

***RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT  
WAYNE COUNTY, OHIO***

**AUDIT REPORT**

**For the Year Ended June 30, 2005**





**Auditor of State  
Betty Montgomery**

Board of Education  
Rittman Exempted Village School District  
220 North First St.  
Rittman, OH 44270

We have reviewed the *Report of Independent Accountants* of the Rittman Exempted Village School District, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

April 20, 2006

**This Page is Intentionally Left Blank.**

**RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT**  
**AUDIT REPORT**  
**For the Year Ended June 30, 2005**

**TABLE OF CONTENTS**

| <b><u>TITLE</u></b>   | <b><u>PAGE</u></b> |
|---|--------------------|
| <b>Independent Accountant's Report</b>  | <b>1-2</b>         |
| <b>Management's Discussion and Analysis</b>   | <b>3-10</b>        |
| <b>Statement of Net Assets</b>  | <b>11</b>          |
| <b>Statement of Activities</b>  | <b>12</b>          |
| <b>Balance Sheet – Governmental Funds</b>   | <b>13</b>          |
| <b>Reconciliation of Total Governmental Fund Balances to<br/>Net Assets of Governmental Activities</b>  | <b>14</b>          |
| <b>Statement of Revenues, Expenditures and Changes in<br/>Fund Balances – Governmental Funds</b>  | <b>15</b>          |
| <b>Reconciliation of the Changes of Revenues, Expenditures<br/>in Fund Balances of Governmental Funds to the Statement<br/>of Activities</b>  | <b>16</b>          |
| <b>Statement of Revenues, Expenditures and Changes in Fund<br/>Balance - Budget and Actual (Non-GAAP Budgetary Basis)-General Fund</b>  | <b>17</b>          |
| <b>Statement of Net Assets – Proprietary Funds</b>  | <b>18</b>          |
| <b>Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund</b>  | <b>19</b>          |
| <b>Statement of Cash Flows – Proprietary Funds</b>  | <b>20</b>          |
| <b>Statement of Fiduciary Assets and Liabilities – Agency Fund</b>  | <b>21</b>          |
| <b>Notes to the Basic Financial Statements</b>  | <b>38-43</b>       |
| <b>Schedule of Federal Awards Expenditures</b>  | <b>44</b>          |
| <b>Notes to the Schedule of Federal Awards Expenditures</b>   | <b>45</b>          |
| <b>Independent Accountant's Report on Internal Control over<br/>Financial Reporting and on Compliance and Other Matters Based<br/>On an audit of Statements Required by Government Auditing Standards</b> | <b>46</b>          |
| <b>Report on Compliance with Requirements Applicable to Each Major Program<br/>And Internal Control Over Compliance in Accordance with OMB Circular A-133</b>   | <b>47-48</b>       |
| <b>Schedule of Findings and Questioned Costs</b>  | <b>49-50</b>       |
| <b>Schedule of Prior Audit Findings</b>   | <b>51</b>          |

*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

---

**REPORT OF INDEPENDENT ACCOUNTANTS**

Board of Education  
Rittman Exempted Village School District  
220 North First Street  
Rittman, OH 44270

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rittman Exempted Village School District, Wayne County, Ohio, (the District), as of and for the year ended June 30, 2005, 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 an opinion on these financial statements based on our audit.

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

In our opinion, the basic 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 the Rittman Exempted Village School District, Wayne County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, thereof and the budgetary comparison for the General Fund and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 2 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers* and GASB Statement No. 40, *Deposits and Investment Risk Disclosures*.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2006 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, 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 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.

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

***Charles E. Harris & Associates, Inc.***  
February 10, 2006

**Rittman Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
(Unaudited)

---

The discussion and analysis of the Rittman Exempted Village 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, 2005. 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 2005 are as follows:

- q General Revenues accounted for \$8.6 million in revenue or 82% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions, accounted for approximately \$1.9 million or 18% of total revenues of \$10.5 million.
- q Total program expenses were nearly \$11.0 million in Governmental Activities.
- q In total, net assets of Governmental Activities decreased \$502,420, which represents a 2.985% decrease from 2004.
- q Outstanding bonds remained \$9,500,000, interest only payments were required for the Ohio School Facilities Commission.

***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 2005?" 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:

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

**Rittman Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(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 funds are the General Fund and Ohio School Foundation Commission (OSFC) Building Capital Project 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.

**Proprietary Funds** - The School District maintains a proprietary fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an Internal Service Fund to account for its health insurance benefits. Because this service predominantly benefits governmental rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements.

The proprietary fund financial statements begin on page 18.

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

The fiduciary fund financial statements begin on page 21.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22

**Rittman Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
(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 2005 compared to 2004:

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

|                          | Governmental Activities |               |
|--------------------------|-------------------------|---------------|
|                          | 2005                    | 2004          |
| <b>Assets</b>            |                         |               |
| Current and Other Assets | \$ 30,707,064           | \$ 39,987,097 |
| Capital Assets           | 1,853,848               | 1,343,095     |
| Total Assets             | 32,560,912              | 41,330,192    |
| <b>Liabilities</b>       |                         |               |
| Long-Term Liabilities    | 10,329,494              | 19,793,935    |
| Other Liabilities        | 5,896,577               | 4,698,986     |
| Total Liabilities        | 16,226,071              | 24,492,921    |
| <b>Net Assets</b>        |                         |               |
| Invested in Capital      |                         |               |
| Assets Net of Debt       | 625,942                 | 1,193,159     |
| Restricted               | 24,603,357              | 33,447,772    |
| Unrestricted (Deficit)   | (8,894,458)             | (17,803,660)  |
| Total Net Assets         | \$ 16,334,841           | \$ 16,837,271 |

Total assets decreased by approximately \$8.8 million. This decrease was caused primarily by \$9,500,000 payment to a note payable.

Total liabilities decreased approximately \$8.3 million because of payment of note payable.

**Rittman Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2005 compared to 2004.

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

|   | Governmental Activities |               |
|---|-------------------------|---------------|
|   | 2005                    | 2004          |
| <b>Revenues</b>                         |                         |               |
| <i>Program Revenues:</i>                |                         |               |
| Charges for Services                    | \$ 889,151              | \$ 486,121    |
| Operating Grants                        | 967,062                 | 767,239       |
| Capital Grants and Contributions        | 0                       | 14,106,093    |
| <i>General Revenue:</i>                 |                         |               |
| Property Taxes                          | 4,501,083               | 4,088,887     |
| Grants and Entitlements                 | 3,884,610               | 4,539,679     |
| Investment Earnings and Miscellaneous   | 236,561                 | 216,137       |
| <i>Total Revenues</i>                   | 10,478,467              | 24,204,156    |
| <b>Program Expenses</b>                 |                         |               |
| Instruction                             | 5,843,642               | 5,989,075     |
| Support Services                        | 3,976,124               | 4,074,833     |
| Operation of Non-Instructional Services | 0                       | 12,761        |
| Extracurricular Activities              | 189,925                 | 197,018       |
| Interest and Fiscal Charges             | 491,639                 | 7,068         |
| Food Service Operations                 | 455,490                 | 396,682       |
| Uniform School Supplies                 | 24,077                  | 25,578        |
| <i>Total Expenses</i>                   | 10,980,897              | 10,703,015    |
| Increase (Decrease) in Net Assets       | \$ (502,430)            | \$ 13,501,141 |

The decrease in capital grants and contributions was due to the Ohio School Facilities Commission monies received in fiscal year 2004.

**Rittman Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

**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 activities had total revenues of \$10.5 million and expenses of \$10.9 million.

