded as an expenditure when used.

G. FIXED ASSETS AND DEPRECIATION

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets. The District does not possess any infrastructure.

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on the estimated life of assets. Estimated useful lives of the various classes of depreciable assets consist of: buildings, 30 to 50 years; improvements, 30 to 50 years; equipment, including vehicles, 5 to 20 years.

H. LONG-TERM LIABILITIES

Unmatured general long-term liabilities, which are related to governmental fund type operations, are reflected in the general long-term debt account group.

I. UNPAID COMPENSATED ABSENCES

The entire estimated amount of unpaid compensated absences, including sick pay and vacation pay, of the proprietary type funds is reflected as a liability in the respective funds. The portion of unpaid compensated absences related to governmental fund type operations is reflected in the general long-term debt account group.

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The liability is

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based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

J. FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations.

K. TOTAL COLUMNS

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. 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.

All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the object code level within each fund. Budgetary modifications may only be made by resolution of the Board of Education.

B. BUDGETARY BASIS

Tax Budget

A budget of estimated revenue and expenditures is submitted to the Wayne County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District

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must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types" do not include July 1, 2000 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the fund, function level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types and Expendable Trust Funds" represent the final appropriation amounts including all amendments and modifications.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balance for subsequent-year expenditures.

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Budgetary Reporting

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the “Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types” is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles (GAAP basis) are that:

- 1.) Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis).
- 2.) Expenditures are recorded when paid or encumbered (budget basis) rather than when the liability is incurred (GAAP basis).
- 3.) Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
- 4.) For proprietary funds, the acquisitions and construction of capital assets are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
- 5.) Proceeds from and principal payments on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
- 6.) The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt Service fund resources used to pay both principal and interest have been allocated accordingly.

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental funds follow:

Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)
Reconciliation of Budget Basis to GAAP Basis

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Expendable Trust Fund</u>
Budget Basis	\$ 42,273	\$ (22,638)	\$ (87,033)	\$ (2,000)
Adjustments, increase (decrease)				
Revenue accruals	421,293	16,403	27,202	0
Expenditures accruals	133,809	(1,715)	(36,563)	0
Encumbrances	<u>290,680</u>	<u>11,023</u>	<u>76,063</u>	<u>0</u>
GAAP basis, as reported	<u>\$ 888,055</u>	<u>\$ 3,073</u>	<u>\$ (20,331)</u>	<u>\$ (2,000)</u>

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTE 4 DEPOSITS AND INVESTMENTS

The Rittman Exempted Village School District maintains a cash and investment pool used by various funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Equivalents."

A. LEGAL REQUIREMENTS

State statutes classify monies held by the District into three categories:

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

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

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

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

- (1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association and student loan marketing association. All federal agency securities shall be direct issuance's of federal government agencies or instrumentalities;

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- (3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily with the term of the agreement not exceeding thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 investments pool (STAR Ohio);
- (7) Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
- (8) Under limited circumstances, corporate debt instruments 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 Rittman Exempted Village School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

B. DEPOSITS AND CASH

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements".

At year-end, the carrying amount of the Rittman Exempted Village School District deposits was \$9,751, the bank balance was \$717,475 which was covered by federal depository insurance, by collateral held by the Rittman Exempted Village School District, or by collateral held by a qualified third party trustee in the name of Rittman Exempted Village School District.

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C. INVESTMENTS

The District's investments are categorized below to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the District's name.

Statutory provisions require that all securities acquired by the District be held by the District treasurer or deposited with a qualified trustee. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counterpart is a designated depository of the District for the current period of designation of depositories, in which case the securities may be held in trust by the depository.

	<u>Category</u>			<u>Carrying value</u>	<u>Fair value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Repurchase Agreement	\$ 0	\$ 0	\$ 517,056	\$ 517,056	\$ 517,056
Investment in State					
Treasurers Investment Pool				\$ 3,397,306	\$ 3,397,306
Total				<u>\$ 3,914,362</u>	<u>\$ 3,914,362</u>

NOTE 5 FIXED ASSETS AND ACCUMULATED DEPRECIATION

A. GENERAL FIXED ASSETS ACCOUNT GROUP

The changes in general fixed assets during the year consisted of:

	<u>Balance July 1, 2000</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2001</u>
Land and Improvements	\$ 592,090	\$ 0	\$ 0	\$ 592,090
Buildings	3,595,917	0	0	3,595,917
Furniture and Equipment	1,591,959	134,823	57,172	1,669,610
Vehicles	<u>293,313</u>	<u>89,643</u>	<u>0</u>	<u>382,956</u>
	<u>\$ 6,073,279</u>	<u>\$ 224,466</u>	<u>\$ 57,172</u>	<u>\$ 6,240,573</u>

