



**Auditor of State
Betty Montgomery**

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ravenna City School District, Portage County, Ohio (the District), as of and for the year ended June 30, 2004 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ravenna City School District, Portage County, Ohio, as of June 30, 2004 and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004 the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, and GASB Interpretation No.6. Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Betty Montgomery
Auditor of State

December 28, 2005

Ravenna City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The discussion and analysis of the Ravenna City School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2004 are as follows:

- ❑ General Revenues accounted for \$23.5 million in revenue or 84.3% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for approximately \$4.4 million or 15.7% of total revenues of \$27.9 million.
- ❑ Total program expenses were \$29.2 million in Governmental Activities.
- ❑ In total, net assets of Governmental Activities increased approximately \$1.3 million.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* excluding fiduciary funds using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Ravenna City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Ravenna City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2004:

(Table 1)
Net Assets

	<u>Governmental Activities</u>
	2004
Assets	
Current and Other Assets	\$ 13,141,289
Capital Assets	6,910,905
Total Assets	20,052,194
Liabilities	
Long-Term Liabilities	6,369,047
Other Liabilities	13,684,384
Total Liabilities	20,053,431
Net Assets	
Invested in Capital	
Assets Net of Debt	2,535,905
Restricted	811,580
Unrestricted (Deficit)	(3,348,722)
Total Net Assets	\$ (1,237)

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the School District's change in net assets was \$(1,316,330).

Ravenna City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 2 shows the changes in net assets for fiscal year 2004. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

(Table 2)
Changes in Net Assets

	Governmental Activities <u>2004</u>
Revenues	
<i>Program Revenues:</i>	
Charges for Services	\$ 1,403,316
Operating Grants	2,975,901
<i>General Revenue:</i>	
Property Taxes	10,519,241
Grants and Entitlements	12,806,971
Investment Earnings	51,755
Gifts and Donations	20,424
Miscellaneous	<u>133,324</u>
<i>Total Revenues</i>	27,910,932
Program Expenses	
Instruction	16,718,479
Support Services	10,049,003
Operation of Non-Instructional	1,307,759
Extracurricular Activities	1,025,822
Interest and Fiscal Charges	<u>126,199</u>
<i>Total Expenses</i>	<u>29,227,262</u>
<i>Increase (Decrease) in Net Assets</i>	(1,316,330)
Net Assets Beginning of Year (Restated)	<u>1,315,093</u>
<i>Net Assets at End of Year</i>	<u><u>\$ (1,237)</u></u>

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activity had total revenues of \$27.9 million and expenses of \$29.2 million. Comparisons to 2003 have not been made since they are not available.

Ravenna City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

(Table 3)
Governmental Activities

	2004	
	Total Cost of Service	Net Cost of Service
Instruction	\$ 16,718,479	\$ 14,306,301
Support Services:		
Pupil and Instructional Staff	2,316,435	2,033,935
Board of Education, Administration		
Fiscal and Business	3,123,590	2,990,679
Operation and Maintenance of Plant	2,686,238	2,637,703
Pupil Transportation and Central	1,922,740	1,799,559
Operation of Non-Instructional Services	1,307,759	150,417
Extracurricular Activities	1,025,822	803,252
Interest Charges	126,199	126,199
Total	\$ 29,227,262	\$ 24,848,045

Instruction and Student Support Services comprise 57.2% of governmental program expenses. Administration and the operation/maintenance of plant account for 17.0% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for Ravenna City School District students.

General Fund Budgeting Highlights

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

For the general fund, budget basis revenue was approximately \$24.3 million and actual revenue was \$23.7 million. The district expenditures exceeded the revenue by over \$2.7 million.

Ravenna City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$6.9 million invested in land, buildings, equipment, library, and textbooks. Table 4 shows fiscal year 2004 balances compared with 2003 net of depreciation.

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

	Governmental Activities	
	2004	2003
Land	\$ 34,984	\$ 34,984
Land Improvements	3,096,778	3,028,113
Buildings and Improvements	2,891,040	2,396,025
Furniture and Equipment	454,401	469,884
Vehicles	433,702	518,143
Totals	\$ 6,910,905	\$ 6,447,149

The approximately \$.5 million increase in capital assets was attributable to additional purchases exceeding depreciation.

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2004, this amounted to \$436,235 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvement and textbooks. See Note 23 for additional information.

Long Term Obligations

At June 30, 2004, the School District had improvement bonds totaling \$525,000 outstanding with \$120,000 due within one year and a capital lease for a stadium with an outstanding balance of \$3,850,000 with \$155,000 due within one year. During fiscal year 2004, \$195,000 of debt was retired. Table 5 summarizes bonds and lease outstanding.

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

	2004	2003
General Obligation Bonds:		
1994 Energy Conservation	\$ 100,000	\$ 195,000
2003 Energy Conservation	425,000	0
	525,000	195,000
Capital Lease	3,850,000	3,950,000
Total Long Term Obligations	\$ 4,375,000	\$ 4,145,000

Ravenna City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Current Issues

Projected potential deficits in the district's five year projection prompted the administration to initiate some staff reductions in FY '04.

The necessity of acquiring additional state resources, or the passage of a new operating levy appear on the near horizon. Absent either, or both of those options materializing, additional staff reductions will be required in FY '05.

Approximately 49.4% of the districts annual revenue is received from the State of Ohio. In addition, the local taxpayers contribute another 46.5%. It has been seven (7) years since the last operating levy was approved by the voters.