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

|  | 2005                     |                        | 2004                     |                        |
|--|--------------------------|------------------------|--------------------------|------------------------|
|  | Total Cost<br>of Service | Net Cost<br>of Service | Total Cost<br>of Service | Net Cost<br>of Service |
| Instruction  | \$ 5,843,642             | \$ (4,696,613)         | \$ 5,989,075             | \$ (5,485,052)         |
| Support Services:  |                          |                        |                          |                        |
| Pupil and Instructional Staff                              | 1,109,408                | (962,317)              | 1,228,459                | (1,002,525)            |
| Board of Education, Administration,<br>Fiscal and Business | 1,240,158                | (1,178,944)            | 1,167,322                | (1,092,136)            |
| Operation and Maintenance of Plant                         | 1,350,175                | (1,350,175)            | 1,456,737                | 12,649,356             |
| Pupil Transportation and Central                           | 276,383                  | (265,635)              | 222,315                  | (210,144)              |
| Operation of Non-Instructional                             | 0                        | 0                      | 12,761                   | (12,761)               |
| Food Services Operations                                   | 455,490                  | (30,579)               | 396,682                  | (26,595)               |
| Uniform School Supplies                                    | 24,077                   | (5,854)                | 25,578                   | (3,670)                |
| Extracurricular Activities                                 | 189,925                  | (142,928)              | 197,018                  | (152,967)              |
| Interest and Fiscal Charges                                | 491,639                  | (491,639)              | 7,068                    | (7,068)                |
| Total Expenses   | <u>\$ 10,980,897</u>     | <u>\$ (9,124,684)</u>  | <u>\$ 10,703,015</u>     | <u>\$ 4,656,438</u>    |

Instruction and Student Support Services comprise 75% of governmental program expenses. Pupil transportation and the operation/maintenance of plant account for 18% 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 Rittman Exempted Village 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.

During the course of fiscal year 2005, there were minor changes to the School District's total general fund budget. The School District uses site-based budgeting and the budgeting system which are designed to tightly control total site budgets but provide flexibility for site management.

**Rittman Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

For the General Fund, the final budget basis revenue increased \$1,252,897 from the original budget estimates of approximately \$7.5 million. The school district begins the fiscal year with a temporary budget. This is updated in September with Board approval of the permanent appropriations. Budget adjustments are made throughout the year as updated information becomes available.

Revenue estimates are based on the best information available at the time. During the year, the school district received an additional tangible personal property tax settlement of approximately \$850,000. This was due to the results of an audit of a large, private company.

Actual revenues of \$8.7 million was \$92,835 less than the final budgeted amounts. This amount is deemed immaterial.

Final expenditures and encumbrances of \$8.8 million were \$482,485 lower than the approximately \$9.3 million in the final budget, this amount was due to a reduction in staff.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2005, the School District had \$1.9 million invested in land, buildings improvements, and equipment. Table 4 shows fiscal year 2005 and 2004 balances net of depreciation.

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

|                            | Governmental<br>Activities<br>2005 | Governmental<br>Activities<br>2004 |
|----------------------------|------------------------------------|------------------------------------|
| Land                       | \$ 142,554                         | \$ 142,554                         |
| Buildings and Improvements | 475,498                            | 543,054                            |
| Furniture and Equipment    | 483,009                            | 587,729                            |
| Vehicles                   | 42,031                             | 587,729                            |
| Construction in Progress   | 710,756                            | 69,758                             |
| Totals                     | \$ 1,853,848                       | \$ 1,930,824                       |

The \$510,753 increase in capital assets was attributable to the total effect of additional purchases and disposals exceeding depreciation expense. See Note 8 to the basic financial statements for detail of the School District's capital assets.

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 2005, this amounted to \$162,245 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvement and textbooks. See Note 17 for additional information.

**Rittman Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

---

**Debt**

At June 30, 2005, the School District had \$9,500,000 in bonds outstanding with \$235,000 due within one year. Table 5 summarizes bonds outstanding.

**(Table 5)**  
**Outstanding Debt, at June 30**

|                         | 2005         | 2004          |
|-------------------------|--------------|---------------|
| OSFC Construction Bond  | \$ 0         | \$ 9,500,000  |
| Bond Anticipation Notes | 9,500,000    | 9,500,000     |
|                         | \$ 9,500,000 | \$ 19,000,000 |

The \$9.5 million bond anticipation notes were issued in anticipation of a future bond issuance for the construction and renovation of school building facilities of the School District. \$9.5 million of these bonds were subsequently issued prior to year end, with the balance needed to be issued in fiscal year 2005. The \$9.5 million bond anticipation note was retired July 2004. See Note 12 to the basic financial statements for detail on the School District's long-term obligations.

***Current Issues***

Rittman Exempted Village School District receives approximately 56% of its general revenue from the State. The School District does receive additional revenue for increased enrollment, but 2004 showed a decrease in enrollment. Future projections also show a decrease in enrollment which will in turn decrease our State share. A major change in the Ohio state tax structure will be determined in the outcome of HB66. The Tangible Personal Property tax is being phased out. Currently, tangible personal property accounts for 15% of all property valuation in the District. It is anticipated that the phase out of this tax will place a larger burden on homeowners.

The School District relies on its local property taxpayers. The last operating levy was passed in 1999, for 6.7 mills, for five years. This levy expired in 2004 with the last year of collection in 2005. In November 2004 the voters rejected a 9.8 mill operating levy. This would have provided approximately a million dollars. In May, the voters rejected a \$1,555,000 emergency operating levy. The millage required would be approximately 14.5 mills. The District will be back on the ballot in August for a \$1,555,000 emergency levy. The required millage will change to 15.5 mills. If it passes in August, the District will be held harmless by the state for results of changes in tangible personal property taxes. With House Bill 920, current levies do not provide inflationary revenue growth as valuation increases, with the exception of inside millage and new construction. Thus, as a School District dependent upon property tax and a decline in the State Foundation and with changes in the Ohio tax structure, the School District will need to request property tax increases to maintain a constant level of service.

The School District experienced a reduction in force at the end of the fiscal year. Fourteen certified staff including one administrator and 5 classified staff will be reduced, due to the decline in enrollment. The resulting savings will help balance the District's budget. Reductions in spending on instructional supplies and equipment will also help eliminate the expected deficit.

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

**Rittman Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

---

***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 Connie Baldwin, Treasurer of Rittman Exempted Village School District, 220 North First Street, Rittman, Ohio 44270.

**Rittman Exempted Village School District**

*Statement of Net Assets*

*June 30, 2005*

---

---

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>Assets</b>                                   |                                    |
| Equity in Pooled Cash and Cash Equivalents      | \$ 12,219,815                      |
| Receivables:                                    |                                    |
| Taxes   | 4,311,962                          |
| Intergovernmental                               | 14,175,287                         |
| Nondepreciable Capital Assets                   | 853,310                            |
| Depreciable Capital Assets (Net)                | <u>1,000,538</u>                   |
| <i>Total Assets</i>                             | <u>32,560,912</u>                  |
| <b>Liabilities</b>                              |                                    |
| Accounts Payable                                | 2,284                              |
| Contracts Payable                               | 710,756                            |
| Accrued Wages and Benefits                      | 826,124                            |
| Vacation Benefits Payable                       | 21,321                             |
| Intergovernmental Payable                       | 278,362                            |
| Unearned Revenue                                | 3,901,861                          |
| Claims Payable                                  | 155,869                            |
| Long Term Liabilities:                          |                                    |
| Due Within One Year                             | 261,674                            |
| Due Within More Than One Year                   | <u>10,067,820</u>                  |
| <i>Total Liabilities</i>                        | <u>16,226,071</u>                  |
| <b>Net Assets</b>                               |                                    |
| Invested in Capital Assets, Net of Related Debt | 625,942                            |
| Restricted for:                                 |                                    |
| Capital Projects                                | 23,875,486                         |
| Debt Service                                    | 529,297                            |
| Other Purposes                                  | 102,275                            |
| Budget Stabilization                            | 96,299                             |
| Unrestricted                                    | <u>(8,894,458)</u>                 |
| <i>Total Net Assets</i>                         | <u><u>\$ 16,334,841</u></u>        |

See accompanying notes to the basic financial statements.

