

RAVENNA SCHOOL DISTRICT
ANNUAL AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Ravenna City School District, Portage County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period July 1, 2011 through June 30, 2012. 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

March 7, 2013

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**RAVENNA SCHOOL DISTRICT
PORTAGE COUNTY**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Independent Auditors' Report.....	1
Management Discussion and Analysis.....	3
Government-wide Financial Statements:	
Statement of Nets Assets.....	13
Statement of Activities.....	14
Fund Financial Statements:	
Governmental Funds	
Balance Sheet.....	15
Reconciliation of Total Government Fund Balances to Net Assets of Governmental Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	19
Fiduciary Funds	
Statement of Fiduciary Net Assets.....	20
Statement of Changes in Fiduciary Net Assets.....	21
Notes to the Financial Statements.....	22
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By Government Auditing Standards.....	54
Independents Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	56
Schedule of Findings and Questioned Costs.....	58
Schedule of Federal Awards.....	59
Notes to Schedule of Federal Awards.....	60
Schedule of Prior Audit Findings.....	61

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Board of Education
Ravenna School District
Ravenna, Ohio 44266

To The Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ravenna School District, Portage County, Ohio (The District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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, if any, 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 Ravenna School District, Portage County, Ohio as of June 30, 2012, and the respective changes in financial position and cash flows and the respective budgetary comparison for the General Fund for the year then ended in conformity generally accepted accounting principles accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2012, on our consideration of Ravenna School District's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis as listed in the table of contents to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine of the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 12, 2012

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The discussion and analysis of the Ravenna City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- The District restated capital assets and net assets at June 30, 2011 as described in Note 3.C. In total, net assets of governmental activities decreased \$4,559,822 which represents a 20.11% decrease from 2011.
- General revenues accounted for \$24,781,973 in revenue or 81.34% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,684,765 or 18.66% of total revenues of \$30,466,738.
- The District had \$34,423,860 in expenses and a special item for an asbestos removal obligation of \$602,700 related to governmental activities; \$5,684,765 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$24,781,973 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and permanent improvement fund. The general fund had \$26,263,652 in revenues and other financing sources and \$28,197,282 in expenditures and other financing uses. During fiscal year 2012, the general fund's fund balance decreased \$1,933,630 from \$1,588,405 to a deficit of \$345,225.
- The permanent improvement fund had \$1,928,437 in revenues and other financing sources and \$967,939 in expenditures. During fiscal year 2012, the permanent improvement fund's fund balance increased \$960,498 from \$321,197 to \$1,281,695.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Reporting the 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 District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the 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 District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and permanent improvement fund.

Governmental Funds

Most of the 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* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the 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 basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-53 of this report.

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole. The District restated capital assets and net assets at June 30, 2011 as described in Note 3.C.

The table below provides a summary of the District's net assets for fiscal years 2012 and 2011.

	Net Assets	
	Governmental Activities <u>2012</u>	Restated Governmental Activities <u>2011</u>
<u>Assets</u>		
Current and other assets	\$ 18,702,869	\$ 21,068,390
Capital assets	<u>36,441,690</u>	<u>36,890,866</u>
Total assets	<u>55,144,559</u>	<u>57,959,256</u>
<u>Liabilities</u>		
Current liabilities	14,449,321	14,162,159
Long-term liabilities	<u>22,576,574</u>	<u>21,118,611</u>
Total liabilities	<u>37,025,895</u>	<u>35,280,770</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	18,600,487	18,543,209
Restricted	3,306,299	3,596,430
Unrestricted (deficit)	<u>(3,788,122)</u>	<u>538,847</u>
Total net assets	<u>\$ 18,118,664</u>	<u>\$ 22,678,486</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$18,118,664. Of this total, \$3,306,299 is restricted in use.

At year-end, capital assets represented 66.08% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$18,600,487. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

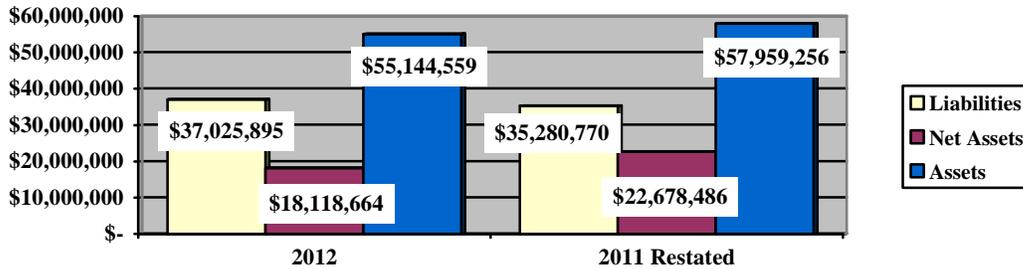
A portion of the District's net assets, \$3,306,299, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$3,788,122.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The graph below shows the District's assets, liabilities and net assets at June 30, 2012 and 2011:

Governmental Activities



The table below shows the change in net assets for fiscal years 2012 and 2011.

Change in Net Assets

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,223,146	\$ 1,669,737
Operating grants and contributions	4,461,619	4,278,533
Capital grants and contributions	-	69,063
General revenues:		
Property taxes	10,320,068	10,415,036
Revenue in lieu taxes	96,043	-
Grants and entitlements	14,293,167	17,152,289
Investment earnings	15,432	34,560
Gain on sale of capital assets	7,400	-
Other	<u>49,863</u>	<u>221,798</u>
Total revenues	<u>30,466,738</u>	<u>33,841,016</u>

Revenues of the District decreased \$3,374,278 from 2011. Unrestricted grants and entitlements decreased \$2,859,122. This decrease can be partially explained by a reduction in tangible personal property tax reimbursements from the State.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Change in Net Assets

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 12,127,048	\$ 9,952,050
Special	5,273,501	5,039,459
Vocational	347,546	337,680
Other	2,014,943	1,991,896
Support services:		
Pupil	1,471,759	1,413,456
Instructional staff	957,428	909,854
Board of education	45,677	65,661
Administration	2,492,832	2,304,888
Fiscal	750,517	688,994
Business	253,186	254,061
Operations and maintenance	3,170,557	4,381,866
Pupil transportation	1,495,836	1,142,842
Central	741,001	725,826
Operations of non-instructional services		
Other non-instructional services	247,056	31,544
Food service operations	1,334,317	1,522,337
Extracurricular activities	916,293	769,301
Interest and fiscal charges	<u>784,363</u>	<u>902,681</u>
Total expenses	<u>34,423,860</u>	<u>32,434,396</u>
Special item: asbestos removal obligation	<u>(602,700)</u>	<u>-</u>
Change in net assets	(4,559,822)	1,406,620
Net assets at beginning of year (restated)	<u>22,678,486</u>	<u>21,271,866</u>
Net assets at end of year	<u>\$ 18,118,664</u>	<u>\$ 22,678,486</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$4,559,822. Total governmental expenses of \$34,423,860 were offset by program revenues of \$5,684,765 and general revenues of \$24,781,973. Program revenues supported 16.51% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, revenue in lieu of taxes, and grants and entitlements. These revenue sources represent 81.10% of total governmental revenue.

