



Rea & associates a *brighter* way

Rittman Exempted Village School District
Wayne County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2014



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, 2013 through June 30, 2014. 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 31, 2014

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RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
WAYNE COUNTY, OHIO

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December 12, 2014

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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, Wayne County, Ohio (the "School District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on the Discretely Presented Component Unit

The financial statements omit the financial data relating to the School District's legally-separate component unit. Accounting principles generally accepted in the United States of America, as applied to the School District's modified cash basis of accounting, require the School District's primary-government financial data to include component unit financial data unless the School District also issues financial statements that include the component unit's financial data. The School District has not issued complete reporting-entity financial statements. We cannot determine the amounts of assets, net position, receipts and disbursements the accompanying statements should present for the omitted discretely-presented component unit in order to comply with the basis of accounting as described in Note 2.

Adverse Opinion on the Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion on the Discretely Presented Component Unit* paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the discretely-presented component unit of the Rittman Exempted Village School District, Wayne County, Ohio, as of June 30, 2014, or the changes in financial position thereof for the year then ended.

Unmodified Opinions

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Rittman Exempted Village School District, Wayne County, Ohio, as of June 30, 2014, and the respective changes in modified cash financial position and the respective budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities and outstanding debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards (the Schedule) also provides additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the financial statements.

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, on our consideration 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.

Rea & Associates, Inc.

New Philadelphia, Ohio

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Rittman Exempted Village School District
Wayne County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

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, 2014. 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 to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- q In total, net position decreased \$518,100, which represents a 12.9 percent decrease from 2013.
- q Outstanding debt decreased from \$8,086,134 to \$7,859,429 through principal payments made during the current year.

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 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 Position* 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. For fiscal year 2014, the general fund, the bond retirement fund and classroom facilities fund are the School District's most significant funds.

Basis of Accounting

The School District has elected to present its financial statements on the modified cash basis of accounting. This modified cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The modified 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 position will be 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 modified cash basis of accounting.

Rittman Exempted Village School District
Wayne County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the 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 2014?" The statement of net position and the statement of activities answer this question.

These two statements report the School District's *net position* and *changes in net position*. This change in net position 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 position and the statement of activities, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. 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 include the general fund, the bond retirement 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 the modified cash basis of accounting. 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 determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Reporting the School District's Fiduciary Responsibilities

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs. The accounting for the fiduciary funds is much like that used for proprietary funds.

Rittman Exempted Village School District
Wayne County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to 2013.

(Table 1)
Net Position – Modified Cash Basis

| | Governmental Activities | |
|--|-------------------------|--------------|
| | 2014 | 2013 |
| Assets | | |
| Equity in Pooled Cash and Investments | \$ 3,447,297 | \$ 2,726,846 |
| Cash and Cash Equivalents in Segregated Accounts | 64,403 | 1,302,954 |
| <i>Total Assets</i> | \$ 3,511,700 | \$ 4,029,800 |
| Net Position | | |
| Restricted for: | | |
| Capital Outlay | \$ 1,145,579 | \$ 1,931,174 |
| Debt Service | 485,188 | 523,716 |
| Other Purposes | 347,236 | 269,190 |
| Set Asides | 96,299 | 96,299 |
| Unrestricted | 1,437,398 | 1,209,421 |
| <i>Total Net Position</i> | \$ 3,511,700 | \$ 4,029,800 |

Net position of the governmental activities decreased \$518,100, which represents a 12.9 percent decrease from fiscal year 2013.

A portion of the School District's net position, \$2,074,302 or 59.1 percent, represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$1,437,398 may be used to meet the School District's ongoing obligations.

The School District saw a large decrease in segregated cash due to the completion of the OFCC project.

Rittman Exempted Village School District
Wayne County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Table 2 shows the changes in net position for fiscal year 2014 as compared to fiscal year 2013.

(Table 2)
Changes in Net Position – Modified Cash Basis

| | Governmental Activities | |
|---|-------------------------|---------------------|
| | 2014 | 2013 |
| Receipts | | |
| Program Receipts | | |
| Charges for Services and Sales | \$ 625,763 | \$ 609,218 |
| Operating Grants and Contributions | 941,468 | 954,176 |
| Capital Grants, Contributions and Interest | 18,813 | 59,615 |
| <i>Total Program Receipts</i> | <u>1,586,044</u> | <u>1,623,009</u> |
| General Receipts | | |
| Property Taxes | 3,606,328 | 3,303,981 |
| Grants and Entitlements not Restricted to Specific Programs | 5,887,448 | 5,435,461 |
| Proceeds from Sale of Capital Assets | 7,000 | 1,296 |
| Interest | 2,874 | 10,781 |
| Miscellaneous | 168,969 | 121,565 |
| <i>Total General Receipts</i> | <u>9,672,619</u> | <u>8,873,084</u> |
| <i>Total Receipts</i> | <u>11,258,663</u> | <u>10,496,093</u> |
| Program Disbursements | | |
| Instruction: | | |
| Regular | 5,215,147 | 5,177,217 |
| Special | 1,474,223 | 1,416,804 |
| Student Intervention Services | 0 | 15 |
| Other | 92,645 | 46,055 |
| Support Services: | | |
| Pupils | 599,633 | 596,328 |
| Instructional Staff | 362,409 | 384,625 |
| Board of Education | 50,021 | 72,452 |
| Administration | 806,876 | 818,387 |
| Fiscal | 276,555 | 257,843 |
| Operation and Maintenance of Plant | 1,036,255 | 1,020,650 |
| Pupil Transportation | 304,010 | 323,421 |
| Central | 5,400 | 60,692 |
| Operation of Non-Instructional Services: | | |
| Food Service Operations | 485,526 | 462,872 |
| Other | 2,400 | 0 |
| Extracurricular Activities | 271,868 | 284,642 |
| Capital Outlay | 163,321 | 1,082,327 |
| Debt Service: | | |
| Principal Retirement | 67,126 | 86,714 |
| Interest and Fiscal Charges | 563,348 | 543,760 |
| <i>Total Program Disbursements</i> | <u>11,776,763</u> | <u>12,634,804</u> |
| <i>Change in Net Position</i> | (518,100) | (2,138,711) |
| <i>Net Position Beginning of Year</i> | 4,029,800 | 6,168,511 |
| <i>Net Position End of Year</i> | <u>\$ 3,511,700</u> | <u>\$ 4,029,800</u> |