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

District enrollment has been steady over the last ten (10) years. A recent study conducted for the district by Dejong Associates suggests the potential for a gradual decline of approximately 17% over the next ten (10) years.

Results of the county auditor's triennial update indicate that property values in the district are increasing an average of 3-4% per year. Numerous housing starts are underway along with the promise of additional commercial development.

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

Contacting the School District's Financial Management

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

Ravenna City School District
Statement of Net Assets
June 30, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,810,978
Receivables:	
Taxes	10,949,327
Accounts	13,323
Notes	82,245
Intergovernmental	285,416
Nondepreciable Capital Assets	34,984
Depreciable Capital Assets (Net)	6,875,921
<i>Total Assets</i>	20,052,194
Liabilities	
Accounts Payable	228,825
Accrued Wages and Benefits	2,404,446
Intergovernmental Payable	784,059
Deferred Revenue	10,243,870
Early Retirement Incentive Payable	23,184
Long Term Liabilities:	
Due Within One Year	437,281
Due Within More Than One Year	5,931,766
<i>Total Liabilities</i>	20,053,431
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,535,905
Restricted for:	
Capital Projects	53,427
Other Purposes	283,660
Permanent Fund Purpose - Scholarships	
Expendable	385,427
Nonexpendable	89,066
Unrestricted	(3,348,722)
<i>Total Net Assets</i>	\$ (1,237)

See accompanying notes to the basic financial statements.

Ravenna City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 11,102,715	\$ 377,026	\$ 564,568	\$ (10,161,121)
Special	3,972,022	0	1,456,435	(2,515,587)
Vocational	693,148	0	14,002	(679,146)
Adult Continuing	147	0	147	0
Other	950,447	0	0	(950,447)
Support Services:				
Pupils	1,507,220	0	162,829	(1,344,391)
Instructional Staff	809,215	944	118,727	(689,544)
Board of Education	35,051	0	0	(35,051)
Administration	2,294,472	0	26,529	(2,267,943)
Fiscal	594,754	105,168	1,214	(488,372)
Business	199,313	0	0	(199,313)
Operation and Maintenance of Plant	2,686,238	0	48,535	(2,637,703)
Pupil Transportation	1,081,219	0	7,685	(1,073,534)
Central	841,521	0	115,496	(726,025)
Operation of Non-Instructional Services	1,307,759	697,608	459,734	(150,417)
Extracurricular Activities	1,025,822	222,570	0	(803,252)
Interest and Fiscal Charges	126,199	0	0	(126,199)
<i>Total Governmental Activities</i>	<u>\$ 29,227,262</u>	<u>\$ 1,403,316</u>	<u>\$ 2,975,901</u>	<u>(24,848,045)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				10,087,706
Debt Service				9,984
Capital Outlay				421,551
Grants and Entitlements not Restricted to Specific Programs				12,806,971
Gifts and Donations				20,424
Investment Earnings				51,755
Miscellaneous				133,324
<i>Total General Revenues</i>				<u>23,531,715</u>
<i>Change in Net Assets</i>				(1,316,330)
<i>Net Assets Beginning of Year</i>				<u>1,315,093</u>
<i>Net Assets End of Year</i>				<u>\$ (1,237)</u>

See accompanying notes to the basic financial statements.

Ravenna City School District

Balance Sheet

Governmental Funds

June 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 740,279	\$ 1,070,699	\$ 1,810,978
Receivables:			
Taxes	10,550,167	399,160	10,949,327
Accounts	10,532	2,791	13,323
Interfund	0	1,595	1,595
Notes	0	82,245	82,245
Intergovernmental	27,144	258,272	285,416
<i>Total Assets</i>	<u>\$ 11,328,122</u>	<u>\$ 1,814,762</u>	<u>\$ 13,142,884</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 134,276	\$ 94,549	\$ 228,825
Accrued Wages and Benefits	2,199,057	205,389	2,404,446
Interfund Payable	0	1,595	1,595
Intergovernmental Payable	417,404	36,847	454,251
Deferred Revenue	10,237,933	391,487	10,629,420
Early Retirement Incentive	23,184	0	23,184
<i>Total Liabilities</i>	13,011,854	729,867	13,741,721
Fund Balances			
Fund Balance:			
Reserved for Encumbrances	493,357	252,680	746,037
Reserved for Tax Revenue Unavailable for Appropriation	312,234	8,888	321,122
Reserved for Budget Stabilization	180,940	0	180,940
Unreserved:			
Undesignated, Unreserved Reported in:			
General Fund	(2,670,263)	0	(2,670,263)
Special Revenue Funds	0	419,021	419,021
Debt Service Fund	0	(28,362)	(28,362)
Capital Projects Funds	0	(41,825)	(41,825)
Permanent Funds	0	474,493	474,493
<i>Total Fund Balances</i>	<u>(1,683,732)</u>	<u>1,084,895</u>	<u>(598,837)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 11,328,122</u>	<u>\$ 1,814,762</u>	<u>\$ 13,142,884</u>

See accompanying notes to the basic financial statements.

Ravenna City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2004*

Total Governmental Fund Balances	\$	(598,837)
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		6,910,905
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	1,215	
Delinquent Property Taxes	384,335	385,550
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
General Obligation Bonds	(525,000)	
Capital Lease Obligation	(3,850,000)	(4,375,000)
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(1,978,731)	
Pension Obligation	(329,808)	
Retirement Incentive	(15,316)	(2,323,855)
<i>Net Assets of Governmental Activities</i>	\$	(1,237)

See accompanying notes to the basic financial statements.