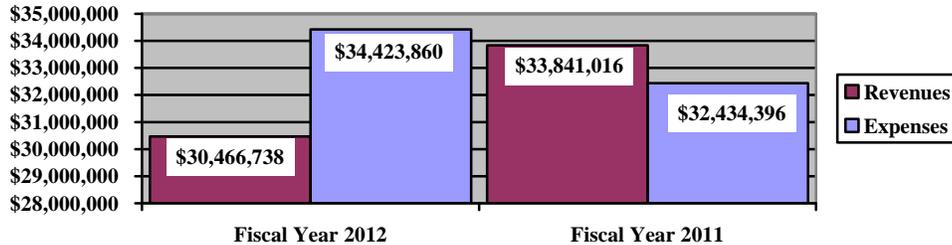
The largest expense of the District is for instructional programs. Instruction expenses totaled \$19,763,038 or 57.41% of total governmental expenses for fiscal 2012.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2012 and 2011.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table 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 grants and entitlements.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
Program expenses				
Instruction:				
Regular	\$ 12,127,048	\$ 11,491,471	\$ 9,952,050	\$ 8,235,608
Special	5,273,501	2,465,613	5,039,459	3,171,272
Vocational	347,546	317,834	337,680	337,680
Other	2,014,943	2,014,943	1,991,896	1,895,610
Support services:				
Pupil	1,471,759	1,341,149	1,413,456	1,413,456
Instructional staff	957,428	763,508	909,854	616,212
Board of education	45,677	45,677	65,661	65,661
Administration	2,492,832	2,475,638	2,304,888	2,185,917
Fiscal	750,517	744,517	688,994	683,362
Business	253,186	253,186	254,061	254,061
Operations and maintenance	3,170,557	3,165,252	4,381,866	4,181,334
Pupil transportation	1,495,836	1,377,053	1,142,842	1,095,273
Central	741,001	728,401	725,826	691,378
Operations of non-instructional services:				
Other non-instructional services	247,056	33,505	31,544	(175,921)
Food service operations	1,334,317	35,039	1,522,337	304,517
Extracurricular activities	916,293	701,946	769,301	558,962
Interest and fiscal charges	784,363	784,363	902,681	902,681
Total expenses	<u>\$ 34,423,860</u>	<u>\$ 28,739,095</u>	<u>\$ 32,434,396</u>	<u>\$ 26,417,063</u>

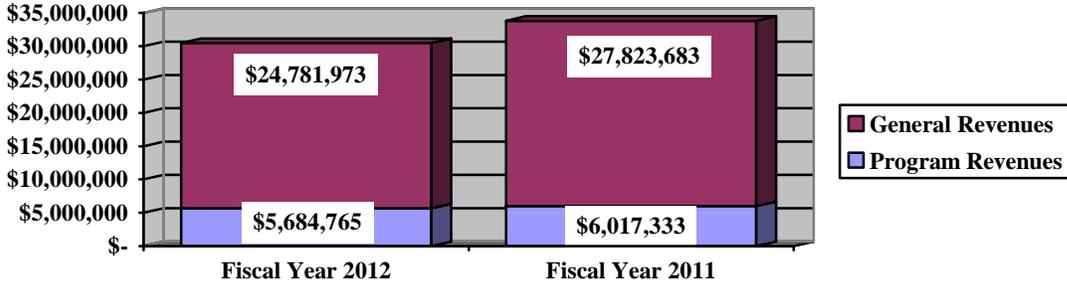
The dependence upon tax and other general revenues for governmental activities is apparent, 82.43% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.49%. (The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District's students.)

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal years 2012 and 2011.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$2,861,902, which is lower than last year's total of \$4,654,427. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance (deficit) <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	Increase (Decrease)	Percentage <u>Change</u>
General	\$ (345,225)	\$ 1,588,405	\$ (1,933,630)	(121.73) %
Permanent Improvement	1,281,695	321,197	960,498	299.04 %
Other Governmental	<u>1,925,432</u>	<u>2,744,825</u>	<u>(819,393)</u>	(29.85) %
Total	<u>\$ 2,861,902</u>	<u>\$ 4,654,427</u>	<u>\$ (1,792,525)</u>	(38.51) %

General Fund

The District's general fund balance decreased \$1,933,630 from a fund balance of \$1,588,405 to a deficit of \$345,225.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2012 <u>Amount</u>	2011 <u>Amount</u>	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 9,690,351	\$ 8,711,440	\$ 978,911	11.24 %
Earnings on investments	12,401	34,560	(22,159)	(64.12) %
Intergovernmental	15,761,176	16,036,044	(274,868)	(1.71) %
Other revenues	<u>792,324</u>	<u>1,074,925</u>	<u>(282,601)</u>	(26.29) %
 Total	 <u>\$ 26,256,252</u>	 <u>\$ 25,856,969</u>	 <u>\$ 399,283</u>	 1.54 %
<u>Expenditures</u>				
Instruction	\$ 17,331,059	\$ 15,122,999	\$ 2,208,060	14.60 %
Support services	9,965,872	9,629,160	336,712	3.50 %
Non-instructional services	238	69	169	244.93 %
Extracurricular activities	<u>653,574</u>	<u>604,080</u>	<u>49,494</u>	8.19 %
 Total	 <u>\$ 27,950,743</u>	 <u>\$ 25,356,308</u>	 <u>\$ 2,594,435</u>	 10.23 %

Overall revenues of the general fund increased 1.54%. Taxes increased \$978,911 or 11.24% due to an increase in taxes available for advance by the County. The increase in the amount of tax advance that was available to the District from the county auditor at June 30, 2012 versus June 30, 2011 resulted in more tax revenue being reported in fiscal year 2012. The amount of tax advances available from the county auditor can vary depending upon when tax bills are mailed. Earnings on investments decreased \$22,159 due to decreased interest rates earned on investments and fewer dollars to invest. Other revenues decreased \$282,601 mostly due to a decrease in tuition and fees of \$176,400. Intergovernmental revenues were consistent with the prior year.