Rittman Exempted Village School District
Wayne County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Total receipts increased by \$762,570 or 7.3 percent from fiscal year 2013. This is due to an increase in property tax receipts because of a large tax advance received prior to year end in 2012 which resulted in a decrease of property tax receipts in 2013. Additionally, there was an increase in grants and entitlements due to an increase in state foundation receipts.

Total disbursements decreased \$858,041 or 6.8 percent from fiscal year 2013. The largest contributor to this decrease was in the capital outlay disbursements. The decrease in capital outlay is due to the completion of athletic field improvements in fiscal year 2013.

Governmental Activities

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

(Table 3)
Governmental Activities – Modified Cash Basis

| | Total Costs of Services | | Net Costs of Services | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2014 | 2013 | 2014 | 2013 |
| <i>Program Disbursements</i> | | | | |
| Instruction: | | | | |
| Regular | \$ 5,215,147 | \$ 5,177,217 | \$ 4,834,599 | \$ 4,769,167 |
| Special | 1,474,223 | 1,416,804 | 1,108,476 | 1,079,765 |
| Vocational | 0 | 0 | (1,527) | (10,019) |
| Student Intervention Services | 0 | 15 | 0 | 15 |
| Other | 92,645 | 46,055 | 92,645 | 46,055 |
| Support Services: | | | | |
| Pupils | 599,633 | 596,328 | 590,374 | 525,986 |
| Instructional Staff | 362,409 | 384,625 | 360,552 | 362,919 |
| Board of Education | 50,021 | 72,452 | 49,990 | 72,452 |
| Administration | 806,876 | 818,387 | 748,855 | 741,684 |
| Fiscal | 276,555 | 257,843 | 274,925 | 252,443 |
| Operation and Maintenance of Plant | 1,036,255 | 1,020,650 | 1,006,523 | 990,951 |
| Pupil Transportation | 304,010 | 323,421 | 294,249 | 314,805 |
| Central | 5,400 | 60,692 | 0 | 60,692 |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 485,526 | 462,872 | (66,640) | (33,797) |
| Other | 2,400 | 0 | 2,355 | (56) |
| Extracurricular Activities | 271,868 | 284,642 | 153,326 | 176,931 |
| Capital Outlay | 163,321 | 1,082,327 | 111,543 | 1,031,328 |
| Debt Service: | | | | |
| Principal Retirement | 67,126 | 86,714 | 67,126 | 86,714 |
| Interest and Fiscal Charges | 563,348 | 543,760 | 563,348 | 543,760 |
| <i>Total</i> | <u><u>\$ 11,776,763</u></u> | <u><u>\$ 12,634,804</u></u> | <u><u>\$ 10,190,719</u></u> | <u><u>\$ 11,011,795</u></u> |

Capital outlay decreased \$919,006 due to the completion of athletic field improvements in fiscal year 2013.

Rittman Exempted Village School District
Wayne County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 13.5 percent of all governmental expenses. The community is the largest area of support for the School District students.

The School District's Funds

The School District's governmental funds are accounted for using the modified cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$3,511,700, which is lower than the prior year balance of \$4,029,800.

The general fund had total cash receipts (excluding other financing sources) of \$9,165,957. The cash disbursements (excluding other financing uses) of the general fund totaled \$9,797,981. The general fund's fund balance increased \$227,976 in 2014. The increase in fund balance can be partially attributed to the increase in intergovernmental receipts due to an increase in state foundation receipts.

The bond retirement fund had total cash receipts of \$594,239 and total cash disbursements of \$632,767, for a decrease in fund balance of \$38,528 in 2014. Despite the increase in property tax receipts, disbursements still exceeded cash received into the bond retirement fund causing a negative change in fund balance.

The classroom facilities fund had no cash receipts or disbursements during 2014. The limited activity is due to the completion of the OFCC project in prior years.

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 2014, the School District amended its general fund budget one time. For the general fund, final budget basis receipts, excluding other financing sources, were \$8,984,283, representing an increase of \$602,090 from the original estimate of \$8,382,193. Actual receipts of \$9,037,834 were \$53,551 higher than the final budget. Of this increase, most was attributable to an increase in intergovernmental receipts.

For fiscal year 2014, the general fund final budget basis disbursements, excluding other financing uses, were \$10,603,647, which is \$516,213 higher than the original budgeted disbursements of \$10,087,434. Actual disbursements of \$10,134,220, excluding other financing uses, were \$469,427 lower than the final budget. Of this decrease, most was attributable to a decrease in regular instruction due to cost saving measures made by the School District during the year.

Rittman Exempted Village School District
Wayne County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2014 and 2013.

(Table 4)
Outstanding Debt, at June 30

| | Governmental Activities | |
|---|-------------------------|--------------|
| | 2014 | 2013 |
| 2007 School Improvement Refunding Bonds - Serial, Term and Capital Appreciation Bonds | \$ 7,859,429 | \$ 8,086,134 |
| <i>Total</i> | \$ 7,859,429 | \$ 8,086,134 |

For further information regarding the School District's debt, refer to Note 10 of the basic financial statements.

Current Issues

Rittman Exempted Village School District receives approximately 60 percent of its general fund revenue from the State. The State of Ohio's biannual budget will be expiring in June 2015. The current revenue received from the State has increased. However, any increase was capped by the State formula. The State's budgeting for FY16 and FY17 are important factors in School District's financial future.