Ravenna City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 10,170,886	\$ 433,363	\$ 10,604,249
Intergovernmental	12,952,551	2,770,025	15,722,576
Investment Income	35,548	16,207	51,755
Tuition and Fees	356,805	268,553	625,358
Extracurricular Activities	0	221,010	221,010
Charges for Services	10,398	439,926	450,324
Rentals	104,199	2,425	106,624
Gifts and Donations	0	79,505	79,505
Miscellaneous	60,124	73,200	133,324
<i>Total Revenues</i>	<u>23,690,511</u>	<u>4,304,214</u>	<u>27,994,725</u>
Expenditures:			
Current:			
Instruction:			
Regular	10,913,397	470,597	11,383,994
Special	2,794,845	1,217,357	4,012,202
Vocational	745,354	24,779	770,133
Adult Continuing	0	147	147
Other	950,447	0	950,447
Support Services:			
Pupils	1,458,239	96,797	1,555,036
Instructional Staff	711,955	131,969	843,924
Board of Education	32,840	0	32,840
Administration	2,337,024	45,962	2,382,986
Fiscal	585,870	22,324	608,194
Business	214,795	0	214,795
Operation and Maintenance of Plant	2,611,680	70,616	2,682,296
Pupil Transportation	1,001,224	28,076	1,029,300
Central	694,875	143,095	837,970
Operation of Non-Instructional Services	675	1,350,400	1,351,075
Extracurricular Activities	460,614	281,532	742,146
Capital Outlay	286,192	737,240	1,023,432
Debt Service:			
Principal Retirement		195,000	195,000
Interest and Fiscal Charges	0	126,823	126,823
<i>Total Expenditures</i>	<u>25,800,026</u>	<u>4,942,714</u>	<u>30,742,740</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(2,109,515)	(638,500)	(2,748,015)
Other Financing Sources (Uses):			
Proceeds from Sale of Bonds	0	425,624	425,624
Transfers In	0	285,090	285,090
Transfers Out	(211,671)	(73,419)	(285,090)
<i>Total Financing Sources and (Uses)</i>	<u>(211,671)</u>	<u>637,295</u>	<u>425,624</u>
<i>Net Change in Fund Balance</i>	(2,321,186)	(1,205)	(2,322,391)
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>637,454</u>	<u>1,086,100</u>	<u>1,723,554</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (1,683,732)</u>	<u>\$ 1,084,895</u>	<u>\$ (598,837)</u>

See accompanying notes to the basic financial statements.

Ravenna City School District
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances to Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds	\$	(2,322,391)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions exceeded depreciation in the current period.		
Capital Asset Additions	990,364	
Current Year Depreciation	(518,875)	471,489
Net effect of transactions involving disposal of capital assets		(7,733)
Issuance of long term debt provides current financial resources to its governmental funds and has no effect of net assets.		
Proceeds from Bond Issuance		(425,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	1,215	
Delinquent Property Taxes	(85,008)	(83,793)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Principal	95,000	
Capital Lease	100,000	195,000
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	870,623	
Pension Obligation	(14,525)	856,098
Change in Net Assets of Governmental Activities	\$	(1,316,330)

See accompanying notes to the basic financial statements.

Ravenna City School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 10,418,550	\$ 10,385,723	\$ 10,126,409	\$ (259,314)
Intergovernmental	13,326,224	13,284,236	12,952,551	(331,685)
Investment Income	36,574	36,458	35,548	(910)
Tuition and Fees	463,244	461,784	450,254	(11,530)
Charges for Services	11,641	11,605	11,315	(290)
Rent	107,205	106,867	104,199	(2,668)
Miscellaneous	58,303	58,094	56,488	(1,606)
<i>Total Revenues</i>	24,421,741	24,344,767	23,736,764	(608,003)
Expenditures:				
Current:				
Instruction	14,636,511	15,216,867	15,569,418	352,551
Support Services:				
Pupils	1,364,071	1,417,696	1,450,542	32,846
Instructional Staff	653,371	679,056	694,789	15,733
Board of Education	36,734	38,178	39,063	885
Administration	2,203,555	2,290,183	2,343,243	53,060
Fiscal	569,214	591,592	605,298	13,706
Business	203,150	211,136	216,028	4,892
Operation and Maintenance of Plant	2,545,501	2,645,571	2,706,865	61,294
Pupil Transportation	934,880	971,633	994,144	22,511
Central	739,591	768,666	786,475	17,809
Operation of Non-Instructional Services	635	660	675	15
Extracurricular Activities	431,032	447,977	458,356	10,379
Capital Outlay	282,255	293,352	300,148	6,796
<i>Total Expenditures</i>	24,600,500	25,572,567	26,165,044	592,477
Excess of Revenues Over (Under) Expenditures	(178,759)	(1,227,800)	(2,428,280)	(1,200,480)
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	7,000	7,000	6,984	(16)
Refund of Prior Year Expenditures	1,325	1,325	1,288	(37)
Refund of Prior Year Receipts	(51,000)	(49,554)	(50,702)	(1,148)
Transfers Out	(200,500)	(206,898)	(211,671)	(4,773)
<i>Total Other Financing Sources (Uses)</i>	(243,175)	(248,127)	(254,101)	(5,974)
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(421,934)	(1,475,927)	(2,682,381)	(1,206,454)
<i>Fund Balance (Deficit) at Beginning of Year</i>	2,630,213	2,630,213	2,630,213	0
Prior Year Encumbrances Appropriated	218,593	218,593	218,593	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 2,426,872	\$ 1,372,879	\$ 166,425	\$ (1,206,454)

See accompanying notes to the basic financial statements.