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B. PROPRIETARY FUND TYPE FIXED ASSETS

Proprietary fund type fixed assets and accumulated depreciation at year-end consisted of:

Enterprise	Balance June 30, 2001
Equipment	\$ 208,527
Less: accumulated depreciation	(111,734)
Net fixed asset	\$ 96,793

NOTE 6 GENERAL LONG-TERM OBLIGATIONS

	Outstanding June 30, 2000	Additions	Deductions	Outstanding June 30, 2001
Accrued vacation pay	\$ 17,977	\$ 10,003	\$ 17,977	\$ 10,003
SERS Benefits	55,151	59,902	55,151	59,902
Accrued sick leave benefits	440,404	0	35,588	404,816
	\$ 513,532	\$ 69,905	\$ 108,716	\$ 474,721

NOTE 7 PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. The Wayne and Medina County Auditors are responsible for assessing and remitting these property taxes to the District.

Real property taxes are based on assessed value equal to thirty-five percent of appraisal value. The Wayne and Medina County Auditors reappraises real property every six years with a triennial update, the last update for Wayne County was 1999, and Medina County was 1998. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, in Wayne and Medina Counties, real property taxes are billed semi-annually, one year in arrears. The tax rate applied to real property collected in 2000 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$54.80 per \$1,000 of valuation for Wayne and Medina County. The effective rate for Wayne County, applied after adjustment for inflationary increases in property values, was \$39.68 per \$1,000 of assessed valuation for residential and agricultural real property and \$50.21 per \$1,000 of assessed valuation for other real property. The effective rate for Medina County, applied after adjustment for inflationary increases in property values, was \$29.73 per \$1,000 of assessed valuation for residential and agricultural real property and \$50.07 per \$1,000 of assessed valuation for other real property.

Tangible personal property used in business is required to be reported by its owners by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the current year ended December 31, 2000 was \$54.80 per \$1,000 of valuation for Wayne and Medina Counties.

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The property valuation consisted of:

	<u>Wayne County</u>	<u>Medina County</u>
Real Property - 1999		
Residential/Agricultural	\$ 62,411,040	\$ 2,010,680
Commercial/Agricultural	10,213,850	54,650
Public Utilities	23,190	0
Manufactured Homes	13,510	0
Tangible Personal Property - 2000		
General	17,741,935	69,950
Public Utilities	3,459,280	123,080
Total valuation	\$ 93,862,805	\$ 2,258,360

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2001, was \$507,137.

NOTE 8 INTERFUND TRANSACTIONS

Interfund balances at June 30, 2001, consists of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 15,172	\$ 0
Special Revenue	0	72
Enterprise-Lunchroom	0	15,100
	\$ 15,172	\$ 15,172

NOTE 9 PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The Rittman Exempted Village School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple-employer public employee retirement defined benefit pension plan. SERS provides retirement, annual cost-of-living adjustments, disability, survivor and health care benefits. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

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Plan members are required to contribute 9% of their annual covered salary and Rittman Exempted Village School District is required to contribute at an actuarially determine rate. The current rate is 14% of annual covered payroll. The contribution requirement of plan members and Rittman Exempted Village School District are established and may be amended by the SERS Board of Trustees. The School District's contributions to SERS for the years ending June 30, 2001, 2000, and 1999 were \$142,674, \$137,814, and \$133,056, respectively; 50 percent has been contributed for fiscal year 2001, and 100 percent for the fiscal years 2000 and 1999. The amount representing the unpaid contribution for fiscal year 2001, \$74,562 is recorded as a liability within the respective funds and the general long-term obligations account group.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

The Rittman Exempted Village School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple-employer public employee retirement defined benefit pension plan operated by the State of Ohio. STRS provides retirement, annual cost-of-living adjustments, disability, survivor and health care benefits. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report can be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and Rittman Exempted Village School District is required to contribute at an actuarially determine rate. The current rate is 14% of annual covered payroll. The contribution requirement of plan members and Rittman Exempted Village School District are established and may be amended by the STRS Board of Trustees. The School District's contributions to STRS for the years ending June 30, 2001, 2000, and 1999 were \$544,272, \$526,956, and \$487,632, respectively; 83.3 percent has been contributed for fiscal year 2000, and 100 percent for fiscal years 2000 and 1999. The amount representing the unpaid contribution for fiscal year 2001, \$87,844 is recorded as a liability within the respective funds.

NOTE 10 POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The Ohio Revised Code gives SERS the discretionary authority to provide post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service, credit, disability, and survivor benefit recipients.

Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2000, (the latest information available) the allocation rate was 6.3%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as \$12,400.