Expenditures of the general fund increased \$2,594,435 or 10.23%. The biggest increase was in instruction, which increased \$2,208,060. This increase is attributable to raises and increased health care benefits. All other expenses were consistent with the prior year.

Permanent Improvement Fund

The District's permanent improvement fund balance increased \$960,498 from a fund balance of \$321,197 to \$1,281,695. The permanent improvement fund had revenues and other financing sources of \$1,928,437 and expenditures of \$967,939.

General Fund Budgeting Highlights

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

For the general fund, original budgeted revenues amounted to \$27,233,750 and were decreased to \$27,131,726 for the final budget. Actual revenues and other financing sources for fiscal 2012 was \$26,192,131. This represents a \$939,595 decrease from final budgeted revenues.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

General fund original appropriations (appropriated expenditures including other financing uses) of \$28,074,277 was increased to \$28,395,139 for the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$28,018,363, which was \$376,776 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

The District restated capital assets at June 30, 2011 as described in Note 3.C. At the end of fiscal 2012, the District had \$36,441,690 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2012 balances compared to 2011:

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

	Governmental Activities	
	2012	Restated 2011
Land	\$ 74,984	\$ 74,984
Land improvements	2,294,663	2,493,576
Building and improvements	32,720,213	33,905,002
Furniture and equipment	1,047,222	77,310
Vehicles	304,608	339,994
Total	\$ 36,441,690	\$ 36,890,866

The overall decrease in capital assets of \$449,176 is due to depreciation expense of \$1,098,937 and disposals of \$435,390 (net of accumulated depreciation) being greater than additions of \$1,085,151.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2012, the District had \$15,881,226 in general obligation bonds outstanding, \$1,585,000 in tax anticipation notes and \$2,460,000 in capital lease obligations. Of the outstanding obligations total, \$444,755 is due within one year and \$19,481,471 is due within greater than one year.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The following table summarizes the bonds, notes and capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
General obligation bonds	\$ 15,881,226	\$ 16,227,480
Tax anticipation note	1,585,000	-
Capital lease obligation	<u>2,460,000</u>	<u>2,774,013</u>
Total	<u>\$ 19,926,226</u>	<u>\$ 19,001,493</u>

See Note 11 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

During fiscal year 2012, the District began the demolition of the former Ravenna High School which will be completed in fiscal year 2013. Funding for demolition is provided/shared with the Ohio School Facilities Commission. Following the demolition ownership of the property will revert to the portage county Port Authority. An agreement between the district and the Port Authority will provide on-going royalty payments to the district for development of the old High School property.

State funding for the District is estimated to increase slightly on a per pupil basis for fiscal year 2013. Funding for fiscal year 2014 and beyond will depend on the new formula proposed by the governor. Enrollment for the district has seen a downward trend over the last few years. This is a state wide trend. However it does affect the Districts future foundation funding.

To assist the District, the certified and classified unions agreed to a 0% base and step increase for the 2012-2013 school year. Healthcare contributions by employees will increase in fiscal year 2013 from 10% to 15%.

The District's general fund carryover balance at June 30, 2012 was just over \$2.1 million.

The District has experienced some significant shifts in staffing. Many certificated staff members are retiring and there are a few positions that will not be replaced. This will present a savings in salaries, however, severance costs will go up in the short term. Two administrators have been eliminated and there has been some significant consolidation in administrative duties over the past two years. Staffing changes will continue as the District adjusts for declining enrollment.

Contacting the District's Financial Management

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

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 5,826,297
Cash in segregated accounts	12,446
Receivables:	
Property taxes	12,256,056
Payment in lieu of taxes	17,819
Accounts	19,114
Intergovernmental	235,638
Materials and supplies inventory	4,652
Unamortized bond issuance costs	330,847
Capital assets:	
Land	74,984
Depreciable capital assets, net	36,366,706
Capital assets, net	36,441,690
 Total assets	 55,144,559
 Liabilities:	
Accounts payable	71,433
Contracts payable	376,968
Retainage payable	126,941
Accrued wages and benefits	2,560,869
Pension obligation payable	643,819
Intergovernmental payable	167,599
Unearned revenue	10,168,969
Accrued interest payable	332,723
Long-term liabilities:	
Due within one year	1,335,782
Due in more than one year	21,240,792
 Total liabilities	 37,025,895
 Net Assets:	
Invested in capital assets, net of related debt	18,600,487
Restricted for:	
Capital projects	2,534,138
Classroom facilities maintenance	672,489
Locally funded programs	4,782
State funded programs	729
Federally funded programs	47,927
Student activities	21,446
Other purposes	24,788
Unrestricted (deficit)	(3,788,122)
 Total net assets	 \$ 18,118,664

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 12,127,048	\$ 377,451	\$ 258,126	\$ (11,491,471)
Special	5,273,501	-	2,807,888	(2,465,613)
Vocational	347,546	-	29,712	(317,834)
Other	2,014,943	-	-	(2,014,943)
Support services:				
Pupil	1,471,759	-	130,610	(1,341,149)
Instructional staff	957,428	-	193,920	(763,508)
Board of education	45,677	-	-	(45,677)
Administration	2,492,832	-	17,194	(2,475,638)
Fiscal	750,517	-	6,000	(744,517)
Business	253,186	-	-	(253,186)
Operations and maintenance	3,170,557	5,305	-	(3,165,252)
Pupil transportation	1,495,836	47,098	71,685	(1,377,053)
Central	741,001	-	12,600	(728,401)
Operation of non-instructional services:				
Other non-instructional services	247,056	169,643	43,908	(33,505)
Food service operations	1,334,317	411,262	888,016	(35,039)
Extracurricular activities	916,293	212,387	1,960	(701,946)
Interest and fiscal charges	784,363	-	-	(784,363)
Totals	\$ 34,423,860	\$ 1,223,146	\$ 4,461,619	(28,739,095)

General Revenues:

Property taxes levied for:	
General purposes	8,942,087
Debt service	951,462
Facilities maintenance	183,233
Capital outlay	243,286
Revenue in lieu of taxes	96,043
Grants and entitlements not restricted to specific programs	14,293,167
Investment earnings	15,432
Gain on sale of capital assets	7,400
Miscellaneous	49,863
Total general revenues	24,781,973
Special item - asbestos removal obligation	(602,700)
Total general revenues and special item	24,179,273
Change in net assets	(4,559,822)
Net assets at beginning of year (restated)	22,678,486
Net assets at end of year	\$ 18,118,664

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 2,086,848	\$ 1,646,161	\$ 2,093,288	\$ 5,826,297
Cash in segregated accounts	12,446	-	-	12,446
Receivables:				
Property taxes	10,664,608	319,373	1,272,075	12,256,056
Payment in lieu of taxes	17,819	-	-	17,819
Accounts	5,599	-	13,515	19,114
Interfund loans	93,429	-	-	93,429
Intergovernmental	-	-	235,638	235,638
Materials and supplies inventory	-	-	4,652	4,652
Total assets	<u>\$ 12,880,749</u>	<u>\$ 1,965,534</u>	<u>\$ 3,619,168</u>	<u>\$ 18,465,451</u>
Liabilities:				
Accounts payable	\$ 33,198	\$ 24,000	\$ 14,235	\$ 71,433
Contracts payable	-	376,968	-	376,968
Retainage payable	-	-	126,941	126,941
Accrued wages and benefits	2,360,073	-	200,796	2,560,869
Compensated absences payable	241,602	-	-	241,602
Interfund loans payable	-	-	93,429	93,429
Intergovernmental payable	152,245	-	15,354	167,599
Unearned revenue	8,845,137	240,767	1,083,065	10,168,969
Deferred revenue	983,285	42,104	126,531	1,151,920
Pension obligation payable	610,434	-	33,385	643,819
Total liabilities	<u>13,225,974</u>	<u>683,839</u>	<u>1,693,736</u>	<u>15,603,549</u>
Fund Balances:				
Nonspendable:				
Materials and supplies inventory	-	-	4,652	4,652
Restricted:				
Debt service	-	-	122,948	122,948
Capital improvements	-	1,281,695	1,210,339	2,492,034
Classroom facilities maintenance	-	-	672,489	672,489
Public school preschool	-	-	368	368
Special education	-	-	30,171	30,171
Targeted academic assistance	-	-	23,462	23,462
Extracurricular	-	-	21,446	21,446
Other purposes	-	-	4,782	4,782
Unassigned (deficit)	(345,225)	-	(165,225)	(510,450)
Total fund balances (deficit)	<u>(345,225)</u>	<u>1,281,695</u>	<u>1,925,432</u>	<u>2,861,902</u>
Total liabilities and fund balances	<u>\$ 12,880,749</u>	<u>\$ 1,965,534</u>	<u>\$ 3,619,168</u>	<u>\$ 18,465,451</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total governmental fund balances		\$	2,861,902
<i>Amounts reported for governmental activities on 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.			36,441,690
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	1,126,656	
Intergovernmental receivable		25,264	
Total		<u>1,151,920</u>	1,151,920
Unamortized bond issuance costs are not recognized in the funds.			330,847
Unamortized premiums on bond issuances are not recognized in the funds.			(566,487)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(332,723)
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		(15,314,739)	
Capital lease obligations		(2,460,000)	
Tax anticipation note		(1,585,000)	
Asbestos removal obligation		(602,700)	
Compensated absences		(1,806,046)	
Total		<u>(21,768,485)</u>	(21,768,485)
Net assets of governmental activities		\$	<u><u>18,118,664</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$ 9,594,308	\$ 271,214	\$ 1,201,866	\$ 11,067,388
Payment in lieu of taxes	96,043	-	-	96,043
Tuition.	568,568	-	169,643	738,211
Transportation fees.	47,098	-	-	47,098
Earnings on investments	12,401	35	3,155	15,591
Charges for services	-	-	411,262	411,262
Extracurricular.	108,187	-	98,919	207,106
Classroom materials and fees	300	-	-	300
Rental income	5,305	-	4,981	10,286
Contributions and donations	7,783	-	4,332	12,115
Contract services.	5,920	-	-	5,920
Other local revenues	49,163	-	18,247	67,410
Intergovernmental - intermediate	-	-	17,950	17,950
Intergovernmental - state	15,679,506	72,188	352,116	16,103,810
Intergovernmental - federal	81,670	-	2,704,835	2,786,505
Total revenues	<u>26,256,252</u>	<u>343,437</u>	<u>4,987,306</u>	<u>31,586,995</u>
Expenditures:				
Current:				
Instruction:				
Regular.	11,056,300	43,126	320,348	11,419,774
Special	3,899,510	-	1,355,447	5,254,957
Vocational	360,306	-	-	360,306
Other	2,014,943	-	-	2,014,943
Support services:				
Pupil	1,263,083	-	173,235	1,436,318
Instructional staff	707,535	-	222,681	930,216
Board of education	44,077	-	-	44,077
Administration	2,475,028	-	16,966	2,491,994
Fiscal	655,369	30,023	29,798	715,190
Business.	270,257	-	-	270,257
Operations and maintenance	2,591,173	245,376	220,097	3,056,646
Pupil transportation	1,271,217	75,958	94,126	1,441,301
Central	688,133	-	22,952	711,085
Operation of non-instructional services:				
Operation of non-instructional	238	-	258,905	259,143
Food service operations.	-	-	1,311,576	1,311,576
Extracurricular activities	653,574	-	91,325	744,899
Facilities acquisition and construction.	-	509,917	579,133	1,089,050
Debt service:				
Principal retirement.	-	58,858	695,155	754,013
Interest and fiscal charges	-	4,681	661,494	666,175
Total expenditures	<u>27,950,743</u>	<u>967,939</u>	<u>6,053,238</u>	<u>34,971,920</u>
Excess of expenditures over revenues	<u>(1,694,491)</u>	<u>(624,502)</u>	<u>(1,065,932)</u>	<u>(3,384,925)</u>
Other financing sources (uses):				
Sale of capital assets	7,400	-	-	7,400
Issuance of tax anticipation notes	-	1,585,000	-	1,585,000
Transfers in.	-	-	246,539	246,539
Transfers (out)	(246,539)	-	-	(246,539)
Total other financing sources (uses)	<u>(239,139)</u>	<u>1,585,000</u>	<u>246,539</u>	<u>1,592,400</u>
Net change in fund balances	(1,933,630)	960,498	(819,393)	(1,792,525)
Fund balances at beginning of year.	1,588,405	321,197	2,744,825	4,654,427
Fund balances (deficit) at end of year	\$ (345,225)	\$ 1,281,695	\$ 1,925,432	\$ 2,861,902