Ravenna City School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2004

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 378,027	\$ 72,519
Notes Receivable	169,232	0
<i>Total Assets</i>	<u>547,259</u>	<u>72,519</u>
Liabilities		
Undistributed Monies	\$ 0	\$ 3,676
Due to Students	0	68,843
<i>Total Liabilities</i>	<u>0</u>	<u>72,519</u>
Net Assets		
Held in Trust for Scholarships	<u>547,259</u>	
<i>Total Net Assets</i>	<u>\$ 547,259</u>	

See accompanying notes to the basic financial statements.

Ravenna City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust
Additions	
Interest	\$ 18,722
Gifts and Contributions	500
<i>Total Additions</i>	19,222
Deductions	
Payments in Accordance with Trust Agreements	52,050
<i>Total Deductions</i>	52,050
<i>Change in Net Assets</i>	(32,828)
<i>Net Assets Beginning of Year</i>	580,087
<i>Net Assets End of Year</i>	\$ 547,259

See accompanying notes to the basic financial statements.

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Note 1 – Description of the School District

The Ravenna City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. Average daily membership on, or as of, October 1, 2003, was 3,295. The School District employs 255 certificated and 198 non-certificated employees.

Reporting Entity

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

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

The following activity is included within the reporting entity.

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

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

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental type

RAVENNA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

RAVENNA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

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

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non fiduciary assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

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

Fiduciary funds are reported using the economic resources measurement focus and are excluded from the Government-Wide Financial Statements.

D. Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

recognized in the fiscal year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2004, investments were limited to money market funds, U. S Treasury Notes, repurchase agreements and certificates of deposit. These nonparticipating investment contracts are reported at cost.

The School District has also invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$35,548 which includes \$5,188 assigned from other School District funds.

F. Restricted Assets

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

G. Capital Assets

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

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

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

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

H. Compensated Absences

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

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

I. Accrued Liabilities and Long-term Obligations

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

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

J. Net Assets

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

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

K. Fund Balance Reserves

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

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

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

L. Interfund Activity

Transfers between governmental activities on the government-wide statements are eliminated. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2004.

N. Estimates

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

O. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control was at the fund level. Budgetary modifications may only be made by resolution of the Board of Education.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Portage County Budget Commission for rate determination.

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the School District by March 1. As part of the certification, the School District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is

RAVENNA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

Appropriations A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

Lapsing of Appropriations At the close of each 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 need not be reappropriated.

Note 3 – Change in Accounting Principle and Restatement of Fund Balances/Net Assets

Changes in Accounting Principles For fiscal year 2004, the School District has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules - Perspective Differences”, and GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by elimination of the internal service fund and the conversion to the accrual basis of accounting.

Restatement of Prior Year Fund Balance It was determined that the revenues generated by the enterprise funds were not sufficient to cover the costs of the program. Additionally, there was no debt pledged nor were any laws or regulations requiring cost be recovered through fees and charges. Therefore, it was determined that special revenue fund type is a more appropriate classification. Also with the implementation of GASB Statement No. 34, several other activities previously reported as expendable trust, non-expendable trust and as internal service fund types, should be classified as other funds. These restatements had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Cash Balances, June 30,2003	\$ 2,784,000	\$ 947,220	\$ 3,731,220
Fund Reclassifications	8,433	300,167	308,600
Restated Cash Beginning Balance, June 30, 2003	<u>2,792,433</u>	<u>1,247,387</u>	<u>4,039,820</u>
Modified Accrual Adjustments	(2,154,979)	(161,287)	(2,316,266)
Restated Modified Accrual			
Fund Balance, June 30,2003	<u>637,454</u>	<u>1,086,100</u>	<u>1,723,554</u>
GASB 34 Adjustments:			
Capital Assets			6,447,149
Capital Leases			(3,950,000)
Compensated Absences			(2,864,670)
Pension Obligations			(315,283)
Long Term Liabilities			(195,000)
Long Term Deferred Assets *			469,343
Total Adjustments			<u>(408,461)</u>
Total Net Assets, June 30,2003			<u>\$ 1,315,093</u>

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

	Enterprise Funds	Internal Service	Non-Expend/ Priv Purp Trust	Total
Beginning Cash Balance-June 30,2003	\$ 692,240	\$ 1,498	\$ 8,300	\$ 702,038
Fund Reclassifications	(692,240)	(1,498)	385,135	(308,603)
Restated Cash Beginning Balance, June 30, 2003	\$ 0	\$ 0	\$ 393,435	\$ 393,435
Accrual Adjustments			186,652	186,652
Restated Accrual Balance, June 30,2003	\$ 0	\$ 0	\$ 580,087	\$ 580,087

Note 4 – Accountability

A. Fund Deficits

Fund balances/net assets at June 30, 2004 included the following individual fund deficits:

	Deficit	
	Fund Balance	Net Assets
General Fund	\$ 1,683,732	\$ 3,409,786
Nonmajor Governmental Funds:		
Athletics	5,828	5,828
Special Education	4,966	30,600
Disadvantaged Children	28,360	119,563
IDEA Grant	232	1,442
Bond Retirement	28,362	28,362
Permanent Improvement	22,372	8,628

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

B. Legal Compliance

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

At fiscal year-end for 2004, the District had funds in which expenditures exceeded the appropriations. Appropriations consist of carryover encumbrances from fiscal year 2003 and final appropriation balances passed. Expenditures represent expenditure balances plus outstanding encumbrances as of June 30, 2004.