**Rittman Exempted Village School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2005

|                                      | Program Revenues     |                                      |  | Net (Expense)<br>Revenue and<br>Changes in Net Assets |
|--------------------------------------|----------------------|--------------------------------------|--|---|
|                                      | Expenses             | Charges for<br>Services<br>and Sales | Operating<br>Grants and<br>Contributions | Governmental<br>Activities                            |
| <b>Governmental Activities</b>       |                      |                                      |  |   |
| Current:                             |                      |                                      |  |   |
| Instruction:                         |                      |                                      |  |   |
| Regular                              | \$ 4,809,187         | \$ 585,820                           | \$ 109,359                               | \$ (4,114,008)  |
| Special                              | 976,828              | 0                                    | 451,850                                  | (524,978)   |
| Vocational                           | 57,627               | 0                                    | 0  | (57,627)  |
| Support Services:                    |                      |                                      |  |   |
| Pupils                               | 439,354              | 0                                    | 64,102                                   | (375,252)   |
| Instructional Staff                  | 670,054              | 0                                    | 82,989                                   | (587,065)   |
| Board of Education                   | 79,536               | 0                                    | 0  | (79,536)  |
| Administration                       | 773,099              | 0                                    | 46,414                                   | (726,685)   |
| Fiscal                               | 387,523              | 0                                    | 14,800                                   | (372,723)   |
| Operation and Maintenance of Plant   | 1,350,175            | 0                                    | 0  | (1,350,175)   |
| Pupil Transportation                 | 267,164              | 0                                    | 4,942                                    | (262,222)   |
| Central                              | 9,219                | 0                                    | 5,806                                    | (3,413)   |
| Food Service Operations              | 455,490              | 238,111                              | 186,800                                  | (30,579)  |
| Uniform School Supplies              | 24,077               | 18,223                               | 0  | (5,854)   |
| Extracurricular Activities           | 189,925              | 46,997                               | 0  | (142,928)   |
| Interest and Fiscal Charges          | 491,639              | 0                                    | 0  | (491,639)   |
| <i>Total Governmental Activities</i> | <u>\$ 10,980,897</u> | <u>\$ 889,151</u>                    | <u>\$ 967,062</u>                        | <u>(9,124,684)</u>                                    |

**General Revenues**

|   |                      |
|---|----------------------|
| Property Taxes Levied for:                                  |                      |
| General Purposes  | 3,644,874            |
| Debt Service  | 615,404              |
| Capital Outlay  | 240,805              |
| Grants and Entitlements not Restricted to Specific Programs | 3,884,610            |
| Investment Earnings   | 144,742              |
| Miscellaneous   | 91,819               |
| <b>Total General Revenues</b>                               | <b>8,622,254</b>     |
| Change in Net Assets  | (502,430)            |
| Net Assets Beginning of Year                                | <u>16,837,271</u>    |
| Net Assets End of Year                                      | <u>\$ 16,334,841</u> |

See accompanying notes to the basic financial statements.

**Rittman Exempted Village School District**

*Balance Sheet  
Governmental Funds  
June 30, 2005*

|  | General             | OSFC Building<br>Project | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--------------------------|--------------------------------|--------------------------------|
| <b>Assets</b>  |                     |                          |                                |                                |
| Equity in Pooled Cash and Cash Equivalents             | \$ 1,705,430        | \$ 8,977,888             | \$ 973,973                     | \$ 11,657,291                  |
| Cash and Cash Equivalents:                             |                     |                          |                                |                                |
| Restricted Cash  | 96,299              | 0                        | 0                              | 96,299                         |
| Receivables:   |                     |                          |                                |                                |
| Taxes  | 3,495,639           | 0                        | 816,323                        | 4,311,962                      |
| Interfund  | 5,515               | 0                        | 0                              | 5,515                          |
| Intergovernmental                                      | 0                   | 14,106,093               | 69,194                         | 14,175,287                     |
| <i>Total Assets</i>                                    | <u>\$ 5,302,883</u> | <u>\$ 23,083,981</u>     | <u>\$ 1,859,490</u>            | <u>\$ 30,246,354</u>           |
| <b>Liabilities and Fund Balances</b>                   |                     |                          |                                |                                |
| <b>Liabilities</b>                                     |                     |                          |                                |                                |
| Accounts Payable                                       | \$ 1,173            | \$ 0                     | \$ 1,111                       | \$ 2,284                       |
| Contracts Payable                                      | 0                   | 710,756                  | 0                              | 710,756                        |
| Accrued Wages and Benefits                             | 769,859             | 0                        | 56,265                         | 826,124                        |
| Vacation Benefits Payable                              | 21,321              | 0                        | 0                              | 21,321                         |
| Interfund Payable                                      | 0                   | 0                        | 5,515                          | 5,515                          |
| Intergovernmental Payable                              | 261,989             | 0                        | 16,373                         | 278,362                        |
| Deferred Revenue                                       | 3,215,516           | 14,106,093               | 750,907                        | 18,072,516                     |
| <i>Total Liabilities</i>                               | 4,269,858           | 14,816,849               | 830,171                        | 19,916,878                     |
| <b>Fund Balances</b>                                   |                     |                          |                                |                                |
| Fund Balance:  |                     |                          |                                |                                |
| Reserved for Encumbrances                              | 101,582             | 5,615,270                | 231,685                        | 5,948,537                      |
| Reserved for Bus Allowance                             | 3,598               | 0                        | 0                              | 3,598                          |
| Reserved for Tax Revenue Unavailable for Appropriation | 280,123             | 0                        | 65,416                         | 345,539                        |
| Reserved for Budget Stabilization                      | 96,299              | 0                        | 0                              | 96,299                         |
| Unreserved:  |                     |                          |                                |                                |
| Undesignated, Unreserved Reported in:                  |                     |                          |                                |                                |
| General Fund   | 551,423             | 0                        | 0                              | 551,423                        |
| Special Revenue Funds                                  | 0                   | 0                        | 63,226                         | 63,226                         |
| Debt Service Fund                                      | 0                   | 0                        | 472,688                        | 472,688                        |
| Capital Projects Funds                                 | 0                   | 2,651,862                | 196,304                        | 2,848,166                      |
| <i>Total Fund Balances</i>                             | <u>1,033,025</u>    | <u>8,267,132</u>         | <u>1,029,319</u>               | <u>10,329,476</u>              |
| <i>Total Liabilities and Fund Balances</i>             | <u>\$ 5,302,883</u> | <u>\$ 23,083,981</u>     | <u>\$ 1,859,490</u>            | <u>\$ 30,246,354</u>           |

See accompanying notes to the basic financial statements.

**Rittman Exempted Village School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets Governmental Activities  
 June 30, 2005*

|  |             |               |
|--|-------------|---------------|
| Total Governmental Fund Balances   |             | \$ 10,329,476 |
| <br><i>Amounts reported for governmental activities in the<br/>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.   |             | 1,853,848     |
| Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.  |             |               |
| Ohio School Facilities   | 14,106,093  |               |
| Delinquent Property Taxes  | 64,562      | 14,170,655    |
| <br>An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. |             | 310,356       |
| <br>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   | (9,500,000) |               |
| Capital Lease Payable  | (124,390)   |               |
| Compensated Absences   | (705,104)   | (10,329,494)  |
| <br>Net Assets of Governmental Activities  |             | \$ 16,334,841 |

See accompanying notes to the basic financial statements.