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds \$ (1,792,525)

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$ 1,085,151	
Current year depreciation	(1,098,937)	
Total	(13,786)	(13,786)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (435,390)

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

Delinquent property taxes	(747,320)	
Excess cost tuition	(197,037)	
Intergovernmental	(183,300)	
Total	(1,127,657)	(1,127,657)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:

Bonds	440,000	
Capital leases	314,013	
Total	754,013	754,013

The issuance of tax anticipation notes are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as revenue as they increase liabilities on the statement of net assets. (1,585,000)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Increase in accrued interest payable	(9,404)	
Accreted interest on capital appreciation bonds	(119,496)	
Amortization of bond issuance costs	(15,038)	
Amortization of bond premiums	25,750	
Total	(118,188)	(118,188)

Some expenses reported in the statement of activities, such as compensated absences and asbestos removal obligation, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	361,411	
Asbestos removal obligation	(602,700)	
Total	(241,289)	(241,289)

Change in net assets of governmental activities **\$ (4,559,822)**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 9,811,833	\$ 9,794,290	\$ 9,652,439	\$ (141,851)
Revenue in lieu of taxes.	78,224	78,224	78,224	-
Tuition.	1,281,662	1,197,181	569,435	(627,746)
Transportation fees.	40,000	40,000	45,062	5,062
Earnings on investments	44,600	44,600	17,976	(26,624)
Rental income	2,500	2,500	4,335	1,835
Contributions and donations	100	100	50	(50)
Contract services.	30,000	30,000	5,920	(24,080)
Other local revenues	25,806	25,806	27,492	1,686
Intergovernmental - state	15,799,477	15,799,477	15,685,096	(114,381)
Intergovernmental - federal	109,548	109,548	81,670	(27,878)
Total revenues	<u>27,223,750</u>	<u>27,121,726</u>	<u>26,167,699</u>	<u>(954,027)</u>
Expenditures:				
Current:				
Instruction:				
Regular	10,942,276	11,023,466	11,007,620	15,846
Special.	3,807,028	3,878,734	3,898,528	(19,794)
Vocational.	339,117	350,483	341,194	9,289
Other.	1,916,961	1,943,172	2,044,728	(101,556)
Support services:				
Pupil.	1,341,394	1,350,989	1,268,601	82,388
Instructional staff	711,955	717,089	690,325	26,764
Board of education	57,000	65,000	47,450	17,550
Administration.	2,370,273	2,444,831	2,432,498	12,333
Fiscal	678,757	688,850	659,207	29,643
Business	273,538	290,891	272,247	18,644
Operations and maintenance.	2,877,320	2,855,974	2,636,024	219,950
Pupil transportation	1,298,706	1,312,278	1,258,046	54,232
Central.	648,840	651,240	701,037	(49,797)
Extracurricular activities.	511,112	522,142	508,995	13,147
Total expenditures	<u>27,774,277</u>	<u>28,095,139</u>	<u>27,766,500</u>	<u>328,639</u>
Excess of expenditures over revenues.	<u>(550,527)</u>	<u>(973,413)</u>	<u>(1,598,801)</u>	<u>(625,388)</u>
Other financing sources (uses):				
Refund of prior year's expenditures	10,000	10,000	12,380	2,380
Transfers (out).	(300,000)	(300,000)	(251,863)	48,137
Sale of assets	-	-	12,052	12,052
Total other financing sources (uses)	<u>(290,000)</u>	<u>(290,000)</u>	<u>(227,431)</u>	<u>62,569</u>
Net change in fund balance	(840,527)	(1,263,413)	(1,826,232)	(562,819)
Fund balance at beginning of year	3,793,330	3,793,330	3,793,330	-
Prior year encumbrances appropriated	104,095	104,095	104,095	-
Fund balance at end of year	<u>\$ 3,056,898</u>	<u>\$ 2,634,012</u>	<u>\$ 2,071,193</u>	<u>\$ (562,819)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and investments	\$ 45,513	\$ 71,356
Cash and investments in segregated accounts . . .	690,597	-
Receivables:		
Accrued interest.	1,449	-
Notes	542,134	-
	<u>1,279,693</u>	<u>\$ 71,356</u>
Total assets.		
Liabilities:		
Due to students.	-	\$ 64,055
Undistributed monies	-	7,301
	<u>-</u>	<u>\$ 71,356</u>
Total liabilities		
Net assets:		
Held in trust for scholarships	<u>1,279,693</u>	
Total net assets	<u>\$ 1,279,693</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	
Additions:		
Interest	\$ 5,885	
Gifts and contributions	3,570	
Total additions	<u>9,455</u>	
Deductions:		
Scholarships awarded	<u>6,425</u>	
Change in net assets	3,030	
Net assets at beginning of year	<u>1,276,663</u>	
Net assets at end of year	<u>\$ 1,279,693</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Ravenna City School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The 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, 2011, was 3,058. The District employs 206 certified and 159 non-certified employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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 District's significant accounting policies are described below.

A. 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 District consists of all funds, departments, boards and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes for the organization. The District has no component units. The financial statements of the reporting entity include only those of the District (the primary government). The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Ravenna City School District, this includes general operations, food service and student related activities of the District. The following organizations are described due to their relationship to the District.

JOINTLY GOVERNED ORGANIZATIONS

Maplewood Area Joint Vocational School

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 possess 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
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Stark Portage Area Computer Consortium (SPARCC)

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, 2012, the District paid \$65,395 to SPARCC for basic service charges.

RELATED ORGANIZATION

Reed Memorial Public Library (the "Library")

The 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 City 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 District for operational subsidies. Although the 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.

PUBLIC ENTITY RISK POOLS

Stark County Schools Council of Governments (the "COG")

The COG is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the COG. All COG's revenues are generated from charges for services. The COG has a Health Benefits Program which is a shared risk pool comprised of various entities, most of which are school districts.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

The 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 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 District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the 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 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 District.