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

<u>Fund/Program/Activity</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
001 - General (GF)	\$ 25,829,000	\$ 26,415,718	\$ (586,718)
009 - Uniform Supplies (SR)	26,000	33,206	(7,206)
018 - Principals Account (SR)	136,600	163,149	(26,549)
019 - Other Grants (SR)	19,733	19,811	(78)
300 - Athletic Funds (SR)	127,643	174,406	(46,763)
432 - EMIS Subsidy Fund (SR)	10,000	12,124	(2,124)
447 - DPIA Fund (SR)	230,046	230,994	(948)
460 - Student Reading Intervention Fund (SR)	10,418	61,560	(51,142)
002 - Bond Retirement Fund (DS)	311,865	321,823	(9,958)
003 - Permanent Improvement Fund (CP)	807,688	879,058	(71,370)
450 - Schoolnet Plus Fund (CP)	26,003	94,504	(68,501)
014 - Rotary Fund (IS)	2,623	3,806	(1,183)
007 - Trust Fund (Ex Trust)s	78,200	125,896	(47,696)

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

The District appropriated more than estimated resources in the following funds at fiscal year end 2004:

<u>Fund/Program/Activity</u>	<u>Estimated Resources (including prior year carryover)</u>	<u>Appropriations</u>	<u>Variance</u>
015 - Quest Fund (SR)	\$ 0	\$ 1,544	\$ (1,544)
435 - School Improvement Fund (SR)	8,139	8,767	(628)
439 - Public Preschool (SR)	235,196	241,143	(5,947)
452 - Schoolnet Professional Development (SR)	4,140	4,600	(460)
516 - IDEA B (SR)	477,224	543,760	(66,536)
572 - Title I (SR)	605,550	706,933	(101,383)
573 - Title I (SR)	19,370	25,047	(5,677)
584 - Title IV-A (SR)	18,881	22,631	(3,750)
587 - Early Childhood Special Education (SR)	17,299	22,282	(4,983)
590 - Title II-D (SR)	198,152	218,865	(20,713)
002 - Bond Retirement (DS)	219,099	311,865	(92,766)
003 - Permanent Improvement (CP)	627,766	807,688	(179,922)

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Note 5 – Budgetary Basis of Accounting

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

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

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

	<u>General</u>
GAAP Basis	\$ (2,321,186)
Net Adjustment for Revenue Accruals	46,253
Net Adjustment for Expenditure Accruals	222,777
Adjustment for Encumbrances	<u>(630,225)</u>
Budget Basis	<u><u>\$ (2,682,381)</u></u>

Note 6 – Deposits and Investments

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

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

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

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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

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

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

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed 30 days in securities listed above that mature within five years from the date of settlement;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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

Deposits - At fiscal year-end, the carrying amount of the School District's deposits was (\$208,463) and the bank balance was \$46,650. Of the bank balance:

1. \$46,650 was covered by federal depository insurance.

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

	Category		Carrying Value	Fair Value
	2	3		
Repurchase Agreement	\$ 0	\$ 565,000	\$ 565,000	\$ 565,000
Marketable Securities	43,464	0	43,464	43,464
U.S. Treasury Bonds	0	716,597	716,597	716,597
STAROhio	0	0	1,144,926	1,144,926
			<u>\$ 2,469,987</u>	<u>\$ 2,469,987</u>

The Classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined balance sheet and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 2,261,524	\$ 0
Investments:		
Marketable Securities	(43,464)	43,464
U.S. Treasury Notes	(716,597)	716,597
Repurchase Agreement	(565,000)	565,000
STAROhio	(1,144,926)	1,144,926
	<u>\$ (208,463)</u>	<u>\$ 2,469,987</u>

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Portage County. The Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004, was \$312,234 in the General Fund, \$8,888 in the Permanent Improvement Capital Projects Fund.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

	2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$283,458,235	82.43%
Public Utility	14,035,120	4.08%
Tangible Personal Property	46,380,455	13.49%
Total	<u>\$343,873,810</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$57.44	

Note 8 - Receivables

Receivables at June 30, 2004, consisted of taxes, accounts, accrued interest, and intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The intergovernmental receivable at June 30 consisted of state and federal grants receivable.

Note 9 – Notes Receivable

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

At the close of fiscal year 2004, there are 56 students with a total principal loan balance outstanding of \$251,477.

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance 6/30/03	Additions	Reductions	Balance 6/30/04
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 34,984	\$ 0	\$ 0	\$ 34,984
<i>Capital Assets, being depreciated:</i>				
Land Improvements	4,318,820	271,242	0	4,590,062
Buildings and Improvements	10,175,773	609,659	0	10,785,432
Furniture and Equipment	1,978,503	88,167	(268,842)	1,797,828
Vehicles	1,705,965	21,296	(87,355)	1,639,906
Total Capital Assets, being depreciated	18,179,061	990,364	(356,197)	18,813,228
Less Accumulated Depreciation:				
Land Improvements	(1,290,707)	(202,577)	0	(1,493,284)
Buildings and Improvements	(7,779,748)	(114,644)	0	(7,894,392)
Furniture and Equipment	(1,508,619)	(95,917)	261,109	(1,343,427)
Vehicles	(1,187,822)	(105,737)	87,355	(1,206,204)
Total Accumulated Depreciation	(11,766,896)	(518,875)	348,464	(11,937,307)
Total Capital Assets being depreciated, net	6,412,165	471,489	(7,733)	6,875,921
Governmental Activities Capital Assets, Net	<u>\$ 6,447,149</u>	<u>\$ 471,489</u>	<u>\$ (7,733)</u>	<u>\$ 6,910,905</u>