**Rittman Exempted Village School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2005*

|   | General      | OSFC Building<br>Project | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------|--------------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>                                    |              |                          |                                |                                |
| Taxes   | \$ 3,683,337 | \$ 0                     | \$ 865,354                     | \$ 4,548,691                   |
| Intergovernmental                                   | 4,296,722    | 0                        | 912,757                        | 5,209,479                      |
| Investment Income                                   | 21,221       | 123,521                  | 0                              | 144,742                        |
| Tuition and Fees                                    | 304,790      | 0                        | 18,223                         | 323,013                        |
| Extracurricular Activities                          | 0            | 0                        | 46,997                         | 46,997                         |
| Charges for Services                                | 0            | 0                        | 238,111                        | 238,111                        |
| Miscellaneous                                       | 9,438        | 0                        | 82,381                         | 91,819                         |
| <i>Total Revenues</i>                               | 8,315,508    | 123,521                  | 2,163,823                      | 10,602,852                     |
| <b>Expenditures:</b>                                |              |                          |                                |                                |
| Current:  |              |                          |                                |                                |
| Instruction:  |              |                          |                                |                                |
| Regular   | 4,670,028    | 0                        | 100,942                        | 4,770,970                      |
| Special   | 674,885      | 0                        | 301,897                        | 976,782                        |
| Vocational  | 56,576       | 0                        | 0                              | 56,576                         |
| Support Services:                                   |              |                          |                                |                                |
| Pupils  | 288,670      | 0                        | 161,333                        | 450,003                        |
| Instructional Staff                                 | 570,112      | 0                        | 94,433                         | 664,545                        |
| Board of Education                                  | 79,536       | 0                        | 0                              | 79,536                         |
| Administration                                      | 698,027      | 0                        | 64,471                         | 762,498                        |
| Fiscal  | 364,819      | 0                        | 24,106                         | 388,925                        |
| Operation and Maintenance of Plant                  | 1,007,590    | 0                        | 0                              | 1,007,590                      |
| Pupil Transportation                                | 216,549      | 0                        | 3,740                          | 220,289                        |
| Central   | 0            | 0                        | 4,544                          | 4,544                          |
| Food Service Operations                             | 0            | 0                        | 452,331                        | 452,331                        |
| Uniform School Supplies                             | 0            | 0                        | 24,077                         | 24,077                         |
| Extracurricular Activities                          | 138,987      | 0                        | 50,907                         | 189,894                        |
| Capital Outlay                                      | 0            | 983,489                  | 52,691                         | 1,036,180                      |
| Debt Service:                                       |              |                          |                                |                                |
| Principal Retirement                                | 0            | 9,500,000                | 25,546                         | 9,525,546                      |
| Interest and Fiscal Charges                         | 16,852       | 55,137                   | 419,650                        | 491,639                        |
| <i>Total Expenditures</i>                           | 8,782,631    | 10,538,626               | 1,780,668                      | 21,101,925                     |
| <i>Excess of Revenues Over (Under) Expenditures</i> | (467,123)    | (10,415,105)             | 383,155                        | (10,499,073)                   |
| <b>Other Financing Sources (Uses):</b>              |              |                          |                                |                                |
| Transfers In  | 0            | 0                        | 31,303                         | 31,303                         |
| Transfers Out                                       | (31,303)     | 0                        | 0                              | (31,303)                       |
| <i>Total Financing Sources and (Uses)</i>           | (31,303)     | 0                        | 31,303                         | 0                              |
| <i>Net Change in Fund Balance</i>                   | (498,426)    | (10,415,105)             | 414,458                        | (10,499,073)                   |
| <i>Fund Balance (Deficit) at Beginning of Year</i>  | 1,531,451    | 18,682,237               | 614,861                        | 20,828,549                     |
| <i>Fund Balance (Deficit) at End of Year</i>        | \$ 1,033,025 | \$ 8,267,132             | \$ 1,029,319                   | \$ 10,329,476                  |

See accompanying notes the basic financial statements.

**Rittman Exempted Village School District**  
*Reconciliation of the Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2005*

---



---

Net Change in Fund Balances - Total Governmental Funds \$ (10,499,073)

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

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

|                           |           |         |
|---------------------------|-----------|---------|
| Capital Asset Additions   | 800,243   |         |
| Current Year Depreciation | (266,679) | 533,564 |

Net effect of transactions involving sale of capital assets are not reflected in the funds. (22,811)

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

|                           |          |           |
|---------------------------|----------|-----------|
| Grants                    | (76,777) |           |
| Delinquent Property Taxes | (47,608) | (124,385) |

Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

|                         |           |           |
|-------------------------|-----------|-----------|
| Bond and note principal | 9,500,000 |           |
| Capital Leases          | 25,546    | 9,525,546 |

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.

|                                  |          |        |
|----------------------------------|----------|--------|
| Increase in Compensated Absences | (61,105) |        |
| Decrease in Pension Obligation   | 87,388   | 26,283 |

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities. 58,446

Change in Net Assets of Governmental Activities \$ (502,430)

See accompanying notes to the basic financial statements.

**Rittman Exempted Village 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, 2005*

|  | <u>Budgeted Amounts</u> |                     |                     | Variance<br>with Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|---------------------|---------------------|---|
|  | <u>Original</u>         | <u>Final</u>        | <u>Actual</u>       |   |
| <b>Revenues:</b>   |                         |                     |                     |   |
| Taxes  | \$ 3,263,200            | \$ 4,349,151        | \$ 4,022,168        | \$ (326,983)  |
| Intergovernmental  | 3,926,307               | 4,080,483           | 4,296,721           | 216,238   |
| Investment Income  | 29,578                  | 30,739              | 32,368              | 1,629   |
| Tuition and Fees   | 278,515                 | 289,451             | 304,790             | 15,339  |
| Miscellaneous  | 8,576                   | 8,913               | 9,385               | 472   |
| <i>Total Revenues</i>  | <u>7,506,176</u>        | <u>8,758,737</u>    | <u>8,665,432</u>    | <u>(93,305)</u>   |
| <b>Expenditures:</b>   |                         |                     |                     |   |
| <b>Current</b>   |                         |                     |                     |   |
| Instruction  | 5,823,336               | 5,782,696           | 5,459,890           | 322,806   |
| Support Services   |                         |                     |                     |   |
| Pupils   | 307,607                 | 305,410             | 295,123             | 10,287  |
| Instructional Staff  | 592,167                 | 587,997             | 560,250             | 27,747  |
| Board of Education   | 103,331                 | 102,698             | 85,025              | 17,673  |
| Administration   | 695,508                 | 690,552             | 665,793             | 24,759  |
| Fiscal   | 376,413                 | 373,759             | 356,520             | 17,239  |
| Operation and Maintenance of Plant   | 1,030,519               | 1,023,241           | 977,676             | 45,565  |
| Pupil Transportation   | 219,386                 | 217,835             | 208,345             | 9,490   |
| Extracurricular Activities   | 144,834                 | 143,800             | 138,979             | 4,821   |
| <i>Total Expenditures</i>  | <u>9,293,101</u>        | <u>9,227,988</u>    | <u>8,747,601</u>    | <u>480,387</u>  |
| Excess of Revenues Over (Under) Expenditures   | (1,786,925)             | (469,251)           | (82,169)            | 387,082   |
| <b>Other Financing Sources (Uses):</b>   |                         |                     |                     |   |
| Refund of Prior Year Expenditures  | 48                      | 50                  | 53                  | 3   |
| Refund of Prior Year Receipts  | (17,562)                | (17,437)            | (16,852)            | 585   |
| Advances In  | 8,485                   | 8,818               | 9,285               | 467   |
| Advances Out   | (3,668)                 | (3,642)             | (3,520)             | 122   |
| Transfers Out  | (32,929)                | (32,694)            | (31,303)            | 1,391   |
| <i>Total Other Financing Sources (Uses)</i>  | <u>(45,626)</u>         | <u>(44,905)</u>     | <u>(42,337)</u>     | <u>2,568</u>  |
| <i>Excess of Revenues and Other Financing Sources Over (Under)<br/>Expenditures and Other Financing Uses</i> | (1,832,551)             | (514,156)           | (124,506)           | 389,650   |
| <i>Fund Balance (Deficit) at Beginning of Year</i>   | 1,591,041               | 1,591,041           | 1,591,041           | 0   |
| Prior Year Encumbrances Appropriated   | 243,577                 | 243,577             | 243,577             | 0   |
| <i>Fund Balance (Deficit) at End of Year</i>   | <u>\$ 2,067</u>         | <u>\$ 1,320,462</u> | <u>\$ 1,710,112</u> | <u>\$ 389,650</u>                                       |