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. This levy was renewed for 5 more years in November, 2010. The last year of collection of this levy is 2016. The renewal of this levy is important to the financial stability of the School District.

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.

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, Ohio
Statement of Net Position - Modified Cash Basis
June 30, 2014

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Equity in Pooled Cash and Investments | \$ 3,447,297 |
| Cash and Cash Equivalents in Segregated Accounts | 64,403 |
| <i>Total Assets</i> | <i>\$ 3,511,700</i> |
| Net Position | |
| Restricted for: | |
| Capital Outlay | \$ 1,145,579 |
| Debt Service | 485,188 |
| Other Purposes | 347,236 |
| Set Asides | 96,299 |
| Unrestricted | 1,437,398 |
| <i>Total Net Position</i> | <i>\$ 3,511,700</i> |

See accompanying notes to the basic financial statements.

Rittman Exempted Village School District
Wayne County, Ohio
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2014

| | Program Cash Receipts | | | | Net (Disbursements) Receipts and Changes in Net Position |
|--|-----------------------|-----------------------------------|--|--|--|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants Contributions, and Interest | Governmental Activities |
| Governmental Activities | | | | | |
| Instruction: | | | | | |
| Regular | \$ 5,215,147 | \$ 311,992 | \$ 68,556 | \$ 0 | \$ (4,834,599) |
| Special | 1,474,223 | 14,463 | 351,284 | 0 | (1,108,476) |
| Vocational | 0 | 0 | 1,527 | 0 | 1,527 |
| Other | 92,645 | 0 | 0 | 0 | (92,645) |
| Support Services: | | | | | |
| Pupils | 599,633 | 0 | 9,259 | 0 | (590,374) |
| Instructional Staff | 362,409 | 107 | 1,750 | 0 | (360,552) |
| Board of Education | 50,021 | 31 | 0 | 0 | (49,990) |
| Administration | 806,876 | 5,308 | 52,713 | 0 | (748,855) |
| Fiscal | 276,555 | 1,630 | 0 | 0 | (274,925) |
| Operation and Maintenance of Plant | 1,036,255 | 20 | 29,712 | 0 | (1,006,523) |
| Pupil Transportation | 304,010 | 222 | 0 | 9,539 | (294,249) |
| Central | 5,400 | 0 | 5,400 | 0 | 0 |
| Operation of Non-Instructional Services: | | | | | |
| Food Service Operations | 485,526 | 194,725 | 357,441 | 0 | 66,640 |
| Other | 2,400 | 0 | 45 | 0 | (2,355) |
| Extracurricular Activities | 271,868 | 54,761 | 63,781 | 0 | (153,326) |
| Capital Outlay | 163,321 | 42,504 | 0 | 9,274 | (111,543) |
| Debt Service: | | | | | |
| Principal Retirement | 67,126 | 0 | 0 | 0 | (67,126) |
| Interest and Fiscal Charges | 563,348 | 0 | 0 | 0 | (563,348) |
| Totals | \$ 11,776,763 | \$ 625,763 | \$ 941,468 | \$ 18,813 | (10,190,719) |

General Receipts

| | |
|---|---------------------|
| Property Taxes Levied for: | |
| General Purposes | 2,948,084 |
| Debt Service | 465,216 |
| Capital Outlay | 143,192 |
| Classroom Facilities Maintenance | 49,836 |
| Grants and Entitlements not Restricted to Specific Programs | 5,887,448 |
| Proceeds from Sale of Capital Assets | 7,000 |
| Interest | 2,874 |
| Miscellaneous | 168,969 |
| Total General Receipts | 9,672,619 |
| <i>Change in Net Position</i> | <i>(518,100)</i> |
| <i>Net Position Beginning of Year</i> | <i>4,029,800</i> |
| <i>Net Position End of Year</i> | \$ 3,511,700 |

See accompanying notes to the basic financial statements.

Rittman Exempted Village School District
Wayne County, Ohio
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2014

| | General Fund | Bond Retirement Fund | Classroom Facilities Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------------|---------------------------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Equity in Pooled Cash and Investments | \$ 1,437,397 | \$ 485,188 | \$ 1,820,023 | \$ (391,610) | \$ 3,350,998 |
| Cash and Cash Equivalents in Segregated Accounts | 0 | 0 | 64,403 | 0 | 64,403 |
| Restricted Assets: | | | | | |
| Equity in Pooled Cash and Investments | 96,299 | 0 | 0 | 0 | 96,299 |
| <i>Total Assets</i> | <u>\$ 1,533,696</u> | <u>\$ 485,188</u> | <u>\$ 1,884,426</u> | <u>\$ (391,610)</u> | <u>\$ 3,511,700</u> |
| Fund Balances | | | | | |
| Restricted | \$ 96,299 | \$ 485,188 | \$ 1,884,426 | \$ 456,781 | \$ 2,922,694 |
| Committed | 0 | 0 | 0 | 8,689 | 8,689 |
| Assigned | 1,433,898 | 0 | 0 | 0 | 1,433,898 |
| Unassigned | 3,499 | 0 | 0 | (857,080) | (853,581) |
| <i>Total Fund Balances</i> | <u>\$ 1,533,696</u> | <u>\$ 485,188</u> | <u>\$ 1,884,426</u> | <u>\$ (391,610)</u> | <u>\$ 3,511,700</u> |

See accompanying notes to the basic financial statements.