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	64,127
Special		295
Support Services:		
Pupil		381
Instructional Staff		725
Administration		6,383
Fiscal		1,322
Operation and Maintenance of Plant		18,630
Pupil Transportaion		96,938
Central		7,223
Operation of non instructional		38,650
Extracurricular Activities		284,201
		<hr/>
Total Depreciation	\$	<u>518,875</u>

Note 11 – Risk Management

A. Property and Liability

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

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

B. Workers' Compensation

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

C. Employee Medical Benefits

The School District has contracted with the Stark County School Council of Governments Health Benefits Program to provide employee medical/surgical and dental benefits. The Stark County Council of Governments Health Benefits Programs is a shared risk pool comprised of fifteen school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid to a common fund from which claim payments are made for all participants regardless of claim flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The School District pays premiums of \$565.82 for family coverage and \$232.84 for single coverage per employee per month.

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Dental insurance is also provided through the Stark County School Council of Governments Health Benefits Program. Premiums for dental coverage are \$72.92 for family coverage and \$29.57 for single coverage per employee per month.

Note 12 - Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$547,932 \$535,512 and \$517,812 respectively; 99 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

RAVENNA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,881,252, \$1,847,532, and \$1,801,104 respectively. Contributions to the DC and Combined Plans for fiscal year 2004 were \$12,468 made by the School District and \$15,326 made by the plan members. \$330,712 represents the unpaid contribution for fiscal year 2004, and is recorded as a liability within the respective funds, 83% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002.

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, 2004, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$141,295 during the 2004 fiscal year.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, the health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2004, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$24,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$76,056.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS had approximately 62,000 participants currently receiving health care benefits.

Note 14 – Other Employee Benefits

A. Life Insurance

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

B. Compensated Absences

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

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

C. Personal and Sick Leave Incentive

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

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

D. Special Termination Benefits

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

Note 15 - Long - Term Obligations

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

	<u>Outstanding 7/01/2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 6/30/2004</u>	<u>Amounts Due in One Year</u>
Governmental Activities:					
General Obligation Bonds:					
Energy Conservation Improvement	\$ 195,000	\$ 0	\$ 95,000	\$ 100,000	100,000
Energy Conservation	<u>0</u>	<u>425,000</u>	<u>0</u>	<u>425,000</u>	<u>\$ 20,000</u>
Total General Obligation Bonds	195,000	425,000	95,000	525,000	120,000
Capital Lease					
Capital Lease Obligation	3,950,000	0	100,000	3,850,000	155,000
Compensated Absences	<u>2,864,670</u>	<u>54,081</u>	<u>924,704</u>	<u>1,994,047</u>	<u>162,281</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 7,009,670</u>	<u>\$ 479,081</u>	<u>\$ 1,119,704</u>	<u>\$ 6,369,047</u>	<u>\$ 437,281</u>

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

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2004 are as follows:

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 120,000	\$ 19,390	\$ 139,390
2006	20,000	16,065	36,065
2007	25,000	15,278	40,278
2008	25,000	14,340	39,340
2009	25,000	13,340	38,340
2010-2014	135,000	51,300	186,300
2015-2019	175,000	19,860	194,860
Total	<u>\$ 525,000</u>	<u>\$ 149,573</u>	<u>\$ 674,573</u>

Note 16 – Capitalized Leases

The School District has entered into capitalized leases for a stadium. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases". The stadium has been capitalized in the capital assets in the amount of \$5,640,462. This amount represents the present value of the minimum lease payments at the time of the acquisition. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 155,000	\$ 108,162	\$ 263,162
2006	160,000	103,573	263,573
2007	165,000	98,834	263,834
2008	170,000	93,938	263,938
2009	176,000	88,883	264,883
2010-2014	971,000	362,592	1,333,592
2014-2019	1,140,000	208,912	1,348,912
2020-2023	913,000	40,585	953,585
Total	<u>\$ 3,850,000</u>	<u>\$ 1,105,479</u>	<u>\$ 4,955,479</u>

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Note 17 – Deferred Revenue

Deferred revenue consisted of the following:

	<u>Statement of Net Assets</u>	<u>Balance Sheet</u>
Property Taxes Receivable	\$ 10,243,870	\$ 10,628,205
Grants Receivable	0	1,215
Total Deferred Revenue	<u>\$ 10,243,870</u>	<u>\$ 10,629,420</u>

Note 18 - Interfund Transfers

Transfers made during fiscal year 2004 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 0	\$ 211,671
Other Governmental Funds:		
Bond Retirement	237,963	0
Special Trust	0	583
Quest Program	0	1,544
Public School Support	1,544	25,710
Athletics		0
Title I Disadvantaged Children	45,583	0
Title II Improving Teacher Quality	0	45,582
	<u>\$ 285,090</u>	<u>\$ 285,090</u>

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

Note 19 – Interfund Balances

Interfund balances at June 30, 2004 consisted of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Nonmajor Governmental Funds	<u>\$ 1,595</u>	<u>\$ 1,595</u>

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2004, all interfund payables outstanding are anticipated to be repaid in fiscal year 2005.