See accompanying notes to the basic financial statements.

**Rittman Exempted Village School District**

*Statement of Net Assets*

*Proprietary Funds*

*June 30, 2005*

---

|  | <u>Governmental<br/>Activities<br/>Internal Service<br/>Fund</u> |
|--|--|
| <b>Assets</b>                              |  |
| Current Assets:                            |  |
| Equity in Pooled Cash and Cash Equivalents | <u>\$ 466,225</u>  |
| <b>Liabilities</b>                         |  |
| Current Liabilities:                       |  |
| Claims Payable                             | <u>155,869</u>   |
| <b>Net Assets</b>                          |  |
| Unrestricted                               | <u><u>\$ 310,356</u></u>   |

See accompanying notes to the basic financial statements.

**Rittman Exempted Village School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2005*

|   | Governmental<br>Activities -<br>Internal<br>Service Fund |
|---|--|
| <hr/>   |  |
| <b>Operating Revenues:</b>                    |  |
| Charges for Services                          | \$ 1,284,575   |
| <br>  |  |
| <b>Operating Expenses:</b>                    |  |
| Purchased Services                            | 350,255  |
| Claims  | 875,874  |
| <br>  |  |
| <i>Total Operating Expenses</i>               | <u>1,226,129</u>   |
| <br>  |  |
| <i>Change in Net Assets</i>                   | 58,446   |
| <br>  |  |
| <i>Net Assets (Deficit) Beginning of Year</i> | <u>251,910</u>   |
| <br>  |  |
| <i>Net Assets (Deficit) End of Year</i>       | <u><u>\$ 310,356</u></u>                                 |

See accompanying notes to the basic financial statements.

**Rittman Exempted Village School District**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Fiscal Year Ended June 30, 2005

|   | Governmental<br>Activities -<br>Internal<br>Service Fund |
|---|--|
| <b>Cash Flows From Operating Activities:</b>  |  |
| Cash Received for Charges for Services  | \$ 1,284,575   |
| Cash Paid for Goods and Services  | (350,255)  |
| Cash Paid for Claims  | (848,190)  |
|   | 86,130   |
| <i>Net Cash Provided By (Used For) Operating Activities</i>   | 86,130   |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i>   | 86,130   |
| <i>Cash and Cash Equivalents at Beginning of Year</i>   | 380,095  |
| <i>Cash and Cash Equivalents at End of Year</i>   | \$ 466,225   |
| <br><b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided By (Used For) Operating Activities:</b> |  |
| Operating Income (Loss)   | \$ 58,446  |
| Adjustments:  |  |
| Increase (Decrease) in Liabilities  |  |
| Claims Payable  | 27,684   |
| <i>Net Cash Provided By (Used For) Operating Activities</i>   | \$ 86,130  |

See accompanying notes to the basic financial statements.

**Rittman Exempted Village School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2005*

---

---

|  | <u>Agency</u>   |
|--|-----------------|
| <b>Assets</b>                              |                 |
| Equity in Pooled Cash and Cash Equivalents | \$ <u>6,435</u> |
| <br>                                       |                 |
| <b>Liabilities</b>                         |                 |
| Undistributed Monies                       | \$ <u>6,435</u> |

See accompanying notes to the basic financial statements.

## **Rittman Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

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

The Rittman Exempted Village School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by state and federal agencies. Average daily membership on, or as of, October 1, 2004, was 1,153. The School District employs 98 certificated and 54 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.

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

### **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 activities and proprietary fund provided they do not conflict with or contradict GASB pronouncements. For the year ended June 30, 2005, the School District has implemented the GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*". The School District also implemented GASB Technical Bulletin 2004-2 "*Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*". There was no effect on fund balance as a result of this implementation. The most significant of the School District's accounting policies are described below.

**Rittman Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**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 Statements** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and proprietary 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 three categories of funds: governmental, proprietary, and fiduciary.

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

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

**Rittman Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**Ohio School Foundation Commission (OSFC) Building Project Fund** The OSFC Building Project Fund is used to account for the receipts and expenditures related to all special bond funds in the School District. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid in this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

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

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position and cash flows. The following are the School District's proprietary fund types:

**Internal Service Fund** The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The School District's only Internal Service Fund accounts for a self-insurance program for employee medical, dental and prescription drug benefits.

**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 only fiduciary funds are Agency Funds. The School District's Agency Funds account for student advance placement testing and 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.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary fund activities.

Fiduciary funds are reported using the economic resources measurement focus and are excluded from the government-wide financial statements.

---

**Rittman Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

***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. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred/Unearned Revenue*** Deferred/unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred/unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred/unearned revenue.

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

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants and Contributions" program revenue account.

**Rittman Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

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, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2005, the School District had investments included a repurchase agreement account and deposits in STAROhio (the State Teacher's Investment Pool). See Note 5 for a full listing of the School District's investments. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The School District has also invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2005. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2005.

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 2005 amounted to \$21,221, which includes \$6,330 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 17 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.

**Rittman Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. 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 and construction in progress 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. These amounts are recorded as vacation benefits payable in the basic financial statements.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statement.

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

**Rittman Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

***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. Net assets restricted for other purposes primarily include instruction of students and extracurricular activities.

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

***K. Fund Balance Reserves***

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, property taxes, bus allowance and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

***L. Interfund Activity***

Transfers between governmental activities on the government-wide statements are eliminated.

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

***M. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2005.

***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.

**Rittman Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**O. Budgetary Data**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

**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 the 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 – Fund Deficits**

Fund balances/net assets at June 30, 2005 included the following individual fund deficits:

|                              | Deficit             |
|------------------------------|---------------------|
|                              | <u>Fund Balance</u> |
| Nonmajor Governmental Funds: |                     |
| Food Services                | \$ 5,705            |
| Student Intervention         | 7,115               |
| IDEA, Part B                 | 39,440              |
| Title II-A                   | 9,285               |

---

**Rittman Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

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 transfers when cash is required, not when accruals occur.

**Note 4 – Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance 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.

