

Ravenna City School District

Audited Financial Statements

For Fiscal Year Ended June 30, 2010



Dave Yost • Auditor of State

Board of Education
Ravenna City School District
507 East Main Street
Ravenna, Ohio 44266

We have reviewed the *Independent Auditor's Report* of the Ravenna City School District, Portage County, prepared by Rea & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 Ravenna City School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 14, 2011

This Page is Intentionally Left Blank.

**RAVENNA CITY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
TABLE OF CONTENTS**

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Assets Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	16
Statement of Fiduciary Net Assets – Fiduciary Funds	17
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	18
Notes to the Basic Financial Statements	19
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect On Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	47
Schedule of Expenditures of Federal Awards – Cash Basis	49
Notes to the Schedule of Expenditures of Federal Awards – Cash Basis	50
Schedule of Findings and Questioned Costs	51
Schedule of Prior Year Audit Findings	53



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 20, 2010

The Board of Education
Ravenna City School District
Ravenna, Ohio 44266

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ravenna City School District, Portage County, (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2010, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2010 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has 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.

Hea & Associates, Inc.

Ravenna City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

The discussion and analysis of the Ravenna City School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. 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 2010 are as follows:

- ❑ General Revenues accounted for \$29.8 million in revenue or 85% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions and capital grants accounted for \$5.1 million or 15% of total revenues of \$34.9 million.
- ❑ Total program expenses were \$33.5 million in Governmental Activities.
- ❑ In total, net assets of Governmental Activities increased \$1.4 million.
- ❑ Outstanding Long-Term Debt and Capital Leases decreased from \$20.0 million to \$19.5 million.
- ❑ Capital Assets increased from \$20.4 million to \$34.6 million, due to an increase in construction in progress for the new high school, upgrade the transportation facility and various other projects around the School District.

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 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* excluding fiduciary funds using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Ravenna City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

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, the classroom facilities capital project fund and the building capital project fund.

Governmental Funds - All 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.

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 2010 compared to 2009:

(Table 1)
Net Assets

	Governmental Activities	
	2010	2009
Assets		
Current and Other Assets	\$ 22,074,767	\$ 37,003,200
Capital Assets	34,559,355	20,360,154
Total Assets	56,634,122	57,363,354
Liabilities		
Long-Term Liabilities	21,759,750	22,455,256
Other Liabilities	13,925,252	15,388,179
Total Liabilities	35,685,002	37,843,435
Net Assets		
Invested in Capital Assets, Net of Debt	15,768,119	3,094,453
Restricted	5,248,152	17,802,570
Unrestricted (Deficit)	(67,151)	(1,377,104)
Total Net Assets	\$ 20,949,120	\$ 19,519,919

Total assets decreased \$729,232. The reduction in cash was primarily the result of the expenditure of capitalized costs related to the construction of the new high school and transportation facility. These costs contributed to the overall increase in capital assets, however, this increase was offset against current year depreciation expense and current year reduction in capital assets.

Ravenna City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

Total liabilities decreased \$2.2 million. A combination of increases and decreases contributed to this decrease. The most significant factors was a decrease in contracts payable for the new high school, and a decrease in deferred revenue for proceeds for the Ohio School Facility Commission. Long term liabilities decreased \$.7 million through the repayment of principal.

Table 2 shows the changes in net assets for fiscal year 2010 and 2009.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2010	2009
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,665,097	\$ 1,492,869
Operating Grants	3,400,699	2,963,273
Capital Grants	60,057	1,505,769
<i>General Revenue:</i>		
Property Taxes	12,347,181	12,549,489
Grants and Entitlements, not restricted to specific programs	17,172,589	15,541,287
Investment Earnings	55,910	154,433
Insurance Settlement	102,000	170,000
Miscellaneous	154,358	181,680
Total Revenue	34,957,891	34,558,800
 <i>Program Expenses</i>		
Instruction	18,520,518	18,391,706
Support Services:		
Pupil and Instructional Staff	2,543,527	2,255,329
Board of Education, Administration, Fiscal and Business	3,393,733	3,544,732
Operation and Maintenance	2,929,725	2,787,265
Pupil Transportation	1,303,303	1,216,674
Central	1,085,460	700,610
Operation and Non-Instructional	82,928	253,505
Extracurricular Activities	1,184,413	974,191
Food Service Operations	1,528,193	1,162,128
Interest and Fiscal Charges	956,890	1,266,687
Total Expenses	33,528,690	32,552,827
 <i>Change in Net Assets</i>	1,429,201	2,005,973
 Net Assets Beginning of Year	19,519,919	17,513,946
Net Assets End of Year	\$ 20,949,120	\$ 19,519,919

The majority of revenues supporting governmental activities are general revenues. General revenues totaled \$29.8 million or 85% of total revenue. The most significant portion of the general revenue is local property taxes and grants and entitlements not restricted for specific programs. The remaining amount of revenue received was in the form of program revenues which totaled \$5.1 million or 15% of total revenue.

Ravenna City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

Overall revenue increased \$399,091 or 1.2% over fiscal year 2009. The primary factor contributing to this increase was an increase in the receipt of federal stimulus funding.

Program expenses increased \$975,863 in 2010. This increase can be attributed to an increase in support services provided for the School District funded by federal stimulus money.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activity had total revenues of \$34.9 million and expenses of \$33.6 million.

(Table 3)
Governmental Activities

	2010		2009	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 18,520,518	\$ 16,014,029	\$ 18,391,706	\$ 14,620,148
Support Services:				
Pupil and Instructional Staff	2,543,527	2,088,739	2,255,329	1,837,652
Board of Education, Administration				
Fiscal and Business	3,393,733	3,277,134	3,544,732	3,497,845
Operation and Maintenance of Plant	2,929,725	2,829,049	2,787,265	2,770,532
Pupil Transportation and Central	2,388,763	2,219,647	1,917,284	1,890,314
Operation of Non-Instructional Services	82,928	(142,545)	253,505	18,559
Food Service Operations	1,528,193	217,666	1,162,128	35,812
Extracurricular Activities	1,184,413	942,228	974,191	653,367
Interest and Fiscal Charges	956,890	956,890	1,266,687	1,266,687
Total	<u>\$ 33,528,690</u>	<u>\$ 28,402,837</u>	<u>\$ 32,552,827</u>	<u>\$ 26,590,916</u>

Total cost of service for 2010 increased 3.0% from 2009. Instruction and Student Support Services comprise 62.8% of governmental program expenses. Significant changes in Net Cost of Services occurred within the instruction, due to a decrease in capital grants for the new high school project.

The dependence upon tax revenues for governmental activities is apparent. Over 84.7% of expenses are not supported by program specific revenues. General revenues, primarily local property taxes and grant and entitlements not restricted to specific programs are used to provide program services. The community, as a whole, is by far the primary supporter for Ravenna City School District students.