Fund Financial Statements - During the year, the District segregates transactions related to certain 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 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.

The 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.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following are the District's major governmental funds:

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

Permanent Improvement Fund - The permanent improvement fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, not reported in the permanent improvement fund, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's fiduciary funds are private purpose trust and agency funds. The District's private purpose trust funds are primarily for assets held by the District in a trustee capacity. The District's agency funds primarily account for student activities.

C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All non fiduciary assets and liabilities associated with the operation of the 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., expenditure 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.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 is 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 District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue in the fund financial statements.

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

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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 District is pooled. Monies for all funds are maintained in this pool, except for certain trust fund monies that have been separately invested. Individual fund integrity is maintained through District records. Each funds' interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

The District has a segregated portion of the internal investment pool cash balances which are held in separate investment accounts pursuant to trust agreements. The balance of these segregated investment accounts are reported as "Cash and Investments in Segregated Accounts" on the financial statements.

The District has certain depository accounts that are held separate from the internal investment pool. The balance of these segregated depository accounts is reported as "Cash in Segregated Accounts" on the financial statements.

During fiscal year 2012, investments were limited to U.S. Treasury Notes, a Federal Home Loan Bank (FHLB) bond, negotiable certificates of deposit and U.S. government money market mutual funds. These investments are reported at fair value which is based on quoted market prices.

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 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 2012 amounted to \$12,401, which includes \$4,753 assigned from other District funds.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Unamortized Bond Issuance Costs/Bond Premium/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 11.

G. 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 District maintains a capitalization threshold of \$5,000. The 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 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>Useful Lives</u>
Land Improvements	20 Years
Buildings and Improvements	10 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	8 Years

H. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when received. Inventories are accounted for using the consumption method. Fund balance has been presented as nonspendable equal to the balance of the inventory at fiscal year-end. Inventory consists of expendable supplies held for consumption.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

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, 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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for preschool/child care operations.

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

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 are classified as "Interfund Receivables/Payables." Interfund balances between governmental funds 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. During 2012, the District reported has reported a special item for an asbestos removal obligation associated with the demolition of the old High School. See Note 11 for more detail on the asbestos removal obligation.

O. Estimates

The preparation of financial statements in conformity with GAAP 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 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 2012.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

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 AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

	<u>Deficit</u>
General fund	\$ 345,225
<u>Nonmajor funds</u>	
Food Service	65,258
Ed Jobs	2,364
Race To The Top	14
IDEA Part B	438
IDEA Part B - Preschool	567
Improving Teacher Quality	597
Classroom Facilities	91,335

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

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Restatement of Net Assets

During fiscal year 2012, the District had a reappraisal of its capital assets. The reappraisal resulted in adjustments to the capital asset and accumulated depreciation balances to account for errors and omissions in the amounts as previously reported. These adjustments had the following effect on net assets as previously reported:

	Governmental Activities
Net assets, June 30, 2011	\$ 21,787,403
Adjustment of capital assets	891,083
Restated net assets, July 1, 2011	\$ 22,678,486

NOTE 4 - 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 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 five 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that 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 items (1) and (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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the 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.

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 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash and Investments in Segregated Accounts

At year-end, the District had \$12,446 in cash held in depository accounts separate from the District's internal investment pool. These amounts are included in "Deposits with Financial Institutions" below.

At year-end, the District had \$690,597 in cash and investments held in separate investment accounts pursuant to trust agreements. The balances of these investments are included in "Investments" below.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits, including cash in segregated accounts, was \$5,941,332. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$5,821,587 of the District's bank balance of \$6,071,587 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2012, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater Than 24 months</u>
FHLB bond	\$ 104,250	\$ -	\$ -	\$ 104,250	\$ -	\$ -
U.S. Treasury notes	151,176	-	-	-	-	151,176
U.S. government money market mutual funds	386,506	386,506	-	-	-	-
Negotiable CD's	62,945	-	-	-	62,945	-
Total	\$ 704,877	\$ 386,506	\$ -	\$ 104,250	\$ 62,945	\$ 151,176

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: Standard & Poor's has assigned the U.S. Government Money Market an AAAM money market rating. The District's investments in the FHLB bond and U.S Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively The negotiable CD's were covered by the FDIC. The District's investment policy does not address investment credit risk beyond the requirements of State statutes.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The FHLB bond and U.S. Treasury notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Requirements in State statute prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board or qualified trustee.

Concentration of Credit Risk: The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB bond	\$ 104,250	14.79
U.S. Treasury notes	151,176	21.45
U.S. government money market mutual funds	386,506	54.83
Negotiable CD's	62,945	8.93
	<u>\$ 704,877</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,941,332
Investments	<u>704,877</u>
Total	<u>\$ 6,646,209</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 5,838,743
Private-purpose trust funds	736,110
Agency funds	<u>71,356</u>
Total	<u>\$ 6,646,209</u>

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2012 as reported on the fund financial statements, consist of the following individual due to/due from other funds:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 93,429

The primary purpose of the interfund balance is to cover a negative cash balance in the Food Service fund (a nonmajor governmental fund) as anticipated revenues were not received by June 30. The interfund balance will be repaid once the anticipated revenues are received which is expected to be within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B. Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$246,539</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer above represents the transfer of resources from the general fund to the debt service fund (a nonmajor governmental fund) for the payment of principal and interest on capital lease obligations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Portage County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$836,186 in the general fund, \$87,743 in the debt service fund (a nonmajor governmental fund) and \$36,502 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$894,317 in the general fund, \$88,073 in the debt service fund (a nonmajor governmental fund) and \$39,147 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 324,268,890	97.13	\$ 324,114,650	97.05
Public utility personal	<u>9,574,930</u>	<u>2.87</u>	<u>9,841,830</u>	<u>2.95</u>
Total	<u>\$ 333,843,820</u>	<u>100.00</u>	<u>\$ 333,956,480</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 65.69		\$ 65.91	

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 consisted of property taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. 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.

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Property taxes	\$ 12,256,056
Payment in lieu of taxes	17,819
Accounts	19,114
Intergovernmental	<u>235,638</u>
Total	<u>\$ 12,528,627</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent year.