**Net Change in Fund Balance**

|   |                     |
|---|---------------------|
|   | <u>General</u>      |
| GAAP Basis                              | \$ (498,426)        |
| Net Adjustment for Revenue Accruals     | 359,262             |
| Net Adjustment for Expenditure Accruals | 117,413             |
| Encumbrances (Budget Basis)             | <u>(102,755)</u>    |
| Budget Basis                            | <u>\$ (124,506)</u> |

**Note 5 – Deposits and Investments**

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

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

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

**Rittman Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

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

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

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

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

**Rittman Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

*Deposits* - At fiscal year-end, the carrying amount of the School District's deposits was \$4,522,449 and the bank balance was \$4,571,527. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$4,371,527 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

*Investments* – Investments are reported at fair value. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. As of June 30, 2005, the School District had the following investments:

| <u>Rating by<br/>Moody</u> | <u>Entity</u>                    | <u>Fair<br/>Value</u> | <u>Investment<br/>Maturities<br/>in months (0-6)</u> | <u>Percentage<br/>of Total<br/>Investment</u> |
|----------------------------|----------------------------------|-----------------------|--|---|
| N/A                        | NCB-Repurchase Agreement         | \$ 237,000            | \$ 237,000   | 3.08%   |
| N/A                        | Fifth Third-Repurchase Agreement | 350,274               | 350,274  | 4.55%   |
| AAAm**                     | STAROhio                         | 589,504               | 589,504  | 7.65%   |
| Aaa                        | Federal Farm Credit              | 622,269               | 622,269  | 8.08%   |
| Aaa                        | Federal Home Loan Bank           | 4,102,386             | 4,102,386  | 53.24%  |
| Aaa                        | FNM Deposit                      | 49,355                | 49,355   | 0.64%   |
| Aaa                        | Fannie Mae                       | 273,173               | 273,173  | 3.55%   |
| Aaa                        | FNMA                             | 1,479,840             | 1,479,840  | 19.21%  |
|                            |                                  | <u>\$ 7,703,801</u>   | <u>\$ 7,703,801</u>                                  | <u>100.00%</u>                                |

\*\* Rated by Standard and Poor's

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

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

*Concentration of Credit Risk* –The School District places no limit on the amount the School District may invest in any one issuer. See percentage's above.

**Rittman Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at 35% 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at 35% 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25% of true value for capital assets and 23% 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 Wayne and Medina County. The fiscal officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 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, 2005 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, 2005, was \$280,123 in the General Fund, \$47,697 in the Debt Service Fund, and \$17,719 in the OSFC Building Capital Projects Fund.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred since it has not been received within the available period.

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

---

**Rittman Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

|   | Wayne County                    |                |                                |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
|   | 2004 Second<br>Half Collections |                | 2005 First<br>Half Collections |                |
|   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/Residential<br>and Other Real Estate | \$ 87,583,450                   | 83.13%         | \$ 88,485,480                  | 81.71%         |
| Public Utility                                    | 21,680                          | 0.02%          | 23,740                         | 0.02%          |
| Tangible Personal Property                        | 17,747,818                      | 16.85%         | 19,780,834                     | 18.27%         |
|   | <u>\$ 105,352,948</u>           | <u>100.00%</u> | <u>\$ 108,290,054</u>          | <u>100.00%</u> |

|   | Medina County                   |                |                                |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
|   | 2004 Second<br>Half Collections |                | 2005 First<br>Half Collections |                |
|   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/Residential<br>and Other Real Estate | \$ 2,266,500                    | 2.15%          | \$ 2,379,280                   | 2.20%          |
| Tangible Personal Property                        | 723,386                         | 0.69%          | 400,576                        | 0.37%          |
|   | <u>\$ 2,989,886</u>             | <u>2.84%</u>   | <u>\$ 2,779,856</u>            | <u>2.57%</u>   |

**Note 7 - Receivables**

Receivables at June 30, 2005, consisted of taxes, 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.

Intergovernmental receivables as of June 30, 2005:

|                          |                      |
|--------------------------|----------------------|
| Governmental Activities: |                      |
| Food Service Operations  | \$ 15,813            |
| Career Development       | 698                  |
| EMIS                     | 5,000                |
| Entry Year Teachers      | 1,200                |
| Ohio Read                | 48                   |
| Student Intervention     | 3,648                |
| IDEA                     | 2,340                |
| Title I                  | 14,455               |
| Title IV                 | 303                  |
| Title II-A               | 800                  |
| Title II-D               | 24,888               |
| OSFC Building Project    | 14,106,094           |
|                          | <u>\$ 14,175,287</u> |

**Rittman Exempted Village School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2005

**Note 8 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

|   | Balance<br>6/30/04 | Additions  | Reductions  | Balance<br>6/30/05 |
|---|--------------------|------------|-------------|--------------------|
| <b>Governmental Activities</b>                      |                    |            |             |                    |
| <i>Capital Assets, not being depreciated:</i>       |                    |            |             |                    |
| Land  | \$ 142,554         | \$ 0       | \$ 0        | \$ 142,554         |
| Construction in Progress                            | 0                  | 710,756    | 0           | 710,756            |
| <i>Total Capital Assets, not being depreciated:</i> | 142,554            | 710,756    | 0           | 853,310            |
| Capital Assets, being depreciated                   |                    |            |             |                    |
| Buildings and improvements                          | 3,834,918          | 0          | (6,554)     | 3,828,364          |
| Furniture and equipment                             | 1,780,558          | 64,472     | (125,858)   | 1,719,172          |
| Vehicles  | 388,145            | 25,015     | (550)       | 412,610            |
| Total Capital Assets, being depreciated             | 6,003,621          | 89,487     | (132,962)   | 5,960,146          |
| <i>Less Accumulated Depreciation:</i>               |                    |            |             |                    |
| Buildings and improvements                          | (3,291,864)        | (66,358)   | 5,356       | (3,352,866)        |
| Furniture and equipment                             | (1,192,829)        | (147,579)  | 104,245     | (1,236,163)        |
| Vehicles  | (318,387)          | (52,742)   | 550         | (370,579)          |
| Total Accumulated Depreciation                      | (4,803,080)        | (266,679)  | 110,151     | (4,959,608)        |
| Total Capital Assets being depreciated, net         | 1,200,541          | (177,192)  | (22,811)    | 1,000,538          |
| <i>Governmental Activities Capital Assets, Net</i>  | \$ 1,343,095       | \$ 533,564 | \$ (22,811) | \$ 1,853,848       |

Depreciation expense was charged to governmental functions as follows:

|                                     |            |
|-------------------------------------|------------|
| Administration                      | \$ 9,980   |
| Regular Instruction                 | 109,408    |
| Special Instruction                 | 1,943      |
| Vocational Instruction              | 1,127      |
| Instructional Staff                 | 3,310      |
| Fiscal                              | 449        |
| Operations and Maintenance of Plant | 86,533     |
| Pupil Transportation                | 47,648     |
| Central                             | 4,675      |
| Food Services                       | 228        |
| Extracurricular Activities          | 31         |
| Pupils                              | 1,347      |
|                                     | \$ 266,679 |

**Rittman Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**Note 9 – Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy with Indiana Insurance Company. The deductible is \$2,500 per incident on property and \$250 per incident on equipment. All vehicles are also insured with Indiana Insurance Company and have a \$1,000 deductible. All board members, administrators, and employees are covered under a school district liability policy with Indiana Insurance Company. The limits of this coverage are \$1,000,000 per occurrence and \$6,000,000 per aggregate. The board president and superintendent have a \$20,000 position bond with the Cincinnati Insurance Company. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction from the prior year.

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

***B. Workers' Compensation***

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

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

***C. Employee Medical Benefits***

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

**Rittman Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

Changes in the fund's claims liability amount in 2005 and 2004 were:

|      | Balance at<br>Beginning of Year | Current Year<br>Claims | Claim<br>Payments | Balance at<br>End of Year |
|------|---------------------------------|------------------------|-------------------|---------------------------|
| 2004 | \$ 161,287                      | \$ 1,013,163           | \$ 1,046,265      | \$ 128,185                |
| 2005 | \$ 128,185                      | \$ 875,874             | \$ 848,190        | \$ 155,869                |

**Note 10 - Pension Plans**

***A. School Employees Retirement System***

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (800) 878-5853, or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org).