Ravenna City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

The School District's Funds

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues \$34.8 million and expenditures of \$48.3 million. The net change in fund balance for the year was most significant in the classroom facilities project capital project fund, with a decrease of \$14.1 million from the on-going new high school project. The general fund increased \$978,918; this increase was due to advances of taxes. The Building Fund capital project fund decreased \$829,694, this decrease can be attributed to additional expenses for the new high school project, and all grant monies have been collected in previous fiscal years.

General Fund Budgeting Highlights

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

During the course of fiscal year 2010, 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.

For the general fund, the final budget basis revenue was \$26.6 million, \$140,000 over the original budget estimates of \$26.5 million. The major increase was in intergovernmental revenues.

The School District revises its appropriations throughout the fiscal year. During fiscal year 2010, no significant fluctuations between original and final budget were noted. Final appropriations of \$27.9 million were higher by \$1,342,756, than actual expenditures of \$26.5 million. The School District was able to find ways to be fiscally responsible with spending based on revenues received during the fiscal year, as evidenced by the overall change in fund balance (budget basis) of (\$4,527).

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the School District had \$34.6 million invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2010 balances compared with 2009 net of depreciation. See Note 9 for more information regarding the capital assets of the School District.

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

	Governmental Activities	
	2010	2009
Land	\$ 74,984	\$ 74,984
Construction in Process	28,137,719	13,504,251
Land Improvements	2,297,546	2,608,306
Buildings and Improvements	3,387,623	3,557,542
Furniture and Equipment	375,846	431,582
Vehicles	285,637	183,489
Totals	\$ 34,559,355	\$ 20,360,154

Ravenna City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

The increase in capital assets was attributable to the preliminary costs associated with the construction of the new high school and transportation facility.

Ohio law required school districts to set aside 3% of certain revenues for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvement and textbooks. See Note 21 for additional information.

Long -Term Obligations

At June 30, 2010, the School District had improvement bonds and energy conservation bonds outstanding of \$16,487,520, with \$330,624 due within one year, and a capital leases for a stadium and buses with an outstanding balance of \$3,018,662, with \$244,649 due within one year. During fiscal year 2010, \$470,996 of debt and leases were retired. Table 5 summarizes bonds and lease outstanding. See Note 14 for additional information regarding the long-term obligations of the School District.

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

	2010	2009
General Obligation Bonds:		
2003 Energy Conservation	\$ 285,000	\$ 310,000
2006 School Improvement Bond	13,480,000	13,480,000
2007 School Improvement Bond	1,440,000	1,490,000
Capital Appreciation Bonds-2006	260,086	419,559
Capital Appreciation Bonds-2007	50,425	50,425
Premium on Debt Issuance-2006	617,986	643,735
Accretion of Capital Appreciation Bonds 2006	327,181	337,146
Accretion of Capital Appreciation Bonds 2007	26,842	15,861
Total General Obligation Bonds	16,487,520	16,746,726
Capital Lease	3,018,662	3,255,185
Total Long Term Obligations	\$ 19,506,182	\$ 20,001,911

Current Issues

The School District's new high school building project was completed, and the ribbon-cutting occurred on Saturday, August 28, 2010. The Ohio School Facility Commission provided 53% of the funds necessary with the remainder coming from local tax dollars.

Some locally funded initiatives were completed within the total scope of the building project. Among them were: a renovated transportation facility, fixed seats for the auditorium, and an alternate gymnasium which includes an elevated indoor walking track.

A major consideration facing the Board of Education is the disposition of the former high school facility. An auctioneer was selected, but before a date was set, a group of interested local people sought a deferral to enable them to walk through the structure to determine if they might collaborate in creating other uses and securing the funding for the renovation of same. If disposition attempts fail, the Board of Education may consider renovation project for administration use.

Ravenna City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

School year 2010-2011 is the final year of the School District's labor agreements with the three labor associations. That third year included a wage re-opener. Several meetings have been conducted. All parties appear to be in general agreement and adoption of the package is expected to occur prior to the beginning of the school year.

There is significant expenditure for the new high school. Expenditures included computers, desks and new technology being implemented, that will save the School District money over the long run.

One of the new technology updates will be centralized quoted printing. With centralized quoted printing, we will high speed networked laser printers in central locations instead of each classroom. These printers are more efficient with toner (defaulted to econo-mode to save even more). There will also be printing quota's set by the building administrator for students and staff. The School District expects to save money on toner with reduced printing and save on maintenance costs by reduced numbers of high quality printers.

Another of the new technology updates will be virtual computing. In virtual computing, we will model computers as computer programs on a powerful server farm. We can then access these models over the internet or on dedicated devices called thin clients. To a user, the model will look and feel no different than a real computer, but the computer will not exist, it will be virtual. With virtual computers, student computer services will be delivered to the classrooms via thin clients. A thin client has a monitor, keyboard and mouse. Thin clients cost less than traditional computers, have a lower maintenance cost, and should have a longer life than traditional computing devices. Technology staff support time is cut dramatically as only centralized images are maintained on the server farm and distributed to the thin clients via the network instead of updating every computing device in the building. These devices, the servers, and the virtual computers use less energy and will be shutdown in non-use times to save energy money. In addition, since the virtual computers do not generate heat, there will be less cost associated with cooling of the classrooms. The reduced support and energy costs will save the School District money over the long term.

Students will have access to school computers to the virtual computer from any device that has an internet connection. This means that a student at home (sick or traveling) with any computer might use the same "virtual" computer over the internet to complete and turn in assignments as if they were sitting in school. This increased access to technology and learning will hopefully translate into improved learning outcomes. We can also use the virtual technology to provide flexible learning opportunities to students, which is something we will need to do starting next year.

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 Jerry Meyer, Treasurer, Ravenna City School District, 507 East Main Street, Ravenna, Ohio 44266.

Ravenna City School District
Statement of Net Assets
June 30, 2010

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 8,081,451
Cash and Cash Investments in Segregated Accounts	397,004
Receivables:	
Accounts	41,364
Taxes	12,731,967
Notes (Net of Allowances)	155,747
Intergovernmental	306,311
Deferred Charges	360,923
Nondepreciable Capital Assets	28,212,703
Depreciable Capital Assets (Net)	6,346,652
<i>Total Assets</i>	56,634,122
Liabilities	
Accounts Payable	94,488
Contracts Payable	415,598
Accrued Wages and Benefits	2,536,199
Accrued Vacation Leave Payable	41,619
Matured Compensated Absences Payable	193,903
Accrued Interest Payable	310,835
Intergovernmental Payable	1,056,244
Deferred Revenue	9,276,366
Long Term Liabilities:	
Due Within One Year	693,617
Due In More Than One Year	21,066,133
<i>Total Liabilities</i>	35,685,002
Net Assets	
Invested in Capital Assets, Net of Related Debt	15,768,119
Restricted for:	
Capital Projects	3,627,170
Other Purposes	871,705
Set Asides	180,940
Permanent Fund-Scholarships	
Expendable	479,271
Nonexpendable	89,066
Unrestricted	(67,151)
<i>Total Net Assets</i>	\$ 20,949,120

The accompanying notes are an integral part of the basic financial statements.