Note 20 - Jointly Governed Organizations

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 28 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports SPARCC based upon a per pupil charge dependent upon the software package utilized. The SPARCC assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. SPARCC is governed by a board of directors chosen from the general membership of the SPARCC assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Stark County Education Services Center, which serves as fiscal agent, located at 2100 38th Street, NW, Canton, Ohio 44709. During the year ended June 30, 2004, the School District paid \$47,195 to SPARCC for basic service charges.

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

Note 21 – Related Organization

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

Note 22- Contingencies

A. Grants

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

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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

B. Litigation

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

C. School Funding

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "the Ohio General Assembly to enact a school funding scheme that is thorough and efficient". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Note 23 - Set-Asides

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

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Budget Stabilizaion
Set-Aside Cash Balance as of June 30, 2003	\$ 0	\$ 0	\$ 180,940
Set-Aside Carryover Balance as of June 30, 2003	0	(219,021)	0
Current Year Set-Aside Requirement	436,235	436,235	0
Qualifying Disbursements	(1,213,382)	(541,918)	0
Total	<u>\$ (777,147)</u>	<u>\$ (324,704)</u>	<u>\$ 180,940</u>
Balance Carried Forward to FY 2005		<u>\$ (324,704)</u>	<u>\$ 180,940</u>
Amount to Set Aside			<u>\$ 180,940</u>

The School District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. The extra amounts for the textbook and/or instructional materials may be used to reduce the set-aside requirement in future fiscal years.

RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster :</i>						
Food Distribution	None	10.550		\$61,328		\$61,328
National School Breakfast Program	044685-05-PU 2003	10.553	\$53,145		\$53,148	
National School Lunch Program	044685-LL-P4 2003	10.555	342,731		342,731	
Total U.S.Department of Agriculture-Nutrition Cluster			395,876	61,328	395,879	61,328
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	044685- C1S1-2002	84.010	133,979		101,383	
Title I Grants to Local Educational Agencies	044685-C1S1-2003	84.010	550,539		514,250	
Total Title 1 Grants to Local Educational Agencies			684,518		615,633	
<i>Special Education Cluster:</i>						
Special Education-Grants to States	044685-6BSF-2002	84.027	93,087		66,537	
Special Education-Grants to States	044685-6BSF-2003	84.027	372,235		435,705	
Total Special Education-Grants to States			465,322		502,242	
Special Education-Preschool Grant	044685-PGS1-2002	84.173	3,821		4,983	
Special Education-Preschool Grant	044685-PGS1-2003	84.173	15,815		14,072	
Special Education-Preschool Grant	044685-PGS1-2004	84.173	7,200		7,200	
Total Special Education			26,836		26,255	
Total Special Education Cluster			492,158		528,497	
Safe and Drug-Free Schools and Communities-State Grants	044685-DRS1-2002	84.186	6,026		3,750	
Safe and Drug-Free Schools and Communities-State Grants	044685-DRS1-2003	84.186	17,954		16,690	
Total Safe and Drug-Free Schools and Communities			23,980		20,440	
Even Start Program	044685-EVS8-2003	84.213			43,336	
Innovative Education Program Strategies	044685-C2S1-2002	84.298	8,492		5,677	
Innovative Education Program Strategies	044685-C2S1-2003	84.298	19,297		18,628	
Total Innovative Education Program Strategies			27,789		24,305	
Technology Literacy Challenge	044685-TJS1-2003	84.318	12,895		5,209	
Improving Teacher Quality	044685-TR-S1-2003	84.367	54,517		66,295	
Improving Teacher Quality	044685-TR-S1-2004	84.367	143,049		127,521	
Total Improving Teacher Quality			197,566		193,816	
Total U.S. Department of Education			1,438,906		1,431,236	
U.S DEPARTMENT OF HUMAN SERVICES						
<i>Passed through Ohio Department of MR/DD</i>						
Medical Assistance Program (CAFS)		93.778	91,721		91,721	
Total Federal Financial Assistance			<u>\$1,926,503</u>	<u>\$61,328</u>	<u>\$1,918,836</u>	<u>\$61,328</u>

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

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

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



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ravenna City School District (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements. We have issued our report thereof dated December 28, 2005, wherein we noted the District adopted GASB Statement 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated December 28, 2005 we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the District's management dated December 28, 2005 we reported other matters related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

December 28, 2005



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Ravenna City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Ravenna City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

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

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

Betty Montgomery
Auditor of State

December 28, 2005

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title One Grant (CFDA # 84.010) Special Education Cluster – (CFDA 84.027 & 84.173) Improving Teacher Quality (CFDA# 84.367)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)**

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

Finding Number	2004-001
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Citation – Budgetary - Amending or supplementing appropriations

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

At fiscal year-end for 2004, the District had numerous funds in which expenditures exceeded the appropriations. There were many other funds in violation throughout the year, however, due to the large number of violations from the year end test, the chart below only lists those violations. Appropriations consist of carryover encumbrances from fiscal year 2003 and final appropriation balances passed. Expenditures represent expenditure balances plus outstanding encumbrances as of June 30, 2004.