Rittman Exempted Village School District
Wayne County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balances - Modified Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2014

| | General Fund | Bond Retirement Fund | Classroom Facilities Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------------|---------------------------------|--------------------------------|--------------------------------|
| Receipts | | | | | |
| Property and Other Local Taxes | \$ 2,948,084 | \$ 465,216 | \$ 0 | \$ 193,028 | \$ 3,606,328 |
| Intergovernmental | 5,708,222 | 129,023 | 0 | 937,387 | 6,774,632 |
| Interest | 2,874 | 0 | 0 | 5,324 | 8,198 |
| Tuition and Fees | 324,260 | 0 | 0 | 0 | 324,260 |
| Rent | 2,135 | 0 | 0 | 41,250 | 43,385 |
| Extracurricular Activities | 4,380 | 0 | 0 | 50,381 | 54,761 |
| Gifts and Donations | 0 | 0 | 0 | 67,775 | 67,775 |
| Charges for Services | 8,632 | 0 | 0 | 194,725 | 203,357 |
| Miscellaneous | 167,370 | 0 | 0 | 1,597 | 168,967 |
| <i>Total Receipts</i> | <u>9,165,957</u> | <u>594,239</u> | <u>0</u> | <u>1,491,467</u> | <u>11,251,663</u> |
| Disbursements | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 5,142,894 | 0 | 0 | 72,253 | 5,215,147 |
| Special | 1,119,986 | 0 | 0 | 354,237 | 1,474,223 |
| Other | 92,645 | 0 | 0 | 0 | 92,645 |
| Support Services: | | | | | |
| Pupils | 590,285 | 0 | 0 | 9,348 | 599,633 |
| Instructional Staff | 359,459 | 0 | 0 | 2,950 | 362,409 |
| Board of Education | 50,021 | 0 | 0 | 0 | 50,021 |
| Administration | 753,664 | 0 | 0 | 53,212 | 806,876 |
| Fiscal | 273,246 | 2,293 | 0 | 1,016 | 276,555 |
| Operation and Maintenance of Plant | 959,734 | 0 | 0 | 76,521 | 1,036,255 |
| Pupil Transportation | 280,550 | 0 | 0 | 23,460 | 304,010 |
| Central | 0 | 0 | 0 | 5,400 | 5,400 |
| Extracurricular Activities | 175,497 | 0 | 0 | 96,371 | 271,868 |
| Operation of Non-Instructional Services: | | | | | |
| Food Service Operations | 0 | 0 | 0 | 485,526 | 485,526 |
| Other | 0 | 0 | 0 | 2,400 | 2,400 |
| Capital Outlay | 0 | 0 | 0 | 163,321 | 163,321 |
| Debt Service: | | | | | |
| Principal Retirement | 0 | 67,126 | 0 | 0 | 67,126 |
| Interest and Fiscal Charges | 0 | 563,348 | 0 | 0 | 563,348 |
| <i>Total Disbursements</i> | <u>9,797,981</u> | <u>632,767</u> | <u>0</u> | <u>1,346,015</u> | <u>11,776,763</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(632,024)</u> | <u>(38,528)</u> | <u>0</u> | <u>145,452</u> | <u>(525,100)</u> |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from Sale of Capital Assets | 0 | 0 | 0 | 7,000 | 7,000 |
| Advances In | 860,000 | 0 | 0 | 0 | 860,000 |
| Advances Out | 0 | 0 | 0 | (860,000) | (860,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>860,000</u> | <u>0</u> | <u>0</u> | <u>(853,000)</u> | <u>7,000</u> |
| <i>Net Change in Fund Balances</i> | 227,976 | (38,528) | 0 | (707,548) | (518,100) |
| <i>Fund Balances Beginning of Year</i> | <u>1,305,720</u> | <u>523,716</u> | <u>1,884,426</u> | <u>315,938</u> | <u>4,029,800</u> |
| <i>Fund Balances End of Year</i> | <u>\$ 1,533,696</u> | <u>\$ 485,188</u> | <u>\$ 1,884,426</u> | <u>\$ (391,610)</u> | <u>\$ 3,511,700</u> |

See accompanying notes to the basic financial statements.

Rittman Exempted Village School District
Wayne County, Ohio
Statement of Receipts, Disbursements and Changes
in Modified Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|--------------------|--------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$ 2,734,218 | \$ 2,930,616 | \$ 2,948,084 | \$ 17,468 |
| Intergovernmental | 5,294,124 | 5,674,399 | 5,708,222 | 33,823 |
| Interest | 2,666 | 2,857 | 2,874 | 17 |
| Tuition and Fees | 300,737 | 322,339 | 324,260 | 1,921 |
| Rent | 1,980 | 2,122 | 2,135 | 13 |
| Extracurricular Activities | 4,062 | 4,354 | 4,380 | 26 |
| Miscellaneous | 44,406 | 47,596 | 47,879 | 283 |
| <i>Total Receipts</i> | <u>8,382,193</u> | <u>8,984,283</u> | <u>9,037,834</u> | <u>53,551</u> |
| Disbursements | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,213,635 | 5,480,438 | 5,237,817 | 242,621 |
| Special | 1,144,142 | 1,202,693 | 1,149,449 | 53,244 |
| Other | 92,466 | 97,198 | 92,895 | 4,303 |
| Support Services: | | | | |
| Pupils | 572,523 | 601,821 | 575,178 | 26,643 |
| Instructional Staff | 402,983 | 423,605 | 404,852 | 18,753 |
| Board of Education | 77,838 | 81,821 | 78,199 | 3,622 |
| Administration | 755,529 | 794,192 | 759,033 | 35,159 |
| Fiscal | 282,250 | 296,694 | 283,559 | 13,135 |
| Operation and Maintenance of Plant | 1,053,961 | 1,107,896 | 1,058,849 | 49,047 |
| Pupil Transportation | 317,420 | 333,663 | 318,892 | 14,771 |
| Extracurricular Activities | 174,687 | 183,626 | 175,497 | 8,129 |
| <i>Total Disbursements</i> | <u>10,087,434</u> | <u>10,603,647</u> | <u>10,134,220</u> | <u>469,427</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(1,705,241)</u> | <u>(1,619,364)</u> | <u>(1,096,386)</u> | <u>522,978</u> |
| Other Financing Sources (Uses) | | | | |
| Refund of Prior Year Expenditures | 52,599 | 56,377 | 56,713 | 336 |
| Advances In | 797,612 | 854,904 | 860,000 | 5,096 |
| <i>Total Other Financing Sources (Uses)</i> | <u>850,211</u> | <u>911,281</u> | <u>916,713</u> | <u>5,432</u> |
| <i>Net Change in Fund Balance</i> | (855,030) | (708,083) | (179,673) | 528,410 |
| <i>Fund Balance Beginning of Year</i> | 1,167,809 | 1,167,809 | 1,167,809 | 0 |
| Prior Year Encumbrances Appropriated | 103,448 | 103,448 | 103,448 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$ 416,227</u> | <u>\$ 563,174</u> | <u>\$ 1,091,584</u> | <u>\$ 528,410</u> |