Ravenna City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 12,113,567	\$ 329,472	\$ 727,910	\$ 60,057	\$ (10,996,128)
Special	4,590,734	103,773	1,232,423	0	(3,254,538)
Vocational	362,680	0	0	0	(362,680)
Student Intervention	78,754	0	0	0	(78,754)
Other	1,374,783	39,999	12,855	0	(1,321,929)
Support Services:					
Pupils	1,577,845	42,513	135,817	0	(1,399,515)
Instructional Staff	965,682	21,190	255,268	0	(689,224)
Board of Education	42,232	0	0	0	(42,232)
Administration	2,407,654	71,203	16,884	0	(2,319,567)
Fiscal	683,966	0	28,512	0	(655,454)
Business	259,881	0	0	0	(259,881)
Operation and Maintenance of Plant	2,929,725	76,190	24,486	0	(2,829,049)
Pupil Transportation	1,303,303	36,875	90,355	0	(1,176,073)
Central	1,085,460	20,313	21,573	0	(1,043,574)
Operation of Non-Instructional Services	82,928	207,670	17,803	0	142,545
Food Service Operations	1,528,193	502,220	808,307	0	(217,666)
Extracurricular Activities	1,184,413	213,679	28,506	0	(942,228)
Interest and Fiscal Charges	956,890	0	0	0	(956,890)
<i>Total Governmental Activities</i>	<u>\$ 33,528,690</u>	<u>\$ 1,665,097</u>	<u>\$ 3,400,699</u>	<u>\$ 60,057</u>	<u>(28,402,837)</u>
General Revenues					
Property Taxes Levied for:					
					10,948,828
					1,072,243
					326,110
Grants and Entitlements not					
					17,172,589
					55,910
					102,000
					154,358
<i>Total General Revenues</i>					<u>29,832,038</u>
<i>Change in Net Assets</i>					1,429,201
<i>Net Assets Beginning of Year</i>					<u>19,519,919</u>
<i>Net Assets End of Year</i>					<u>\$ 20,949,120</u>

The accompanying notes are an integral part of the basic financial statements.

Ravenna City School District
Balance Sheet
Governmental Funds
June 30, 2010

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Investments	\$ 2,876,618	\$ 2,966,768	\$ 758,542	\$ 1,298,583	\$ 7,900,511
Cash and Investments in Segregated Accounts	0	0	0	397,004	397,004
Restricted Cash and Cash Equivalents	180,940	0	0	0	180,940
Receivables:					
Accounts	22,371	0	0	18,993	41,364
Taxes	11,112,349	0	0	1,619,618	12,731,967
Notes (Net of Allowances)	0	0	0	155,747	155,747
Interfund	7,953	0	0	0	7,953
Intergovernmental	158,678	0	0	147,633	306,311
<i>Total Assets</i>	<u>\$ 14,358,909</u>	<u>\$ 2,966,768</u>	<u>\$ 758,542</u>	<u>\$ 3,637,578</u>	<u>\$ 21,721,797</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 39,738	\$ 50,560	\$ 0	\$ 4,190	\$ 94,488
Contracts Payable	0	302,254	113,344	0	415,598
Accrued Wages and Benefits	2,426,762	0	0	109,437	2,536,199
Interfund Payable	0	0	0	7,953	7,953
Matured Compensated Absences Payable	193,903	0	0	0	193,903
Intergovernmental Payable	967,018	0	0	89,226	1,056,244
Deferred Revenue	9,444,079	0	0	1,350,943	10,795,022
<i>Total Liabilities</i>	<u>13,071,500</u>	<u>352,814</u>	<u>113,344</u>	<u>1,561,749</u>	<u>15,099,407</u>
Fund Balances					
Reserved for Encumbrances	52,253	336,664	429,525	242,344	1,060,786
Reserved for Tax Revenue Unavailable for Appropriation	1,811,835	0	0	270,750	2,082,585
Reserved for Budget Stabilization	180,940	0	0	0	180,940
Unreserved, Undesignated, Reported in:					
General Fund	(757,619)	0	0	0	(757,619)
Special Revenue Funds	0	0	0	767,363	767,363
Capital Projects Funds	0	2,277,290	215,673	227,037	2,720,000
Debt Service Fund	0	0	0	(2)	(2)
Permanent Fund	0	0	0	568,337	568,337
<i>Total Fund Balances</i>	<u>1,287,409</u>	<u>2,613,954</u>	<u>645,198</u>	<u>2,075,829</u>	<u>6,622,390</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 14,358,909</u>	<u>\$ 2,966,768</u>	<u>\$ 758,542</u>	<u>\$ 3,637,578</u>	<u>\$ 21,721,797</u>

The accompanying notes are an integral part of the basic financial statements.

Ravenna City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2010*

Total Governmental Fund Balances	\$	6,622,390
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		34,559,355
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
SERS Reimbursement	\$ 14,498	
Excess Cost Tuition	131,142	
Delinquent Property Taxes	1,373,016	1,518,656
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	(15,205,000)	
Capital Appreciation Bonds	(310,511)	
Accretion on Bonds	(354,023)	
Premium on Debt Issuance	(617,986)	
Capital Lease Obligation	(3,018,662)	(19,506,182)
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.		
Deferred Charges-Issuance Costs	360,923	
Interest Payable	(310,835)	
Compensated Absences	(2,253,568)	
Accrued Vacation Payable	(41,619)	(2,245,099)
 <i>Net Assets of Governmental Activities</i>	 \$	 <u><u>20,949,120</u></u>

The accompanying notes are an integral part of the basic financial statements.