Fund – number, name & (fund type)	Appropriations	Expenditures	Variance
001 - General Fund (GF)	\$25,829,000	\$26,415,718	\$(586,718)
009 Uniform Supplies Fund (SR),	26,000	33,206	(7,206)
018 - Principals Account (SR)	136,600	163,149	(26,549)
019 - Other grants (SR)	19,733	19,811	(78)
300 – Athletics Funds (SR)	127,643	174,406	(47,763)
432 - EMIS subsidy Fund (SR)	10,000	12,124	(2,124)
447 – DPIA Fund (SR)	230,046	230,994	(948)
460 - Student Reading Intervention Fund (SR)	10,418	61,560	(51,142)
002 - Bond Retirement Fund (DS)	311,865	321,823	(9,958)
003 - Permanent Improvement Fund (CP)	807,688	879,058	(71,370)
450 – Schoolnet Plus Fund (CP)	26,003	94,504	(68,501)
014 - Rotary Fund, (IS)	2,623	3,806	(1,183)
007 - Trust Fund (Ex Trust)s	78,200	125,896	(47,696)

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

We recommend the District utilize the above internal system control in order to comply with the above code section by not allowing expenditures to exceed appropriation balances. The District should monitor their appropriations, expenditures, and outstanding encumbrances and obtain amended appropriation measures as needed. In addition, the treasurer's office should not increase encumbrances if it will result in expenditures that exceed appropriations.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)**

Finding Number	2004-002
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Citation – Total Appropriations Exceed Total Estimated Revenue

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

The District appropriated more than estimated resources in the following funds at fiscal-year end 2004:

Fund number (name, fund type)	Estimated Resources (including prior year carryover)	Appropriations	Variance
015 – Quest Fund (SR)	\$0	\$1,544	\$1,544
435 - School improvement Fund (SR),	8,139	8,767	628
439 - Public Preschool (SR)	235,196	241,143	5,947
452 -School Net Prof. Development (SR)	4,140	4,600	460
516 - Idea B, (SR)	477,224	543,760	66,536
572 - Title I, (SR)	605,550	706,933	101,383
573 - Title I, (SR)	19,370	25,047	5,677
584 - Title IV-A,(SR)	18,881	22,631	3,750
587- Early Child Spec. Education, (SR)	17,299	22,282	4,983
590 - Title II-D, (SR)	198,152	218,865	20,713
002 Bond Retirement, (DS)	219,099	311,865	92,766
003 - Permanent Improvement (CP)	627,766	807,688	179,922

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

Finding Number	2004-003
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Reportable Condition

Weaknesses in Student Activities’ Collection Procedures and Record-Keeping

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

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

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)**

Finding Number	2004-003 (Continued)
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Reportable Condition

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

During the fiscal year 2003 audit, we noted weaknesses during our review of the accounting procedures and collections of several of the District's student activity organizations. Due to the timing of the fiscal year 2003 audit, which was completed after the end of fiscal year 2004, the District was not able to implement the recommendations to eliminate the identified control weaknesses during the fiscal year 2004 audit period. As such we noted, the following internal control weaknesses, for fiscal year 2004 student activity organizations.

1. Prom ticket sales collected by the Class of 2005 could not be verified nor reconciled. Tickets were not issued to students and no documentation could be provided by the advisor showing the number of students, District personnel, or others who attended the event. We were told duplicate receipts were issued but not retained after September 2004.
2. Neither the Treasurer's office nor the activity advisor over the 2004 yearbook sales maintained any records or other supporting documentation for the sales of yearbooks and yearbook ads. Duplicate receipts were not given for, sales of yearbooks or ads placed. No annual budget and purpose statement was provided to us. Thus, we could not determine the completeness and accuracy of the receipts paid into the District for such sales.
3. We were unable to test the accuracy or completeness of the receipts of the cookie sales, held by RHS –CD Class Account. The total dollar amount paid out for supplies was \$8,335 and the total amount of receipts paid into the District for cookie sales was \$8,155. A final project potential statement was not provided to us. The activity advisor did not maintain daily records to document cookies that were ruined by being dropped, burnt in the cooking process, or given away. In addition, approximately \$300 in cookie dough was lost due to the freezer being unplugged, however, the activity advisor did not provide documentation to support this claim.

We recommend the District follow the guidelines established by the Board policy #6610. The District may accomplish this by implementing procedures that would require all activity sponsors to submit detailed financial information to the Treasurer's office with each deposit which reconciles back to the 'sales project potential forms'. Such detail may be in the form of duplicate receipts and/or a daily sales summary which includes details such as the number of items purchased, items sold, price per item, and total revenue collected. The activity sponsors should also performed a reconciliation on each activity they oversee, indicating the items purchase, minus the items sold, plus or minus any adjustments approved, should equal revenues deposited plus remaining inventory. This documentation and the total revenue collected should be verified by both the activity sponsor and any person involved in the collection process by initialing or signing the receipt or daily sales summary. This verification process may help to ensure completeness and accuracy of transactions and revenue collected which also enhances management's ability to properly monitor student activities. The Treasurer's Office should monitor these procedures and the activities to insure the Board's Policy is properly being followed and all revenues are properly recorded.

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

RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Administrative Code Section 117-2-03 (B)	Yes	
2003-002	ORC 5705.10	No	Partially Corrected – Repeat as Management Letter Comment Citation No#2
2003-003	ORC 5705.41(B)	No	Not Corrected – Repeat as Finding No# 2004-001
2003-004	Reportable Condition – Weaknesses in Student Activities Collection Procedures and Record Keeping	No	Not Corrected – Repeat as Finding No# 2004-003



**Auditor of State
Betty Montgomery**

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RAVENNA CITY SCHOOL DISTRICT

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 14, 2006**