NOTE 8 - NOTES RECEIVABLE

The Wichterman 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 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 2012, there were 35 students with a total principal loan balance outstanding of \$542,134.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - CAPITAL ASSETS

During fiscal year 2012, the District had a reappraisal of its capital assets (see Note 3.C). The reappraisal had the following effect on the District's governmental activities capital asset balances:

	Balance		Restated
	<u>June 30, 2011</u>	<u>Adjustments</u>	<u>Balance</u>
			<u>July 1, 2011</u>
Governmental activities:			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 74,984	\$ -	\$ 74,984
Total capital assets, not being depreciated	<u>74,984</u>	<u>-</u>	<u>74,984</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	5,164,851	(457,386)	4,707,465
Buildings and improvements	42,034,928	321,853	42,356,781
Furniture and equipment	1,794,010	(1,292,410)	501,600
Vehicles	<u>2,047,062</u>	<u>112,712</u>	<u>2,159,774</u>
Total capital assets, being depreciated	<u>51,040,851</u>	<u>(1,315,231)</u>	<u>49,725,620</u>
<i>Less: accumulated depreciation</i>			
Land improvements	(3,029,073)	815,184	(2,213,889)
Buildings and improvements	(9,057,073)	605,294	(8,451,779)
Furniture and equipment	(1,357,985)	933,695	(424,290)
Vehicles	<u>(1,671,921)</u>	<u>(147,859)</u>	<u>(1,819,780)</u>
Total accumulated depreciation	<u>(15,116,052)</u>	<u>2,206,314</u>	<u>(12,909,738)</u>
Total capital assets, being depreciated, net	<u>35,924,799</u>	<u>891,083</u>	<u>36,815,882</u>
Governmental activities capital assets, net	<u>\$ 35,999,783</u>	<u>\$ 891,083</u>	<u>\$ 36,890,866</u>

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - CAPITAL ASSETS - (Continued)

Governmental capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Restated Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2012</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 74,984	\$ -	\$ -	\$ 74,984
Total capital assets, not being depreciated	<u>74,984</u>	<u>-</u>	<u>-</u>	<u>74,984</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	4,707,465	-	-	4,707,465
Buildings and improvements	42,356,781	-	(2,401,010)	39,955,771
Furniture and equipment	501,600	1,055,374	-	1,556,974
Vehicles	2,159,774	29,777	(256,550)	1,933,001
Total capital assets, being depreciated	<u>49,725,620</u>	<u>1,085,151</u>	<u>(2,657,560)</u>	<u>48,153,211</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(2,213,889)	(198,913)	-	(2,412,802)
Buildings and improvements	(8,451,779)	(749,399)	1,965,620	(7,235,558)
Furniture and equipment	(424,290)	(85,462)	-	(509,752)
Vehicles	(1,819,780)	(65,163)	256,550	(1,628,393)
Total accumulated depreciation	<u>(12,909,738)</u>	<u>(1,098,937)</u>	<u>2,222,170</u>	<u>(11,786,505)</u>
Total capital assets, being depreciated, net	<u>36,815,882</u>	<u>(13,786)</u>	<u>(435,390)</u>	<u>36,366,706</u>
Governmental activities capital assets, net	<u>\$ 36,890,866</u>	<u>\$ (13,786)</u>	<u>\$ (435,390)</u>	<u>\$ 36,441,690</u>

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 468,143
<u>Support services:</u>	
Pupil	42,898
Instructional staff	23,337
Board of Education	1,600
Administration	82,196
Fiscal	22,246
Business	9,206
Operations and maintenance	80,387
Pupil transportation	93,944
Central	23,029
Food service operations	39,884
Extracurricular	<u>212,067</u>
Total depreciation expense	<u>\$ 1,098,937</u>

NOTE 10 - CAPITALIZED LEASES

In prior fiscal years, the District entered into capitalized leases for a stadium and buses. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", in that they transfer the 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 stadium capital lease is being retired from the debt service fund (a nonmajor governmental fund) and the bus capital lease is being retired from the permanent improvement fund. The capital lease payments are reflected as debt service expenditures in the statement of revenues, expenditures and changes in fund balances. A corresponding liability is recorded in the statement of net assets. Principal payments in the 2012 fiscal year totaled \$314,013.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - CAPITALIZED LEASES - (Continued)

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, 2012.

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2013	\$ 240,979
2014	244,545
2015	248,001
2016	250,337
2017	254,563
2018 - 2022	1,326,659
2023 - 2026	<u>137,156</u>
	2,702,240
Less: amount representing interest	<u>(242,240)</u>
Present value of minimum lease payments	<u>\$ 2,460,000</u>

NOTE 11 - LONG-TERM OBLIGATIONS

During fiscal year 2012, the following changes occurred in governmental activities long-term obligations:

	<u>Balance Outstanding 06/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 06/30/12</u>	<u>Amounts Due in One Year</u>
Governmental activities:					
General obligation bonds					
Energy conservation	\$ 260,000	\$ -	\$ (25,000)	\$ 235,000	\$ 30,000
School improvement bonds - 2006	13,480,000	-	-	13,480,000	-
School improvement bonds - 2007	1,390,000	-	(55,000)	1,335,000	55,000
Capital appreciation bonds - 2006	146,867	-	(101,729)	45,138	45,138
Capital appreciation bonds - 2007	50,425	-	-	50,425	-
Accretion capital appreciation bonds - 2006	268,310	104,578	(258,271)	114,617	114,617
Accretion capital appreciation bonds - 2007	39,641	14,918	-	54,559	-
Premium on debt issuance - 2006	<u>592,237</u>	<u>-</u>	<u>(25,750)</u>	<u>566,487</u>	<u>-</u>
Total general obligation bonds	<u>16,227,480</u>	<u>119,496</u>	<u>(465,750)</u>	<u>15,881,226</u>	<u>244,755</u>
Capital lease obligations	2,774,013	-	(314,013)	2,460,000	200,000
Tax anticipation note	-	1,585,000	-	1,585,000	-
Asbestos removal obligation	-	602,700	-	602,700	602,700
Compensated absences	<u>2,117,118</u>	<u>222,798</u>	<u>(292,268)</u>	<u>2,047,648</u>	<u>288,327</u>
Total long-term obligations, governmental activities	<u>\$ 21,118,611</u>	<u>\$ 2,529,994</u>	<u>\$ (1,072,031)</u>	<u>\$ 22,576,574</u>	<u>\$ 1,335,782</u>

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Energy Conservations Bonds

On November 1, 2003, the District issued \$425,000 in general obligation bonds for the purpose of providing energy conservation measures for the District, under authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The bonds were issued for a fifteen year period with final maturity during fiscal year 2018. The bonds bear an interest rate ranging from 3.50-4.40 percent. The bonds will be retired from the debt service fund (a nonmajor governmental fund).