Ravenna City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 10,516,215	\$ 0	\$ 0	\$ 1,487,726	\$ 12,003,941
Intergovernmental	16,261,498	0	298,949	4,229,171	20,789,618
Investment Income	55,910	37,802	47,695	18,255	159,662
Tuition and Fees	802,612	0	0	217,960	1,020,572
Extracurricular Activities	0	0	0	194,120	194,120
Charges for Services	26,003	0	0	397,070	423,073
Rentals	8,210	0	0	2,570	10,780
Gifts and Donations	320	0	0	29,373	29,693
Miscellaneous	114,783	150	0	26,378	141,311
<i>Total Revenues</i>	<u>27,785,551</u>	<u>37,952</u>	<u>346,644</u>	<u>6,602,623</u>	<u>34,772,770</u>
Expenditures					
Current:					
Instruction:					
Regular	10,672,246	0	0	1,459,735	12,131,981
Special	3,488,452	0	0	1,091,348	4,579,800
Vocational	364,130	0	0	0	364,130
Student Intervention	78,754	0	0	0	78,754
Other	1,342,818	0	0	31,965	1,374,783
Support Services:					
Pupils	1,427,216	0	0	118,770	1,545,986
Instructional Staff	711,383	0	0	244,720	956,103
Board of Education	48,040	0	0	0	48,040
Administration	2,390,385	0	0	16,854	2,407,239
Fiscal	645,803	136	316	40,935	687,190
Business	257,984	0	0	0	257,984
Operation and Maintenance of Plant	2,557,807	0	126,430	7,749	2,691,986
Pupil Transportation	1,237,930	50,560	0	79,338	1,367,828
Central	681,929	363,428	0	21,572	1,066,929
Operation of Non-Instructional Services	0	0	0	79,816	79,816
Food Service Operations	0	0	0	1,521,079	1,521,079
Extracurricular Activities	576,937	0	0	252,352	829,289
Capital Outlay	11,545	453,522	14,315,488	156,302	14,936,857
Debt Service:					
Principal Retirement	0	0	0	470,996	470,996
Interest and Fiscal Charges	0	0	0	966,897	966,897
<i>Total Expenditures</i>	<u>26,493,359</u>	<u>867,646</u>	<u>14,442,234</u>	<u>6,560,428</u>	<u>48,363,667</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	1,292,192	(829,694)	(14,095,590)	42,195	(13,590,897)
Other Financing Sources (Uses)					
Transfers In	0	0	0	313,274	313,274
Insurance Settlement	0	0	0	102,000	102,000
Transfers Out	(313,274)	0	0	0	(313,274)
<i>Total Financing Sources and (Uses)</i>	<u>(313,274)</u>	<u>0</u>	<u>0</u>	<u>415,274</u>	<u>102,000</u>
<i>Net Change in Fund Balance</i>	978,918	(829,694)	(14,095,590)	457,469	(13,488,897)
<i>Fund Balance at Beginning of Year</i>	<u>308,491</u>	<u>3,443,648</u>	<u>14,740,788</u>	<u>1,618,360</u>	<u>20,111,287</u>
<i>Fund Balance at End of Year</i>	<u>\$ 1,287,409</u>	<u>\$ 2,613,954</u>	<u>\$ 645,198</u>	<u>\$ 2,075,829</u>	<u>\$ 6,622,390</u>

The accompanying notes are an integral part of the basic financial statements.

Ravenna City School District
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2010*

Net Change in Fund Balances - Total Governmental Funds	\$	(13,488,897)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which the additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 14,972,188	
Current Year Depreciation	<u>(506,200)</u>	14,465,988
 Net effect of transactions involving removal of capital assets are not reflected in the funds.		
		(266,787)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Grants	(2,054)	
Excess Cost Tuition	66,323	
SERS Reimbursement	14,498	
Ohio School Facilities	(390,000)	
Delinquent Property Taxes	<u>343,241</u>	32,008
 Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Principal	234,473	
Accreted Interest on Matured Capital Appreciation Bonds	200,527	
Capital Lease	<u>236,523</u>	671,523
 Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	199,777	
Accrued Vacation Payable	<u>6,109</u>	205,886
 The issuance of general obligation bonds and related activities are expenditures and other financing sources and uses in the governmental funds, but these transactions are reflected in the statement of net assets as long-term assets and liabilities.		
Interest Payable	312	
Bond Premium Amortization	25,749	
Accretion on Bonds	(201,543)	
Deferred Charges- Amortization	<u>(15,038)</u>	<u>(190,520)</u>
 Change in Net Assets of Governmental Activities	 \$	 <u><u>1,429,201</u></u>

The accompanying notes are an integral part of the basic financial statements.

Ravenna City School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2010*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 10,060,000	\$ 9,560,000	\$ 9,576,392	\$ 16,392
Intergovernmental	15,545,000	16,135,000	16,311,204	176,204
Investment Income	75,000	75,000	70,900	(4,100)
Tuition and Fees	685,000	735,000	735,705	705
Charges for Services	0	0	26,003	26,003
Rent	10,000	10,000	9,168	(832)
Miscellaneous	105,000	105,000	91,152	(13,848)
<i>Total Revenues</i>	<u>26,480,000</u>	<u>26,620,000</u>	<u>26,820,524</u>	<u>200,524</u>
Expenditures				
Current				
Instruction	17,096,699	16,994,896	16,034,619	960,277
Support Services:				
Pupils	1,360,655	1,409,390	1,403,943	5,447
Instructional Staff	716,142	705,642	700,606	5,036
Board of Education	45,925	52,425	46,730	5,695
Administration	2,429,927	2,473,547	2,423,913	49,634
Fiscal	653,558	656,558	645,611	10,947
Business	276,529	270,529	257,775	12,754
Operation and Maintenance of Plant	2,732,954	2,758,854	2,566,076	192,778
Pupil Transportation	1,298,593	1,293,593	1,232,941	60,652
Central	684,409	685,658	682,608	3,050
Extracurricular Activities	531,859	533,459	527,928	5,531
Capital Outlay	49,800	42,500	11,545	30,955
<i>Total Expenditures</i>	<u>27,877,050</u>	<u>27,877,051</u>	<u>26,534,295</u>	<u>1,342,756</u>
Excess of Revenues Over (Under) Expenditures	(1,397,050)	(1,257,051)	286,229	1,543,280
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	0	10,000	10,471	471
Advance In	20,000	20,000	20,000	0
Advance Out	(50,000)	(25,000)	(7,953)	17,047
Transfers Out	(300,000)	(325,000)	(313,274)	11,726
<i>Total Other Financing Sources (Uses)</i>	<u>(330,000)</u>	<u>(320,000)</u>	<u>(290,756)</u>	<u>29,244</u>
<i>Net Change in Fund Balance</i>	(1,727,050)	(1,577,051)	(4,527)	1,572,524
<i>Fund Balance at Beginning of Year</i>	3,027,439	3,027,439	3,027,439	0
Prior Year Encumbrances Appropriated	88,177	88,177	88,177	0
<i>Fund Balance at End of Year</i>	<u>\$ 1,388,566</u>	<u>\$ 1,538,565</u>	<u>\$ 3,111,089</u>	<u>\$ 1,572,524</u>

The accompanying notes are an integral part of the basic financial statements.

Ravenna City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 36,256	\$ 75,457
Cash and Investments in Segregated Accounts	319,463	0
Accounts Receivable	0	485
Notes Receivable (Net of Allowance)	348,530	0
<i>Total Assets</i>	704,249	\$ 75,942
Liabilities		
Undistributed Monies	0	\$ 11,774
Due to Students	0	64,168
<i>Total Liabilities</i>	0	\$ 75,942
Net Assets		
Held in Trust for Scholarships	704,249	
<i>Total Net Assets</i>	\$ 704,249	

The accompanying notes are an integral part of the basic financial statements.

Ravenna City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Ended June 30, 2010

	Private Purpose Trust
Additions	
Interest	\$ 15,965
Gifts and Contributions	2,165
<i>Total Additions</i>	18,130
Deductions	
Payments in Accordance with Trust Agreements	7,450
<i>Total Deductions</i>	7,450
<i>Change in Net Assets</i>	10,680
<i>Net Assets Beginning of Year</i>	693,569
<i>Net Assets End of Year</i>	\$ 704,249

The accompanying notes are an integral part of the basic financial statements.