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% 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, 2005, 2004 and 2003 were \$181,816, \$164,364, and \$152,340 respectively; 54% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. \$83,424 represents the unpaid contribution for fiscal year 2005, and is recorded as a liability within the respective funds.

***B. State Teachers Retirement System***

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

**Rittman Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

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.

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, 2005, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%. 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, 2005, 2004, and 2003 were \$627,981, \$641,820, and \$621,516 respectively. Contributions to the DC and Combined Plans for fiscal year 2005 were \$615 made by the School District and \$3,645 made by the plan members. \$162,162 represents the unpaid contribution for fiscal year 2005, and is recorded as a liability within the respective funds, 74% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**Rittman Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**Note 11 - 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, 2005, 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 \$44,856 during the 2005 fiscal year.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, the health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2005, employer contributions to fund health care benefits were 3.43% 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 2005, the minimum pay has been established at \$27,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$117,159.

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, 2005, were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS had approximately 58,123 participants currently receiving health care benefits.

**Rittman Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

**Note 12 - Long - Term Obligations**

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

|  | Outstanding<br>6/30/2004 | Additions         | Reductions          | Outstanding<br>6/30/2005 | Due in<br>One Year |
|--|--------------------------|-------------------|---------------------|--------------------------|--------------------|
| <b>Governmental Activities:</b>                        |                          |                   |                     |                          |                    |
| OSFC Construction Bonds                                |                          |                   |                     |                          |                    |
| 4.88%, matures December 2031                           | \$ 9,500,000             | \$ 0              | \$ 0                | \$ 9,500,000             | \$ 235,000         |
| Notes Payable:   |                          |                   |                     |                          |                    |
| Bond Anticipation Notes                                |                          |                   |                     |                          |                    |
| 1.54%, matures July 2004                               | 9,500,000                | 0                 | 9,500,000           | 0                        | 0                  |
| Compensated Absences                                   | 643,999                  | 109,208           | 48,103              | 705,104                  | 0                  |
| Capital Lease  | 149,936                  | 0                 | 25,546              | 124,390                  | 26,674             |
| Total Governmental Activities<br>Long-Term Liabilities | <u>\$ 19,793,935</u>     | <u>\$ 109,208</u> | <u>\$ 9,573,649</u> | <u>\$ 10,329,494</u>     | <u>\$ 261,674</u>  |

The \$9.5 million bond anticipation notes were issued in anticipation of a future bond issuance for the construction and renovation of school building facilities of the School District. \$9.5 million of bonds were subsequently issued prior to year end, with the balance needed to be issued in fiscal year 2005.

General obligation bonds will be paid from the Debt Service Fund. Notes payable were retired from the Building Capital Projects Fund. Compensated absences will be paid from the General Fund and respective funds. The capital lease will be paid from the Permanent Improvement Capital Project Fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005 are as follows:

**GENERAL OBLIGATION BONDS PAYABLE**

| Fiscal Year<br>Ending<br>June 30 | Principal           | Interest            | Total                |
|----------------------------------|---------------------|---------------------|----------------------|
| 2006                             | \$ 235,000          | \$ 411,050          | \$ 646,050           |
| 2007                             | 240,000             | 405,700             | 645,700              |
| 2008                             | 245,000             | 399,025             | 644,025              |
| 2009                             | 250,000             | 391,288             | 641,288              |
| 2010                             | 148,990             | 498,238             | 647,228              |
| 2011-2015                        | 1,066,010           | 2,152,180           | 3,218,190            |
| 2016-2020                        | 1,595,000           | 1,605,832           | 3,200,832            |
| 2021-2025                        | 1,990,000           | 1,198,082           | 3,188,082            |
| 2026-2030                        | 2,530,000           | 643,440             | 3,173,440            |
| 2030-2032                        | 1,200,000           | 62,259              | 1,262,259            |
| Total                            | <u>\$ 9,500,000</u> | <u>\$ 7,767,094</u> | <u>\$ 17,267,094</u> |

**Rittman Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**Note 13 – Capital Lease**

Capital lease obligations relate to the School District phone system which is leased under a long-term agreement. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease principal payments amounted to \$25,546, for the fiscal year ended June 30, 2005. The carrying cost of the capital lease assets is \$190,000.

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, 2005.

| Year                                    | Amount            |
|---|-------------------|
| 2006                                    | \$ 31,534         |
| 2007                                    | 31,534            |
| 2008                                    | 31,534            |
| 2009                                    | 31,534            |
| 2010                                    | 10,510            |
| Total Minimum Lease Payments            | 136,646           |
| Less Amount Representing Interest       | 12,256            |
| Present Value of Minimum Lease Payments | <u>\$ 124,390</u> |

**Note 14 – Interfund Transactions**

The account balances by fund of "Interfund Receivable" and "Interfund Payable" as of June 30, 2005 are as follows:

| Fund                        | Interfund<br>Receivable | Interfund<br>Payable |
|-----------------------------|-------------------------|----------------------|
| General Fund                | \$ 5,515                | \$ 0                 |
| Nonmajor Governmental Funds | 0                       | 5,515                |
| Total                       | <u>\$ 5,515</u>         | <u>\$ 5,515</u>      |

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, 2005, all interfund payables outstanding are anticipated to be repaid in fiscal year 2005.

The following is a summarized breakdown of the School District's transfers for fiscal year 2005:

| Fund                        | Transfers<br>In  | Transfers<br>Out   |
|-----------------------------|------------------|--------------------|
| General Fund                | \$ 0             | \$ (31,303)        |
| Nonmajor Governmental funds | 31,303           | 0                  |
|                             | <u>\$ 31,303</u> | <u>\$ (31,303)</u> |

**Rittman Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 15 - Jointly Governed Organizations**

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 22 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based upon a per pupil charge dependent upon the software package utilized. The TCCSA council of governments consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by an executive committee chosen from the general membership of the TCCSA council of governments. The executive committee consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Ashland - Wayne County Education Services Center, which serves as fiscal agent, located at 2534 Burbank Road, Wooster, Ohio 44691. During the year ended June 30, 2005, the District paid approximately \$62,567 to TCCSA for basic service charges.

**Note 16- Contingencies**

***A. Grants***

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

***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.

**Rittman Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

**Note 17 - 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. Effective April 10, 2001, Senate Bill 345 amended Ohio Revised Code 5705.29 effectively eliminating the requirement for the School District to establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the reserve in accordance with the Act. As of June 30, 2005, the Board had not acted on the Senate Bill, in regards to the balance representing Bureau of Workers' Compensation rebates. These amounts are reported as Reserved for Budget Stabilization on the Balance Sheet.

|   | <u>Capital<br/>Improvement<br/>Reserve</u> | <u>Textbook<br/>Instructional<br/>Materials<br/>Reserve</u> | <u>Budget<br/>Stabilizaion</u> |
|---|--|---|--------------------------------|
| Set-Aside Carryover Balance as of June 30, 2004 | \$ 74,317                                  | \$ 0  | \$ 96,299                      |
| Current Year Set-Aside Requirement              | 165,245                                    | 165,245   | 0                              |
| Qualifying Disbursements                        | <u>(308,959)</u>                           | <u>(223,410)</u>  | <u>0</u>                       |
| Total   | <u>\$ (69,397)</u>                         | <u>\$ (58,165)</u>  | <u>\$ 96,299</u>               |
| <br>  |  |   |                                |
| Cash Balance Carried Forward FY 2004            | <u>\$ 0</u>                                | <u>(58,165)</u>   | <u>96,299</u>                  |
| Restricted Cash                                 | <u>\$ 0</u>                                | <u>\$ 0</u>   | <u>\$ 96,299</u>               |

The School District had qualifying disbursements during the year that reduced the textbook reserve set-asides below zero. These extra amounts may be used to reduce the set-aside requirement in future fiscal years.