See accompanying notes to the basic financial statements.

Rittman Exempted Village School District
Wayne County, Ohio
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
June 30, 2014

| | <u>Agency</u> |
|---------------------------------------|------------------------|
| Assets | |
| Equity in Pooled Cash and Investments | <u>\$ 7,727</u> |
| <i>Total Assets</i> | <u><u>\$ 7,727</u></u> |
| | |
| Net Position | |
| Held in Trust for Due to Students | <u>\$ 7,727</u> |
| <i>Total Net Position</i> | <u><u>\$ 7,727</u></u> |

See accompanying notes to the basic financial statements.

Rittman Exempted Village School District
Wayne County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

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; (3) 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 (4) 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 the School District's financial statements because the Academy reports on a different basis of accounting, 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 public entity risk 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
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.A., these financial statements are presented on a modified cash basis of accounting. This modified 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 modified cash basis of accounting. 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 modified 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 position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position 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.

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.

Rittman Exempted Village School District
Wayne County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

The 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.

Bond Retirement Fund - The Bond Retirement Fund accounts for monies received and expended in connection with debt agreements entered into by the School District for the building and equipping of classroom facilities.

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.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the 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 position) 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.

Rittman Exempted Village School District
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

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 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 plus prior year encumbrances.

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.

Rittman Exempted Village School District
Wayne County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 investments belonging to individual funds and not part of the pool are recorded as "cash and cash equivalents in segregated accounts."

During fiscal year 2014, the School District investments included a money market, STAROhio (the State Treasury Asset Reserve) and various securities. See Note 5 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 2014. 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, 2014.

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 2014 amounted to \$2,874, which includes \$1,655 assigned from other School District funds.

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 cash equivalents in segregated accounts" since they are not required to be deposited into the School District's treasury. See Note 5, 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.

Rittman Exempted Village School District
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 modified cash basis of accounting as presented here by the School District.

I. Long-Term Obligations

The School District's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported 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.

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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Rittman Exempted Village School District
Wayne County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

M. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

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

- a. Restricted net position – Consists of net position 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 position restricted for other purposes primarily include resources for instruction of students and food service operations. As of June 30, 2014, the School District did not have net position restricted by enabling legislation.
- b. Unrestricted net position – All other net position 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 position is 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.
- 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.

Rittman Exempted Village School District
Wayne County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

- 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. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

- 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 services and sales, 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.

Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations.

O. 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 2014.

Rittman Exempted Village School District
Wayne County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

P. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2014, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 66, “*Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*” and GASB Statement No. 70, “*Accounting and Financial Reporting for Nonexchange Financial Guarantees.*”

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School District.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School District.

Note 3 – 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 2014, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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.

During fiscal year 2014, the School District advanced \$860,000 from the classroom facilities fund to the building fund to cover a deficit balance. This advance was not authorized by the Ohio Facilities Construction Commission. As a result, the advance is not reflected in the financial statements and results in the reporting of a deficit balance in the building fund in the amount of \$854,776. This deficit balance is not in compliance with Ohio Revised Code Section 5705.10(I), which requires that money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a negative balance indicates that money from one fund was used to cover the expenses of the building fund.

At June 30, 2014, the OFCC Building Project fund, the Title V Program fund and the Title II-A had deficit balances in the amounts of \$854,776, \$173 and \$2,131, respectively.

Rittman Exempted Village School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 4 – Budgetary Basis of Accounting

The statement of receipts, disbursements and changes in fund balance - budget and actual (budget 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 modified 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 (modified cash basis), but have separate legally adopted budgets (budget basis).

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

| Net change in Fund Balance | |
|-----------------------------|---------------------|
| | <u>General Fund</u> |
| Budget basis | \$ (179,673) |
| Funds budgeted elsewhere** | 10,110 |
| Adjustment for encumbrances | <u>397,539</u> |
| Modified Cash basis | <u>\$ 227,976</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 the modified cash basis. This includes the uniform school supplies fund, the Shared Services Fund, and the PSSF funds.

Note 5 – Deposits and Investments

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

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

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

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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;
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 and STAR Plus);
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.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Deposits - At fiscal year-end, the carrying amount of the School District's deposits was \$566,338 and the bank balance was \$621,437. Of the bank balance:

1. \$344,068 was covered by federal depository insurance; and
2. \$277,369 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, 2014, the School District had the following investments:

| 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 | \$ 190,000 | \$ 190,000 | \$ 0 | \$ 0 | \$ 0 | 6.44% |
| AAAm | STAROhio | 94,813 | 94,813 | 0 | 0 | 0 | 3.21% |
| AAAm | Fifth Third Money Market | 229,293 | 229,293 | 0 | 0 | 0 | 7.77% |
| AA+ | US Treasury Note | 1,010,962 | 0 | 0 | 705,900 | 305,062 | 34.23% |
| AA+ | Federal National Mtg Association | 787,959 | 302,063 | 174,612 | 154,895 | 156,389 | 26.68% |
| AA+ | Federal Home Loan Mortgage | 640,062 | 226,027 | 284,830 | 52,525 | 76,680 | 21.67% |
| | | <u>\$ 2,953,089</u> | <u>\$ 1,042,196</u> | <u>\$ 459,442</u> | <u>\$ 913,320</u> | <u>\$ 538,131</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 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.

STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2014, is 51 days.

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 6 – Property Taxes

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

Rittman Exempted Village School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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 revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased 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 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced 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 are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The School District receives property taxes from Medina and Wayne County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 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 2014 taxes were collected are:

| | Wayne County | | | |
|--|------------------------------|----------------|-----------------------------|----------------|
| | 2013 Second-Half Collections | | 2014 First-Half Collections | |
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$ 100,832,380 | 97.96% | \$ 101,350,620 | 97.79% |
| Tangible Personal Property | 2,101,610 | 2.04% | 2,294,400 | 2.21% |
| Total | \$ 102,933,990 | 100.00% | \$ 103,645,020 | 100.00% |
| Tax rate per \$1,000 of assessed valuation | \$ 63.35 | | \$ 63.35 | |

| | Medina County | | | |
|--|------------------------------|----------------|-----------------------------|----------------|
| | 2013 Second-Half Collections | | 2014 First-Half Collections | |
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$ 2,534,290 | 89.80% | \$ 2,429,700 | 88.70% |
| Tangible Personal Property | 287,980 | 10.20% | 309,500 | 11.30% |
| Total | \$ 2,822,270 | 100.00% | \$ 2,739,200 | 100.00% |
| Tax rate per \$1,000 of assessed valuation | \$ 63.35 | | \$ 63.35 | |

Rittman Exempted Village School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 7 – 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 School Plan. The deductible is \$1,000 per incident on property and \$1,000 per incident on equipment. All vehicles are also insured with Ohio School Plan and have a \$1,000 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 \$5,000,000 per occurrence and \$7,000,000 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 \$30,000. 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.

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 2014, the School District's monthly premiums were \$1,495.28 for family medical coverage and \$615.59 for single medical coverage. Dental insurance is also provided by the School District to qualified employees through the Stark County Schools Council for Governments. For fiscal year 2014, the School District's cost was \$192.82 for family dental coverage and \$78.21 for single dental 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.

Rittman Exempted Village School District
Wayne County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 8 – Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$161,434, \$162,673 and \$152,019, respectively; 75 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$595,816, \$575,761 and \$586,419, respectively; 83 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$45,798 made by the School District and \$35,984 made by the plan members.

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, 2014, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

Note 9 – Post Employment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

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For the Fiscal Year Ended June 30, 2014

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. 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. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. 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. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$18,420, \$17,887, and \$22,019, respectively; 75 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the 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, 2014, 2013, and 2012 were \$9,366, \$9,189, and \$8,978, respectively; 75 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$45,832, \$44,289, and \$43,685, respectively; 83 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

Rittman Exempted Village School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 10 – Long - Term Obligations

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

| | <u>Outstanding</u> <u>6/30/2013</u> | <u>Additions</u> | <u>Reductions</u> | <u>Outstanding</u> <u>6/30/2014</u> | <u>Amounts</u> <u>Due in</u> <u>One Year</u> |
|---|--|-----------------------------|-----------------------------|--|--|
| Governmental Activities: | | | | | |
| 2007 School Improvement Refunding Bonds | | | | | |
| \$8,124,993 - 4.00-4.25% Serial and | | | | | |
| Term Bonds | \$ 7,575,000 | \$ 0 | \$ 0 | \$ 7,575,000 | \$ 0 |
| Capital Appreciation Bonds | 118,279 | 0 | 67,126 | 51,153 | 51,153 |
| Accretion of Capital Bonds | 392,855 | 93,295 | 252,874 | 233,276 | 233,276 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Governmental Activities | | | | | |
| Long-Term Obligations | <u>\$ 8,086,134</u> | <u>\$ 93,295</u> | <u>\$ 320,000</u> | <u>\$ 7,859,429</u> | <u>\$ 284,429</u> |

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 |

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For the Fiscal Year Ended June 30, 2014

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.

The capital appreciation bonds will mature 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 2014 accretion amount is \$93,295.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014 are as follows:

| Fiscal Year Ending June 30 | General Obligation Bonds | | Capital Appreciation Bonds | | Total | |
|---|---------------------------------|---------------------|-----------------------------------|-------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2015 | \$ 0 | \$ 310,474 | \$ 51,153 | \$ 263,847 | \$ 51,153 | \$ 574,321 |
| 2016 | 325,000 | 303,974 | 0 | 0 | 325,000 | 303,974 |
| 2017 | 330,000 | 290,874 | 0 | 0 | 330,000 | 290,874 |
| 2018 | 345,000 | 277,373 | 0 | 0 | 345,000 | 277,373 |
| 2019 | 355,000 | 263,373 | 0 | 0 | 355,000 | 263,373 |
| 2020-2024 | 2,015,000 | 1,085,961 | 0 | 0 | 2,015,000 | 1,085,961 |
| 2025-2029 | 2,470,000 | 630,865 | 0 | 0 | 2,470,000 | 630,865 |
| 2030-2032 | 1,735,000 | 112,241 | 0 | 0 | 1,735,000 | 112,241 |
| Total | \$ 7,575,000 | \$ 3,275,135 | \$ 51,153 | \$ 263,847 | \$ 7,626,153 | \$ 3,538,982 |

Note 11 – Leases

In May, 2014, the School District entered into a \$90,048, 48-month lease-purchase agreement with De Lage Landen Public Finance LLC to finance the purchase of a school bus. The School District disbursed \$23,460 to pay lease costs for the fiscal year ended June 30, 2014. Future lease payments are as follows:

| Year | Amount |
|----------------------|---------------|
| 2015 | \$ 23,460 |
| 2016 | 23,460 |
| 2017 | 23,460 |
| Total Lease Payments | \$ 70,380 |

Rittman Exempted Village School District
Wayne County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 12 – Interfund Activity

During fiscal year 2014 the Building fund repaid a prior year advance to the General fund in the amount of \$860,000.