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

Note 1 – Description of the School District

The Ravenna City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. Average daily membership on, or as of, October 1, 2009, was 3,015. The School District employs 220 certificated and 165 non-certificated employees.

Reporting Entity

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

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

The School District is associated with two organizations which are defined as jointly governed organizations, two public entity risk pools, and a related organization. These organizations are the Stark-Portage Area Computer Consortium, the Maplewood Area Joint Vocational School, Ohio School Boards Association Workers Compensation Group Rating Plan, the Stark County School Council of Governments Health Benefits Program and Reed Memorial Public Library. These organizations are presented in Notes 10, 18 and 19 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity 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 provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification.

The most significant of the School District's accounting policies are described below.

RAVENNA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Implementation of New Accounting Policies

For the year ended June 30, 2010, the School District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments," and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies."

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

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 effect of interfund activity within governmental type activity columns has been removed from these statements.

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 governmental function is self-financing or draws from the general revenues of the School District.

RAVENNA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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 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 fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are two categories of funds: governmental and fiduciary.

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

Building Fund The building fund accounts for the receipts and expenditures related to the activity of the locally funded initiatives related to the new high school.

The funds were derived from a bond sale to facilitate a fixed seat auditorium in the new high school (not funded by the Ohio School Facilities Commission), an alternate gymnasium, and a lease agreement and renovation of a transportation facility for the district.

Classroom Facilities Project Fund The classroom facilities project fund accounts for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

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

RAVENNA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations. Neither of the fiduciary fund types are included in the Government-Wide Financial Statements.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds 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.

RAVENNA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. 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, Contributions, and Interest" program revenue account.

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 Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool, except for certain trust fund monies that have been separately invested in a mutual fund. Individual fund integrity is maintained through School District records. Each funds' interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements. The School District has segregated a portion of cash balances, reported as "Cash and Investments in Segregated Accounts" which are used for the construction project.

During fiscal year 2010, investments were limited to common stocks, money market funds, U. S. Treasury Notes, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and government reserves fund. These nonparticipating investment contracts are reported at cost.

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 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 2010 amounted to \$55,910, which includes \$30,475 assigned from other School District funds.

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

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 may include amounts required by statute to be set aside for the purchase of textbooks and capital improvements. Restricted assets may also include amounts set aside as a reserve for budget stabilization, which is now optional as determined by the School District. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

G. Deferred Charges and Bond Premiums

In governmental fund types, bond premiums and issuance costs are recognized in the current period. On the statement of net assets, note premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which is not significantly different than the bonds outstanding method, or the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

H. Capital Assets

General capital assets are those assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. 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 capitalized.

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 Equipment	5-20 Years
Vehicles	8 Years

I. Compensated Absences

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

RAVENNA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These are reported as "Matured Compensated Absences Payable".

J. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences 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.

K. Net Assets

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

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

L. 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 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.

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

M. 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.

On fund financial statements, receivables and payables resulting from short-term interfund loans and interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances are eliminated in the governmental activities column of the statement of net assets.

N. 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 2010.

O. 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.

P. 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 2010.

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.

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

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 – Accountability

Fund balance at June 30, 2010 included the following individual fund deficits. These deficits were caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances:

	<u>Fund Balance</u>
Nonmajor Governmental Funds:	
Food Service	\$ 12,375
Athletics	7,485
Public School Pre-School Grant	2,665
Title II-D	2,321
Early Learning Initiative - Childcare	717

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 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).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

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	\$ 978,918
Net Adjustment for Revenue Accruals	(954,556)
Advances In	20,000
Net Adjustment for Expenditure Accruals	14,663
Advances Out	(7,953)
Encumbrances (Budget Basis)	<u>(55,599)</u>
Budget Basis	<u><u>\$ (4,527)</u></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.

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

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

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

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

RAVENNA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements is 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 thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$8,161,823. The School District's bank balance of \$9,606,262 was exposed to custodial credit risk as follows:

1. \$396,262 of the bank balance was covered by federal depository insurance corporation (FDIC); and
2. \$9,210,000 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

RAVENNA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Investments Investments are reported at fair value. As of June 30, 2010, the School District had the following investments:

Rating by Standard and Poor's	Entity	Fair Value	Investment Maturity (in years)		
			0-1	2-5	
N/A	U. S. Treasury	\$ 408,882	\$ 150,742	\$ 258,140	54.68%
Aaa	Federal Home Loan Bank	209,022	50,361	158,661	27.95%
Aaa	Federal Home Loan Mtg Corp	51,250	0	51,250	6.85%
AAAm	PNC Money Market Fund	50,762	50,762	0	6.79%
A3	Key Corp-Common Stock and Options *	9,228	N/A	N/A	1.23%
AAAm	Victory Gradison Government Reserves Fund	18,664	18,664	0	2.50%
		<u>\$ 747,808</u>	<u>\$ 270,529</u>	<u>\$ 468,051</u>	<u>100.00%</u>

**Rated by Moody's Investors Service*

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.

Custodial Credit Risk - For an investment, custodial risk is that risk that, in the event of the failure of the counterparty, the School District will no longer be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

Concentration of Credit Risk: The School District will diversify its investments by security, type and institution. There is no limit in investments unless the School District invests interim funds in which case there is a maximum of 25% in either or a combined total of:

- A. Commercial paper notes issued by a for-profit corporation, business trust or association, real estate investment trust, common-law trust, unincorporated business, or general or limited partnership which has assets exceeding \$500,000,000. Such notes must:
 - 1. be rated at the time of purchase in the highest classification established by at least two (2) rating services;
 - 2. have an aggregate value that does not exceed ten percent of the outstanding commercial paper of the issuing entity;
 - 3. mature within 180 days after purchase.
- B. Bankers acceptances of banks that are members of the FDIC and whose obligations:
 - 1. are eligible for purchase by the Federal Reserve System;
 - 2. mature no later than 180 days after purchase.

RAVENNA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Note 6 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. First half tax collections are received by the School District in the second half of the fiscal year. Second half distributions occur in a new fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within the School District. Real Property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, 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 alternative payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. All property is required to be revalued every six years. Public utility property taxes are assessed at 35% of true value and public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

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

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes, which became measurable as of year-end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at year-end is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance at year-end was \$1,811,835 in the general fund, \$189,551 in the bond retirement debt service fund, and \$81,199 in the capital project funds and is recognized as revenue on the fund financial statements.

On the accrual basis, collectible delinquent property taxes have been recorded as revenue on the statement of activities.

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

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 334,548,490	97.06%	\$ 323,644,380	97.08%
Public Utility	9,149,970	2.65%	9,242,290	2.77%
Tangible Personal Property	999,057	0.29%	490,170	0.15%
	<u>\$ 344,697,517</u>	<u>100.00%</u>	<u>\$ 333,376,840</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 65.59		\$ 65.83	

Note 7 - Receivables

Receivables at June 30, 2010, consisted of taxes, accounts (tuition and excess costs), intergovernmental, notes 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.