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

Health care benefits are financed on a pay-as-you-go basis.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits was \$252.3 million, at cost. The number of participants currently receiving health care benefits is approximately 50,000. The portion employer contributions that were used to fund postemployment benefits was approximately \$116,352.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

The State Teachers Retirement System of Ohio (STRS Ohio) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipient and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Board currently allocates employer contributions equal to 2% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. However, for the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8.0% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3,419 million at June 30, 2000, (the latest information available). The Health Care Reserve Fund allocation for the year ended June 30, 2000, will be 8% of covered payroll. For the year ended, June 30, 2000, the net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 11 SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains enterprise funds to account for the operation of school food service and uniform school supplies. Segment information related to these follows:

	<u>Food Services</u>	<u>Uniform Supplies</u>	<u>Total</u>
Operating revenues	\$ 258,225	\$ 25,044	\$ 283,269
Operating expenses			
Salaries and wages	137,579	0	137,579
Fringe benefits	65,967	0	65,967
Purchased services	91	0	91
Materials and supplies	176,913	21,630	198,543
Capital outlay	54	0	54
Depreciation	10,000	0	10,000
Total operating expenses	<u>390,604</u>	<u>21,630</u>	<u>412,234</u>
Operating income (loss)	(132,379)	3,414	(128,965)
Non-operating revenues, net	109,913	257	110,170
Income (loss) before operating transfers	(22,466)	3,671	(18,795)
Operating transfers in	5,800	0	5,800
Net income (loss)	<u>\$ (16,666)</u>	<u>\$ 3,671</u>	<u>\$ (12,995)</u>
Other information:			
Net working capital	<u>\$ (39,455)</u>	<u>\$ 3,752</u>	<u>\$ (35,705)</u>
Fixed assets, net	<u>\$ 96,793</u>	<u>\$ 0</u>	<u>\$ 96,793</u>
Total assets	<u>\$ 110,106</u>	<u>\$ 3,752</u>	<u>\$ 113,858</u>
Total equity	<u>\$ 57,338</u>	<u>\$ 3,752</u>	<u>\$ 61,090</u>

NOTE 12 JOINTLY GOVERNED ORGANIZATIONS

A. TRI-COUNTY COMPUTER SERVICE ASSOCIATION (TCCSA)

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 22 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 on per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors 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 Ashland - Wayne County Education Services Center, which serves as fiscal agent, located at 2534 Burbank Road, Wooster, Ohio 44691. During the year ended June 30, 2001, the District paid approximately \$53,675 to TCCSA for basic service charges.

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTES 13 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with Nationwide Insurance Company. The deductible is \$500 per incident on property and \$100 per incident on equipment. All vehicles are also insured with Nationwide Insurance Company and have a \$250 deductible. All board members, administrators, and employees are covered under a school district liability policy with Nationwide Insurance Company. The limits of this coverage are \$2,000,000 per occurrence and \$5,000,000 per aggregate. The board president and superintendent have a \$20,000 position bond with the Cincinnati Insurance Company.

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

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, President-Elect and the immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The Intent of the GRP is to achieve the benefit of a reduced premium for the School District by, virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage to the GRP. A participant will then either receive money from or be required to contribute the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The District has established a limited risk management program for hospital/medical benefits. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. An excess coverage insurance policy covers individual claims in excess of \$35,000.

Changes in the fund's claims liability amount in 2000 and 2001 were:

	Balance at <u>Beginning of Year</u>	Current Year <u>Claims</u>	Claim <u>Payments</u>	Balance at <u>End of Year</u>
2000	\$ 46,107	\$ 824,659	\$ 779,671	\$ 91,095
2001	\$ 91,095	\$ 756,667	\$ 764,771	\$ 82,991

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 14 OTHER MATTERS

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis of determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of October 3, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 15 – STATUTORY RESERVES

Substitute House Bill 412, as amended, required the District to “set aside” certain percentages of defined revenues for (1) textbook and instructional materials purchases, and (2) capital and maintenance expenditures. An amendment no longer requires the budget reserve, however, a district may still establish a budget reserve. It also required five year budget projections, amended the fiscal watch and fiscal emergency statutes, created a state school district solvency fund, and amended “spending reserve” provisions. During the fiscal year June 30, 2001, the reserve activity (GAAP-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Reserve</u>	<u>Total</u>
Balance 7/1/00	\$ (50,808)	\$ 0	\$ 96,299	\$ 45,491
Required Set-Aside	179,341	179,341		358,682
Additional Set-Aside	0	0	0	0
Qualifying Expenditures	<u>(241,069)</u>	<u>(313,692)</u>	<u>0</u>	<u>(554,761)</u>
Total	<u>\$ (112,536)</u>	<u>\$ (134,351)</u>	<u>\$ 96,299</u>	<u>\$ (150,588)</u>
Cash Balance Carried Forward FY 2001	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 96,299</u>	
Amount Restricted for Set-Asides				<u>\$ 96,299</u>
Total Restricted Assets				<u>\$ 96,299</u>

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

October 3, 2001

The Board of Education
Rittman Exempted Village School District
Rittman, Ohio 44270

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the general purpose financial statements of Rittman Exempted Village School District as of and for the year ended June 30, 2001, and have issued our report thereon dated October 3, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether Rittman Exempted Village School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that we have reported to management of Rittman Exempted Village School District, in a separate letter dated October 3, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rittman Exempted Village School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Rittman Exempted Village School District, in a separate letter dated October 3, 2001.