Note 13 – Jointly Governed Organization

The Midland Council of Governments dba/Tri-County Computer Services Association is organized under Chapter 167 of the Ohio Revised Code. The Tri-County Computer Services Association (TCCSA) is a jointly governed organization. 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 in Ashland, Holmes, Medina and Wayne counties. TCCSA is governed by representatives from each of the participating public school districts served by TCCSA. TCCSA is recognized as one of twenty-three regional Information Technology Centers (ITC) as defined by the Ohio Department of Education. Each of the participating districts supports TCCSA based upon a per pupil charge dependent upon the software package utilized. Financial information can be obtained by contacting the Executive Director at the Tri-County Computer Services Association located at 2125 Eagle Pass, Wooster, OH 44691. During the fiscal year ended June 30, 2014, the School District paid \$72,830 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.

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 a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District’s opinion, have a material effect of the basic financial statements.

Rittman Exempted Village School District
Wayne County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

C. Other Commitments

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the School District's commitments for encumbrances in the general fund and non-major governmental funds were \$398,801 and \$188,199, respectively.

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 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 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, 2014, 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, 2014, the restriction activity was as follows:

| | Capital Acquisition | Budget Stabilization |
|---|--------------------------------|---------------------------------|
| Set-Aside Reserve Balance June 30, 2013 | \$ 0 | \$ 96,299 |
| Current Year Set Aside Requirement | 179,530 | 0 |
| Current Year Offsets | (274,471) | 0 |
| Total | \$ (94,941) | \$ 96,299 |
| Balance carried forward to FY 2015 | \$ 0 | \$ 96,299 |
| Set-Aside Reserve Balance June 30, 2014 | \$ 0 | \$ 96,299 |

Although the School District had qualifying offsets during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to 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.

Rittman Exempted Village School District
Wayne County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 Fund</u> | <u>Bond Retirement Fund</u> | <u>Classroom Facilities Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|----------------------------|-----------------------------|----------------------------------|---------------------------------|---------------------------------|
| Restricted for: | | | | | |
| Permanent Improvements & Maintenance | \$ 0 | \$ 0 | \$ 1,884,426 | \$ 312,479 | \$ 2,196,905 |
| Debt Service | 0 | 485,188 | 0 | 0 | 485,188 |
| Budget Stabilization – BWC Refund | 96,299 | 0 | 0 | 0 | 96,299 |
| Food Service Operations | 0 | 0 | 0 | 95,159 | 95,159 |
| Athletics, Band and Choir | 0 | 0 | 0 | 24,520 | 24,520 |
| Ohio Reads | 0 | 0 | 0 | 50 | 50 |
| Technology | 0 | 0 | 0 | 15 | 15 |
| Title programs | 0 | 0 | 0 | 24,558 | 24,558 |
| Total Restricted | <u>96,299</u> | <u>485,188</u> | <u>1,884,426</u> | <u>456,781</u> | <u>2,922,694</u> |
| Committed to: | | | | | |
| Educational funds | 0 | 0 | 0 | 8,689 | 8,689 |
| Total Committed | <u>0</u> | <u>0</u> | <u>0</u> | <u>8,689</u> | <u>8,689</u> |
| Assigned for: | | | | | |
| Instruction | 125,853 | 0 | 0 | 0 | 125,853 |
| Support Services | 272,948 | 0 | 0 | 0 | 272,948 |
| Educational Activities | 39,810 | 0 | 0 | 0 | 39,810 |
| Subsequent years appropriations | 995,287 | 0 | 0 | 0 | 995,287 |
| Total Assigned | <u>1,433,898</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>1,433,898</u> |
| Unassigned | <u>3,499</u> | <u>0</u> | <u>0</u> | <u>(857,080)</u> | <u>(853,581)</u> |
| Total Fund Balance | <u>\$ 1,533,696</u> | <u>\$ 485,188</u> | <u>\$ 1,884,426</u> | <u>\$ (391,610)</u> | <u>\$ 3,511,700</u> |

Note 18 – Subsequent Event

In November 2014, the Ohio Facilities Construction Commission (“OFCC”) completed a project close-out calculation. As a result, the School District will be returning \$937,643 to the OFCC which represents unspent state funding and the related interest earnings for the school facilities project. The remaining local interest in the Classroom Facilities fund was transferred to the Classroom Facilities Maintenance and Building funds in the amount of \$105,433 and \$841,350, respectively.

December 12, 2014

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rittman Exempted Village School District, Wayne County, Ohio (the "School District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 12, 2014, wherein we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles and the financial statements omit the financial data relating to the School District's legally-separate component unit.

Internal Control over Financial Reporting

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

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

Rittman Exempted Village School District
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2 of 2

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 and 2014-002.

School District's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

Hea & Associates, Inc.

New Philadelphia, Ohio

December 12, 2014

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Report on Compliance for the Major Federal Program

We have audited the Rittman Exempted Village School District's (the "School District") compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the School District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Hea & Associates, Inc.