Note 8 – Notes Receivable

The Wichterman trust fund (private purpose trust fund) was established in 1984 through a probate will. Qualified students may borrow interest free, any amount to pay for the costs of higher education. Repayment begins six months after termination of college attendance.

The Jane Jenkins Scholarship Loan Fund (permanent trust fund) was established in 1984, in accordance with her last will and testament. Four interest free scholarship loans of \$5,000 each are awarded annually to deserving students for their use in pursuing higher education. Loans are to be repaid upon graduation or early withdrawal from school.

At the close of fiscal year 2010, there were 58 students with a total principal loan balance outstanding of \$504,277. This amount is made up of notes receivable of \$348,530 and \$155,747 in the private purpose trust fund and the permanent fund, respectively.

RAVENNA CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 74,984	\$ 0	\$ 0	\$ 74,984
Construction in Progress	13,504,251	14,633,468	0	28,137,719
	<u>13,579,235</u>	<u>14,633,468</u>	<u>0</u>	<u>28,212,703</u>
Total Capital Assets, not being depreciated:				
<i>Capital Assets, being depreciated:</i>				
Land Improvements	5,210,578	47,206	(168,343)	5,089,441
Buildings and Improvements	12,101,743	114,932	(212,271)	12,004,404
Furniture and Equipment	2,020,971	13,529	(347,704)	1,686,796
Vehicles	1,806,719	163,053	0	1,969,772
	<u>21,140,011</u>	<u>338,720</u>	<u>(728,318)</u>	<u>20,750,413</u>
Total Capital Assets, being depreciated				
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(2,602,272)	(234,112)	44,489	(2,791,895)
Buildings and Improvements	(8,544,201)	(147,689)	75,109	(8,616,781)
Furniture and Equipment	(1,589,389)	(63,494)	341,933	(1,310,950)
Vehicles	(1,623,230)	(60,905)	0	(1,684,135)
	<u>(14,359,092)</u>	<u>(506,200)</u>	<u>461,531</u>	<u>(14,403,761)</u>
Total Accumulated Depreciation				
Total Capital Assets being depreciated, net	<u>6,780,919</u>	<u>(167,480)</u>	<u>(266,787)</u>	<u>6,346,652</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,360,154</u>	<u>\$ 14,465,988</u>	<u>\$ (266,787)</u>	<u>\$ 34,559,355</u>

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	155,838
Special		2,400
Support Services:		
Pupil		2,707
Instructional Staff		872
Administration		9,229
Operation and Maintenance of Plant		17,434
Pupil Transportation		69,806
Central		18,745
Extracurricular Activities		227,882
Food Services		<u>1,287</u>
Total Depreciation	\$	<u><u>506,200</u></u>

Note 10– Risk Management

A. Property and Liability

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

The board president and superintendent have a \$30,000 position bond with Travelers. The treasurer is covered under a surety bond in the amount of \$100,000. There has been no reduction in insurance coverage from the prior year, and claims have not exceeded coverage in the last 3 fiscal years.

B. Workers' Compensation

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

RAVENNA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

C. Employee Medical Benefits

The School District has contracted with the Stark County School Council of Governments Health Benefits Program to provide employee medical/surgical and dental benefits. The Stark County Council of Governments Health Benefits Programs is a shared risk pool comprised of fifteen school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid to a common fund from which claim payments are made for all participants regardless of claim flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The School District pays premiums of \$1,181.05 for family coverage and \$486.21 for single coverage per employee per month.

Dental insurance is also provided through the Stark County School Council of Governments Health Benefits Program. Premiums for dental coverage are \$157.31 for family coverage and \$63.81 for single coverage per employee per month.

Note 11 - Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78% of annual covered salary was the portion used to fund pension obligations. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$583,231, \$401,084, and \$396,590, respectively; 36% has been contributed for fiscal year 2010 and 100% for the fiscal years 2009 and 2008.

B. State Teachers Retirement System

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

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13%. 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 STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,762,772, \$1,707,891, and \$1,695,074, respectively; 82% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$18,153 made by the School District and \$67,247 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2010, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

RAVENNA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Note 12- Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .46% of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$20,993, \$183,554, and \$180,977, respectively; 36% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76% of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$34,684, \$33,093, and \$28,575, respectively; 36% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

RAVENNA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 % of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$135,598, \$131,376, and \$130,390, respectively; 82% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

Note 13– Other Employee Benefits

A. Life Insurance

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

B. Compensated Absences

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

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

C. Personal and Sick Leave Incentive

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

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

Note 14- Long - Term Obligations

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

	<u>Outstanding 7/01/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 6/30/2010</u>	<u>Amounts Due in One Year</u>
Governmental Activities:					
General Obligation Bonds:					
Energy Conservation	\$ 310,000	\$ 0	\$ 25,000	\$ 285,000	\$ 25,000
School Improvement Bonds-2006	13,480,000	0	0	13,480,000	0
School Improvement Bonds-2007	1,490,000	0	50,000	1,440,000	50,000
Capital Appreciation Bonds-2006	419,559	0	159,473	260,086	113,219
Capital Appreciation Bonds-2007	50,425	0	0	50,425	0
Accretion Capital Appreciation Bonds-2006	337,146	190,562	200,527	327,181	142,405
Accretion Capital Appreciation Bonds-2007	15,861	10,981	0	26,842	0
Premium on Debt Issuance-2006	643,735	0	25,749	617,986	0
Total General Obligation Bonds	<u>16,746,726</u>	<u>201,543</u>	<u>460,749</u>	<u>16,487,520</u>	<u>330,624</u>
Capital Lease :					
Capital Lease Obligation	3,255,185	0	236,523	3,018,662	244,649
Compensated Absences	<u>2,453,345</u>	<u>83,582</u>	<u>283,359</u>	<u>2,253,568</u>	<u>118,344</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 22,455,256</u>	<u>\$ 285,125</u>	<u>\$ 980,631</u>	<u>\$ 21,759,750</u>	<u>\$ 693,617</u>

Energy Conservation Bonds – On March 1, 1994, the School District issued \$825,000 in unvoted general obligation bonds for the purpose of providing energy conservation measures for the School District, under authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The bonds were issued for a ten year period with final maturity during fiscal year 2005. On November 1, 2003, the School District issued another \$425,000 in general obligation bonds for energy conservation measures for a fifteen year period with final maturity during fiscal year 2018. The bonds will be retired from the debt service fund.

School Improvement Bonds - On June 21, 2006, the School District issued \$14,499,559 in general obligation bonds for improvements to the schools. The bonds mature in January 2034. These bonds were issued with a premium of \$720,982, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. \$25,749 was amortized during the fiscal year.

The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption.

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

The capital appreciation bonds mature January 15, 2010 through 2013. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$1,240,000. For fiscal year 2010, there was \$190,562 in accretion.

On April 4, 2007, the School District issued \$1,615,425 in general obligation bonds for improvements to the schools. The bonds mature in January 2032. These bonds were issued with a premium of \$74,335, which is reported as an increase to bonds payable.