**Note 18 – Construction Commitments**

The following construction commitments at June 30, 2005 will be financed with funds from bonds issued and will be paid from the OSFC Building Project Fund:

| <u>Contract<br/>Amount</u> | <u>Expenditures<br/>as of 6/30/2005</u> | <u>Remaining<br/>Commitments</u> |
|----------------------------|---|----------------------------------|
| \$ 8,288,493               | \$ 1,276,349                            | \$ 7,012,144                     |

**Rittman Exempted Village School District**  
Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2005

| Federal Grantor/Program Title   | Pass Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Receipts<br>Recognized | Program<br>Expenditures |
|---|----------------------------------|---------------------------|------------------------|-------------------------|
| <b><u>U.S. Department of Education:</u></b>   |                                  |                           |                        |                         |
| <b><u>Passed through the Ohio Department of Education:</u></b>                          |                                  |                           |                        |                         |
| Title I - Educationally Deprived Children, FY 2004                                      | 045591-C1S1-2004                 | 84.010                    | \$ 20,614              | \$ 27,828               |
| Title I - Educationally Deprived Children, FY 2005                                      | 045591-C1S1-2005                 | 84.010                    | <u>147,526</u>         | <u>133,072</u>          |
| <b>Total Educationally Deprived Children</b>  |                                  |                           | 168,140                | 160,900                 |
| Title II-A Improving Teacher Quality State Grant, FY 2004                               | 045591-TRS1-2004                 | 84.367                    | 14,457                 | 8,941                   |
| Title II-A Improving Teacher Quality State Grant, FY 2005                               | 045591-TRS1-2005                 | 84.367                    | <u>57,806</u>          | <u>51,357</u>           |
| <b>Total Improving Teacher Quality State Grant</b>                                      |                                  |                           | 72,263                 | 60,298                  |
| Title IV Safe and Drug-Free Schools and Communities                                     | 044491-DRS1-2004                 | 84.186                    | -                      | 264                     |
| Title IV Safe and Drug-Free Schools and Communities                                     | 045591-DRS1-2005                 | 84.186                    | <u>5,835</u>           | <u>6,134</u>            |
| <b>Total Safe and Drug-Free Schools and Communities</b>                                 |                                  |                           | 5,835                  | 6,398                   |
| Title V - Innovative Education Program  | 045591-C2S1-2005                 | 84.298                    | <u>5,090</u>           | <u>5,090</u>            |
| <b>Total Innovative Education Program</b>   |                                  |                           | 5,090                  | 5,090                   |
| ACCESS 2004   | 045591-6BSD-2004-P               | 84.027                    | 12,780                 | 19,693                  |
| ACCESS 2005   | 045591-6BSD-2005                 | 84.027                    | 17,700                 | 17,518                  |
| IDEA Part B, FY 2004  | 045591-6BSF-2004                 | 84.027                    | 21,728                 | 22,962                  |
| IDEA Part B, FY 2005  | 045591-6BSF-2005                 | 84.027                    | <u>226,906</u>         | <u>229,962</u>          |
| <b>Total IDEA</b>   |                                  |                           | 279,115                | 290,135                 |
| Title II-D, Technology FY 2004  | 045591-TJS1-2004                 | 84.318                    | 92                     | -                       |
| Title II-D, Technology FY 2005  | 045591-TJS1-2005                 | 84.318                    | <u>3,981</u>           | <u>3,981</u>            |
| <b>Total Title II-D, Technology</b>   |                                  |                           | 4,073                  | 3,981                   |
| <b><u>Passed through the Ohio Mental Retardation and Developmental Disabilities</u></b> |                                  |                           |                        |                         |
| 21st Century Communication Learning Center  | N/A                              | 84.287                    | -                      | 92                      |
| 21st Century Communication Learning Center  | N/A                              | 84.287                    | <u>3,981</u>           | <u>3,981</u>            |
| <b>Total 21st Century Communication Learning Center</b>                                 |                                  |                           | 3,981                  | 4,073                   |
| <b>Total U. S. Department of Education</b>  |                                  |                           | 538,497                | 530,875                 |
| <b><u>U.S. Department of Health and Human Services:</u></b>                             |                                  |                           |                        |                         |
| Medical Assistance Program  | N/A                              | 93.778                    | <u>17,217</u>          | <u>17,217</u>           |
| <b>Total Medical Assistance Program</b>   |                                  |                           | 17,217                 | 17,217                  |
| <b>Total U.S. Department of Health and Human Services</b>                               |                                  |                           | 17,217                 | 17,217                  |
| <b><u>U.S. Department of Agriculture</u></b>  |                                  |                           |                        |                         |
| <b><u>Pass through Ohio Department of Education</u></b>                                 |                                  |                           |                        |                         |
| <b>Nutrition Cluster:</b>   |                                  |                           |                        |                         |
| Food Distribution Program   | N/A                              | 10.550                    | 44,118                 | 44,118                  |
| School Lunch Program  | N/A                              | 10.555                    | <u>137,503</u>         | <u>137,503</u>          |
| <b>Total Nutrition Cluster</b>  |                                  |                           | 181,621                | 181,621                 |
| <b>Total Department Of Agriculture</b>  |                                  |                           | 181,621                | 181,621                 |
| <b>TOTAL FEDERAL FINANCIAL ASSISTANCE PROGRAMS</b>                                      |                                  |                           | <u>\$ 737,335</u>      | <u>\$ 729,713</u>       |

See notes to the Schedule of Federal Awards Expenditures.

**Rittman Exempted Village School District**  
**Wayne County, Ohio**  
**Notes to the Schedule of Federal Awards Expenditures**  
**For the Year Ended June 30, 2005**

**1. Significant Accounting Policies**

The accompanying schedule of federal awards expenditures is a summary of the activity of the Rittman Exempted Village School District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

**2. Food Distribution**

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2005, the District had immaterial food commodities in inventory recorded in the Food Service Fund.

*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

---

**INDEPENDENT ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF STATEMENTS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Board of Education  
Rittman Exempted Village School District  
220 North First Street  
Rittman, OH 44270

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rittman Exempted Village School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 10, 2006, wherein we noted the District implemented GASB Technical Bulletin No. 2004-2 and GASB Statement No. 40. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated February 10, 2006.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

*Charles E. Harris & Associates, Inc.*  
February 10, 2006

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

Board of Education  
Rittman Exempted Village School District  
220 North First Street  
Rittman, OH 44270

**Compliance**

We have audited the compliance of the Rittman Exempted Village School District with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

**Internal Control Over Compliance**

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

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

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

***Charles E. Harris & Associates, Inc.***  
**February 10, 2006**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505**

**Rittman Exempted Village School District  
Wayne County  
June 30, 2005**

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

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)**  
**OMB CIRCULAR A-133 SECTION .505**

**Rittman Exempted Village School District**  
**Wayne County**  
**June 30, 2005**

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

None.

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

None.

**RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT  
WAYNE COUNTY  
June 30, 2005**

**Schedule of Prior Audit Findings**

The prior audit, for the year ended June 30, 2004, reported no material citations or recommendations.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT**

**WAYNE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 4, 2006**