New Philadelphia, Ohio

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
WAYNE COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FISCAL YEAR ENDED JUNE 30, 2014

| Federal Grantor/ Pass Through Grantor Program Title | Program Year | Federal CFDA Number | Receipts | Expenditures |
|---|-----------------|---------------------------|-------------------|-------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | |
| <i>Passed Through the Ohio Department of Education:</i> | | | | |
| Child Nutrition Cluster: | | | | |
| School Breakfast Program | 2014 | 10.553 | \$ 76,123 | \$ 76,123 |
| National School Lunch Program (Food Distribution) | 2014 | 10.555 | 36,293 | 36,293 |
| National School Lunch Program | 2014 | 10.555 | 274,946 | 274,946 |
| Total Child Nutrition Cluster | | | 387,362 | 387,362 |
| Total U.S. Department of Agriculture | | | 387,362 | 387,362 |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | |
| <i>Passed Through the Ohio Department of Education:</i> | | | | |
| Special Education - Grants to States (IDEA Part B) | 2013 | 84.027 | 15,257 | 28,123 |
| Special Education - Grants to States (IDEA Part B) | 2014 | 84.027 | 225,739 | 215,183 |
| Total Special Education | | | 240,996 | 243,306 |
| Grants to Local Educational Agencies (Title I) | 2013 | 84.010 | 16,258 | 29,754 |
| Grants to Local Educational Agencies (Title I) | 2014 | 84.010 | 174,121 | 161,984 |
| Total Title I Grants | | | 190,379 | 191,738 |
| Improving Teacher Quality State Grants (Title II-A) | 2013 | 84.367 | 6,187 | 7,625 |
| Improving Teacher Quality State Grants (Title II-A) | 2014 | 84.367 | 44,251 | 46,382 |
| Total Improving Teacher Quality State Grants (Title II-A) | | | 50,438 | 54,007 |
| Total U.S. Department of Education | | | 481,813 | 489,051 |
| Totals | | | \$ 869,175 | \$ 876,413 |

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, 2014

Note A – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) reports the School District’s federal award programs’ receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

Note B – Child Nutrition Cluster

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

Note C – Food Donation Program

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

Note D - Ohio Bureau of Workers’ Compensation Rebate

Ohio’s workers’ compensation system serves as an insurance program for both employers and employees alike. For those who contribute premiums, the Ohio Bureau of Workers’ Compensation (BWC) covers the payment of compensation and medical costs related to industrial accidents and diseases. The BWC invested contributions over a three-year period which generated a greater than anticipated return. In May 2013, the Ohio BWC Board of Directors authorized a \$1 billion rebate for more than 210,000 public and private entities paying into Ohio’s workers’ compensation system. Each employer’s rebate reflected 56% of what they were billed during the last policy period (2011 calendar year for public-taxing districts). Approximately \$113 million of the \$1 billion rebate went to local governments around the state. Using policy year 2011 as the base year for calculation, the School District allocated its BWC rebate back to all funds, including Federal funds, providing the source of initial premium payments to BWC. The subsequent expenditure of the rebate attributable to Federal programs is reflected on the School District’s Schedule of Expenditures of Federal Awards.

**RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
WAYNE COUNTY, OHIO
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133, Section .505
JUNE 30, 2014**

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|--|

| | | |
|----------------|---|---|
| (d) (1) (i) | Type of Financial Statement Opinion | Unmodified |
| (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 | Unmodified |
| (d) (1) (vi) | Are there any reportable findings under Section .510? | No |
| (d) (1) (vii) | Major Programs (list): Special Education - Grants to States (IDEA Part B) | CFDA # 84.027 |
| (d) (1) (viii) | Dollar Threshold: Type A/B Programs | Type A: > \$300,000 Type B: All others |
| (d) (1) (ix) | Low Risk Auditee? | Yes |

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
WAYNE COUNTY, OHIO
SCHEDULE OF FINDINGS (continued)
OMB CIRCULAR A-133, Section .505
JUNE 30, 2014

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

FINDING 2014-001
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 modified 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 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.

Effect: The financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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).

Management's 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 modified cash basis of accounting will accurately reflect the School District's financial position and allow for those resources previously spent on GAAP preparation to be allocated to education purposes.

FINDING 2014-002
Material Non-Compliance

Criteria: Ohio Rev. Code Section 5705.10(I) states money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund. In addition, in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established. Furthermore, the Ohio Facility Construction Commission ("OFCC") Classroom Facilities Assistance Program Project Agreement (the "Agreement") section VI paragraph E states the School District shall not transfer or pursue any other transaction to remove moneys from the classroom facilities fund to any other fund or account except as permitted by the Agreement or with the written approval of the OFCC.

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
WAYNE COUNTY, OHIO
SCHEDULE OF FINDINGS (continued)
OMB CIRCULAR A-133, Section .505
JUNE 30, 2014

FINDING 2014-002 (continued)
Material Non-Compliance

Condition: In June of 2014, the School District advanced \$860,000 from the classroom facilities fund (010) to the building fund (004) to cover a negative cash balance in the building fund. This advance is not allowable per the OFCC Agreement and prior written approval for the advance was not obtained from the OFCC.

Cause: The School District did not request the approval of the OFCC prior to recording the unallowable advance described above.

Effect: Non-compliance with Ohio Rev. Code 5705.10(I) and the OFCC Classroom Facilities Assistance Program Project Agreement. Since the advance listed above is not an allowable advance, it created a negative cash balance in the building fund of \$854,776.

Recommendation: The School District should consider the legality of transfers and advances and seek prior approval from the appropriate external parties when necessary. In this instance, School District could cover the negative balance in the building fund from an advance from the general fund in the same fashion as the prior year.

Management's Response: The School District did contact the OFCC in September 2014 and was informed that approval would have been granted based upon the facts of the request and that this was normal in the course of OFCC projects due to the long lag between project completion and close out processing. Approval was a procedural step. This procedural misstep did not affect in any way the project, the amount of state funding and/or state reimbursement.

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

None noted

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
WAYNE COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133, SECTION .315(b)
JUNE 30, 2014

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain |
|-----------------------|---|-------------------------|---|
| 2013-01 | Material Non-Compliance – The school district’s financial statements prepared on modified cash basis. | No | Not correct and repeated as finding 2014-001. |

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Dave Yost • Auditor of State

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
JANUARY 08, 2015**