The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption.

The capital appreciation bonds mature January 15, 2014 through 2016. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$165,000. For fiscal year 2010, there was \$10,981 in accretion.

Capital leases will be paid from the debt service fund. Compensated absences will be paid from the funds which the employee's salaries are paid, typically the general fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010 are as follows:

Fiscal Year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2011	\$ 75,000	\$ 684,982	\$ 113,219	\$ 206,781	\$ 188,219	\$ 891,763
2012	80,000	681,982	101,729	258,271	181,729	940,253
2013	85,000	678,682	45,138	154,862	130,138	833,544
2014	445,000	675,282	19,442	35,558	464,442	710,840
2015	460,000	657,482	16,677	38,323	476,677	695,805
2016 - 2020	2,825,000	2,974,196	14,306	40,694	2,839,306	3,014,890
2021 - 2025	3,400,000	2,319,088	0	0	3,400,000	2,319,088
2026 - 2030	4,030,000	1,511,368	0	0	4,030,000	1,511,368
2031 - 2034	3,805,000	427,516	0	0	3,805,000	427,516
Total	\$ 15,205,000	\$ 10,610,578	\$ 310,511	\$ 734,489	\$ 15,515,511	\$ 11,345,067

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

Note 15- Capitalized Leases

The School District has entered into capitalized leases for a stadium and buses. These leases meet the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee. The stadium has been capitalized in the amount of \$5,640,462 and the buses for \$293,200. This amount represents the present value of the minimum lease payments at the time of the acquisition. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2010.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 244,649	\$ 85,160	\$ 329,809
2012	252,859	77,382	330,241
2013	261,154	69,334	330,488
2015	207,000	61,010	268,010
2015	214,000	54,875	268,875
2016 -2020	1,176,000	175,090	1,351,090
2021 - 2024	663,000	19,532	682,532
Total	<u>\$ 3,018,662</u>	<u>\$ 542,383</u>	<u>\$ 3,561,045</u>

Note 16- Interfund Transfers

The following is a summarized breakdown of the School District's transfers for fiscal year 2010:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$ 313,274
Nonmajor Governmental Funds	313,274	0
	<u>\$ 313,274</u>	<u>\$ 313,274</u>

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.

General fund transferred \$301,475 to the bond retirement fund to assist with payment of the stadium lease and \$11,799 to the uniform school supplies fund to cover operating costs.

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

Note 17– Interfund Balances

Interfund balances at June 30, 2010 consisted of the following:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 7,953	\$ 0
Nonmajor Governmental Funds		
Athletics	0	7,953
	<u>\$ 7,953</u>	<u>\$ 7,953</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, 2010, all interfund payables outstanding are anticipated to be repaid in fiscal year 2011.

Note 18 - Jointly Governed Organizations

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 28 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports SPARCC based upon a per pupil charge dependent upon the software package utilized. The SPARCC assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. SPARCC is governed by a board of directors chosen from the general membership of the SPARCC assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Stark County Education Services Center, which serves as fiscal agent, located at 2100 38th Street, NW, Canton, Ohio 44709. During the year ended June 30, 2010, the School District paid \$136,661 to SPARCC for basic service charges.

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

RAVENNA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Note 19– Related Organization

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

Note 20 - 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.

Note 21 - 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.

RAVENNA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Budget Stabilizaion	Totals
Set-Aside Cash Balance as of June 30, 2009	\$ 0	\$ 0	\$ 180,940	\$ 180,940
Set-Aside Carryover Balance as of June 30, 2009	0	(261,235)	0	(261,235)
Current Year Set-Aside Requirement	490,860	490,860	0	981,720
Qualifying Disbursements	<u>(950,659)</u>	<u>(400,681)</u>	0	<u>(1,351,340)</u>
Total	<u>\$ (459,799)</u>	<u>\$ (171,056)</u>	<u>\$ 180,940</u>	<u>(449,915)</u>
Balance Carried Forward to FY 2011	<u>\$ 0</u>	<u>\$ (171,056)</u>	<u>\$ 180,940</u>	<u>\$ 180,940</u>
Amount to Restrict for Set Asides				<u>\$ 180,940</u>

The School District had qualifying disbursements during the year that reduced the textbook reserve set-asides below zero. The extra amounts for the textbook and/or instructional materials may be used to reduce the set-aside requirement in future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. Amounts remaining at the fiscal year-end are represented by a reserve fund balance presented on the balance sheet.

Note 22 - Contracts Commitments

As of June 30, 2010, the School District had the following major contractual commitments outstanding:

Projects	Contract Amount	Amount Paid as of June 30, 2010	Amount Remaining on Contract
New High School	\$ 28,615,995	\$ 27,123,366	\$ 1,492,629
Transportation Facility	1,519,091	1,116,896	402,195

Note 23 – Operating Lease

On June 1, 2008 the School District (Lessee) entered into a 30-year lease agreement with the Family and Community Services of Portage County, Inc (Lessor) to lease a building to be used as the School District's bus garage. The rent for the premises is \$375 per month for the 30-year term. The Lease required the School District to pay the Lessor the rent for the full term in one payment (\$135,000) by the commencement of the term (June 1, 2008). If the Lessee completes the 30-year term, the Lessor shall refund the Lessee \$75,000 within 14 days of May 31, 2038, the end of the term.

If Lessee pays the rent and other charges, keeps and performs all material terms, covenants, and provisions of the Lease, the then Lessee shall have the right to extend the term of the Lease beyond the 30-year initial term by providing the Lessor with written notice of renewal within six months before expiration of the term.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 20, 2010

To the Board of Education
Ravenna City School District
Ravenna, Ohio 44266

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ravenna City School District (the "School District") as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or

material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the School District in a separate letter dated December 20, 2010.

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

Rea & Associates, Inc.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 20, 2010

To the Board of Education
Ravenna City School District
Ravenna, Ohio 44266

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

Compliance

We have audited the compliance of Ravenna City School District (the "School District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

As described in item 2010-001 in the accompanying *Schedule of Findings and Questioned Costs*, the School District did not comply with requirements regarding Eligibility that are applicable to its Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

The School District's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the School District's response and, accordingly, we express no opinion on it.

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

Hea & Associates, Inc.