This report is intended solely for the information of the Board of Education, management 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.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

October 3, 2001

The Board of Education
Rittman Exempted Village School District
Rittman, Ohio 44270

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

Compliance

We have audited the compliance of Rittman Exempted Village School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. Rittman Exempted Village School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Rittman Exempted Village School District's management. Our responsibility is to express an opinion on Rittman Exempted Village 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 Circulars 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 Rittman Exempted Village 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 Rittman Exempted Village School District's compliance with those requirements.

In our opinion, Rittman Exempted Village School District complied, in all material respects, with the requirements referred to above that are applicable to the major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

The management of Rittman Exempted Village School District 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 Rittman Exempted Village 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal awards

We have audited the general purpose financial statements of Rittman Exempted Village School District as of and for the year ended June 30, 2001, and have issued our report thereon dated October 3, 2001. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements of Rittman Exempted Village School District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management 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 - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
U. S. Department of Education (Passed Through State Department of Education):					
Title 1	84.010	C1-S1-00	\$ 28,783	\$ 40,289	\$ 0
Title 1	84.010	C1-S1-01	221,903	214,402	0
<i>Total Title 1</i>			<u>250,686</u>	<u>254,691</u>	<u>0</u>
Title VI-B	84.027	6B-SF-00P	2,947	13,519	0
Title VI-B	84.027	6B-SF-01P	107,887	107,393	0
<i>Total Title VI-B</i>			<u>110,834</u>	<u>120,912</u>	<u>0</u>
Title VI	84.298	C2-S1-01	6,365	6,066	0
<i>Total Title VI</i>			<u>6,365</u>	<u>6,066</u>	<u>0</u>
Title VI-R	84.340	CR-S1-01	30,192	30,192	0
Title VI-R	84.340	CR-S1-00	2,836	5,688	0
<i>Total Title VI-R</i>			<u>33,028</u>	<u>35,880</u>	<u>0</u>
Drug Free Schools	84.186	DR-S1-01	4,800	4,798	0
Drug Free Schools	84.186	DR-S1-00	0	372	0
Drug Free Schools	84.186	DR-S1-99C	0	682	0
<i>Total Drug Free Schools</i>			<u>4,800</u>	<u>5,852</u>	<u>0</u>
Continuous Improvement Devel.	84.276	G2-S2-01	14,000	0	0
Continuous Improvement Devel.	84.276	G2-S2-00	21,000	7,311	0
<i>Total Contin. Impr. Devel.</i>			<u>35,000</u>	<u>7,311</u>	<u>0</u>
Eisenhower Professional Development	84.281	MS-S1-01	5,107	0	0
<i>Total Eisenhower Prof. Devel.</i>			<u>5,107</u>	<u>0</u>	<u>0</u>
Raising the Bar Grant	84.318	TF-34-99	0	62,500	0
<i>Total Raising the Bar Grant</i>			<u>0</u>	<u>62,500</u>	<u>0</u>
Total U.S. Department of Education			<u>445,820</u>	<u>493,212</u>	<u>0</u>
U. S. Department of Agriculture (Passed Through State Department of Education):					
<i>Nutrition Cluster</i>					
Food Distribution Program (A) (B)	10.550		38,461	0	33,707
National School Lunch Program (A)	10.555		102,317	102,317	0
Total U.S. Department of Agriculture - Nutrition Cluster			<u>140,778</u>	<u>102,317</u>	<u>33,707</u>
U. S. Health and Human Services (Passed Through Ohio Dept. of MRDD):					
Medical Assistance Program/CAFS	93.778		3,101	3,101	0
Total U. S. Health and Human Services			<u>3,101</u>	<u>3,101</u>	<u>0</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 589,699</u>	<u>598,630</u>	<u>33,707</u>

(A) Federal money commingled with state subsidy reimbursements. It is assumed the money was spent on a first-in, first-out basis.
(B) Represents market value less cost.

**RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2001**

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) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Title I
(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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted



STATE OF OHIO
OFFICE OF THE AUDITOR

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RITTMAN EXEMPTED VILLAGE 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
DECEMBER 6, 2001**