**RAVENNA CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Year	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
U. S. Department of Education						
<i>Passed Through Ohio Department of Education:</i>						
<i>Title I Cluster:</i>						
Title I, Part A, Grants to Local Educational Agencies	84.010	2010	\$ 596,948	\$ 0	\$ 550,355	\$ 0
Title I, Part A, Grants to Local Educational Agencies	84.010	2009	5,928	0	80,271	0
ARRA - Title I, Part A, Grants to Local Educational Agencies	84.389	2010	30,274	0	13,208	0
Total Title I Cluster			633,150	0	643,834	0
Title II-A - Improving Teacher Quality	84.367	2010	165,677	0	151,868	0
Title II-A - Improving Teacher Quality	84.367	2009	13,113	0	26,443	0
Total Title II-A - Improving Teacher Quality			178,790	0	178,311	0
ARRA - Education for Homeless Children and Youth	84.387	2010	2,800	0	2,702	0
<i>Special Education Cluster:</i>						
ARRA - Special Education Grants to States (Title VI-B)	84.391	2010	465,425	0	447,192	0
Special Education Grants to States (Title VI-B)	84.027	2010	616,215	0	612,662	0
Special Education Grants to States (Title VI-B)	84.027	2009	0	0	21,420	0
Total Special Education Grants to States (Title VI-B)			1,081,640	0	1,081,274	0
Special Education Preschool Grants	84.173	2010	16,523	0	15,554	0
Special Education Preschool Grants	84.173	2009	1,041	0	2,083	0
Total Special Education Preschool Grants			17,564	0	17,637	0
Total Special Education Cluster			1,099,204	0	1,098,911	0
Safe and Drug-Free Schools and Communities (Title IV-A)	84.186	2010	13,274	0	9,684	0
Safe and Drug-Free Schools and Communities (Title IV-A) [C]	84.186	2009	(1,560)	0	0	0
Total Safe and Drug-Free Schools and Communities (Title IV-A)			11,714	0	9,684	0
<i>Title II-D Cluster</i>						
ARRA - Educational Technology State Grants (Title II-D)	84.386	2010	83,033	0	80,442	0
Educational Technology State Grants (Title II-D)	84.318	2010	7,241	0	7,241	0
Educational Technology State Grants (Title II-D) [C]	84.318	2009	(745)	0	0	0
Total Title II-D Cluster			89,529	0	87,683	0
ARRA - State Fiscal Stabilization Fund	84.394	2010	800,816	0	800,816	0
<i>Total U.S. Department of Education passed through Ohio Department of Education</i>			2,816,003	0	2,821,941	0
U. S. Department of Health and Human Services						
<i>Passed Through Portage County Jobs and Family Services:</i>						
Temporary Assistance for Needy Families	93.558	2010	13,025	0	13,025	0
Temporary Assistance for Needy Families	93.558	2008	3,187	0	28,877	0
Total Temporary Assistance for Needy Families			16,212	0	41,902	0
<i>Total U.S. Department of Health and Human Services passed through Portage County Jobs and Family Services</i>			16,212	0	41,902	0
U. S. Department of Agriculture						
<i>Passed Through the Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
School Breakfast Program [B]	10.553	2010	137,361	0	137,361	0
Total School Breakfast Program			137,361	0	137,361	0
National School Lunch Program (Food Distribution) [A]	10.555	2009	0	57,078	0	57,078
National School Lunch Program [B]	10.555	2010	604,461	0	604,461	0
Total National School Lunch Program			604,461	57,078	604,461	57,078
Total Child Nutrition Cluster			741,822	57,078	741,822	57,078
Child and Adult Care Food Program	10.558	2010	18,546	0	18,546	0
ARRA - Child Nutrition Discretionary Grants	10.579	2010	22,500	0	22,500	0
Fresh Fruit and Vegetable Program	10.582	2010	21,010	0	21,010	0
<i>Total U.S. Department of Agriculture passed through Ohio Department of Education</i>			803,878	57,078	803,878	57,078
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 3,636,093	\$ 57,078	\$ 3,667,721	\$ 57,078

See Accompanying notes to the Schedule of Expenditures of Federal Awards - Cash Basis

RAVENNA CITY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2010

- [A] Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).
- [B] Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.
- [C] Carryover of cash into the next grant year.
- [D] The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with ODE's approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2010, the Ohio Department of Education (ODE) authorized the following transfers:

<u>CFDA Number / Grant Title</u>	<u>Grant Year</u>	<u>Transfer In</u>	<u>Transfer Out</u>
84.010 Title I	2010	\$ 534	
84.010 Title I	2009		\$ 534
84.186 Safe and Drug Free Schools	2010	1,560	
84.186 Safe and Drug Free Schools	2009		1,560
84.318 Technology Literacy Challenge Fund Grant	2010	745	
84.318 Technology Literacy Challenge Fund Grant	2009		745

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, Section .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any internal control deficiencies reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion Title I Cluster (ARRA) Special Education Cluster (ARRA) State Fiscal Stabilization Funds (ARRA) Nutrition Cluster	Unqualified Unqualified Unqualified Qualified
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Title I Cluster (ARRA) Special Education Cluster (ARRA) State Fiscal Stabilization Funds (ARRA) Nutrition Cluster	CFDA # 84.010 & 84.389 84.027, 84.173, & 84.391 84.394 10.553 & 10.555
(d) (1) (viii)	Dollar Threshold: Type A/B	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

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

There were no findings noted during 2010 fiscal yearend audit in this section.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
OMB CIRCULAR A-133, Section .505
JUNE 30, 2010**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

FINDING NUMBER	2010-001
-----------------------	-----------------

Criteria:

CFDA Title and Number: Child Nutrition Cluster – National School Lunch Program – CFDA #10.555

Federal Award Number/Year: 2010

Federal Agency: U.S Department of Agriculture

Pass-Through Agency: Ohio Department of Education

7 C.F.R. sections 245.2(g), 245.3, and 245.6 provides eligibility guidelines each year for participation in the school lunch program. Eligibility requirements are based on the number of individuals in the household and the income of all individuals in the household. Parents/guardians can apply to receive free or reduced price lunch benefits at any time throughout the year. Only after the School District has obtained a signature, social security number, and the income of the parent/guardian, is the application process complete.

After the School District has received a completed application, they are required to apply the income eligibility guidelines established by the United States Department of Agriculture to the application to determine the benefits that are to be provided to the child.

Condition Found:

We performed a test of applications to determine that the benefits provided were in accordance with the eligibility guidelines. Of the fifteen applications reviewed, we determined that two individuals were given benefits that were not in accordance with the eligibility requirements.

Effect:

Of the fifteen student applications reviewed we noted that two received more benefit than they were entitled to, based on income eligibility guidelines.

Recommendations:

We recommend the School District comply with the eligibility requirements when providing benefits to students.

Management Response / Corrective Action:

The School District will apply the eligibility guidelines established by the United States Department of Agriculture when providing free and reduced price lunch benefits to students.

**RAVENNA CITY SCHOOL DISTRICT
 PORTAGE COUNTY, OHIO
 SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Not Corrected, Partially
 Corrected, Significantly
 Different Corrective Action Taken
 or Finding No Longer Valid
 (Explain)**

Finding Number	Finding Summary	Fully Corrected?	<i>(Explain)</i>
2009-001	Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.	No	Immaterial non compliance reported in a separate letter to management dated December 20, 2010 .
2009-002	Individuals were given benefits that were not in accordance with the eligibilty requirements of the National School Lunch Program - CFDA #10.555.	No	Reissued as Finding 2010-001



Dave Yost • Auditor of State

RAVENNA CITY SCHOOL DISTRICT

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 1, 2011**