School Improvement Bonds – Series 2006

On June 21, 2006, the District issued \$14,499,559 in general obligation bonds for improvements to the schools. The current interest bonds bear interest rates ranging from 4.00-5.00 percent and 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. \$25,750 was amortized during the fiscal year.

The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption. The bonds will be retired from the debt service fund (a nonmajor governmental fund).

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 accreted value at maturity of the remaining bonds at June 30, 2012 is \$200,000. For fiscal year 2012, there was \$104,578 in accretion.

School Improvement Bonds – Series 2007

On April 4, 2007, the District issued \$1,615,425 in general obligation bonds for improvements to the schools. The bonds mature in January 2032.

The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption. The bonds will be retired from the debt service fund (a nonmajor governmental fund).

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 accreted value at maturity of the remaining bonds at June 30, 2012 is \$165,000. For fiscal year 2012, there was \$14,918 in accretion.

Capital lease Obligations

See Note 10 for further detail on the District's capital lease obligations.

Tax Anticipation Note

On June 26, 2012, the District issued a \$1,585,000 permanent improvement tax anticipation notes to fund capital projects. The note bears an interest rate of 1.95%. Payments of principal are due annually on December 1 and payments of interest are due each June 1 and December 1. The stated maturity on the note is December 1, 2022. The note will be retired from the permanent improvement fund.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Asbestos Removal Obligation

During 2012, the District incurred an asbestos removal obligation associated with the demolition of the old High School. No costs were incurred and no work was performed prior to June 30, 2012. The total liability is calculated at \$602,700 and is expected to be paid in fiscal year 2013. In accordance with GASB statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", the asbestos removal liability at June 30, 2012 has been reported on the statement of net assets. The expenses associated with the asbestos liability have been reported as a special item in the statement of activities.

Compensated Absences

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

Future Debt Service Requirements

Principal and interest requirements to retire general obligation bonds and tax anticipation note outstanding at June 30, 2012 are as follows:

Fiscal Year	Current Interest Bonds		Capital Appreciation Bonds		Total Bonds	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
<u>Ending June 30</u>						
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	480,000	638,982	14,306	40,694	494,306	679,676
2017	560,000	619,712	-	-	560,000	619,712
2018 - 2022	3,060,000	2,730,816	-	-	3,060,000	2,730,816
2023 - 2027	3,470,000	2,021,212	-	-	3,470,000	2,021,212
2028 - 2032	4,640,000	1,095,691	-	-	4,640,000	1,095,691
2033 - 2034	1,850,000	125,755	-	-	1,850,000	125,755
Total	<u>\$ 15,050,000</u>	<u>\$ 9,243,614</u>	<u>\$ 95,563</u>	<u>\$ 269,437</u>	<u>\$ 15,145,563</u>	<u>\$ 9,513,051</u>

Fiscal Year	Tax Anticipation Note	
	Principal	Interest
<u>Ending June 30</u>		
2013	\$ -	\$ 29,190
2014	145,000	29,907
2015	145,000	27,041
2016	150,000	24,187
2017	155,000	21,110
2018 - 2022	815,000	58,323
2023	175,000	1,735
Total	<u>\$ 1,585,000</u>	<u>\$ 191,493</u>

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$15,033,468 (including available funds of \$122,948) and an unvoted debt margin of \$333,956.

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District has a property and fleet insurance, liability insurance and inland marine coverage policies through private insurance carriers. The deductibles for the property insurance are \$5,000. 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 three fiscal years.

B. Workers' Compensation

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

C. Employee Medical Benefits

The District has contracted with the Stark County Schools Council of Governments Health Benefits Program to provide employee medical/surgical and dental benefits. The Stark County Schools 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 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 District pays premiums of \$1,223.42 for family coverage and \$503.67 for single coverage per employee per month.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - RISK MANAGEMENT - (Continued)

Dental insurance is also provided through the Stark County Schools Council of Governments Health Benefits Program. Premiums for dental coverage are \$171.59 for family coverage and \$69.60 for single coverage per employee per month.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$527,484, \$515,553 and \$583,231, respectively; 62.61 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The 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 stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "*Publications*".

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 13 - PENSION PLANS - (Continued)

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

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 fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,779,316, \$1,765,659 and \$1,762,772, respectively; 83.84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$46,735 made by the District and \$33,382 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, 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 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$92,884, \$62,425 and \$20,993, respectively; 62.61 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$31,151, \$33,177 and \$34,684, respectively; 62.61 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$136,870, \$135,820 and \$135,598, respectively; 83.84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 15 - OTHER EMPLOYEE BENEFITS

A. Life Insurance

The District provides life insurance to its employees through the Stark County Schools Council of Governments 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. Upon retirement, payment is made for one-fourth of accrued days. Severance days paid for classified employees are dependent on their years of experience.

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
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) - general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (1,826,232)
Net adjustment for revenue accruals	(31,965)
Net adjustment for expenditure accruals	(99,707)
Net adjustment for other sources/uses	(11,708)
Funds budgeted elsewhere	4,017
Adjustment for encumbrances	31,965
GAAP basis	<u>\$ (1,933,630)</u>

The public school support fund is legally budgeted as a separate special revenue fund but is considered part of the general fund on a GAAP basis.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 17 - CONTINGENCIES

A. Grants and ADM

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

The District is not party to legal proceedings which, in the opinion of District management, will have a material effect, if any, on the financial condition of the District.

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance to the extent of available fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 15,799
Permanent improvement	37,600
Other governmental	<u>1,024,914</u>
Total	<u>\$ 1,078,313</u>

NOTE 19 - OPERATING LEASE

On June 1, 2008, the 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 District's bus garage. The rent for the premises is \$375 per month for the 30-year term. The lease required the 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.

**RAVENNA CITY SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 20 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	498,545
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(498,545)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

Board of Education
Ravenna School District
Ravenna, Ohio 44266

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ravenna School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 12, 2012. 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

Management of the Ravenna School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Ravenna School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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 purposes 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 Ravenna 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 we must report under *Government Auditing Standard*.

We did note certain matters not requiring inclusion in this report that we reported to the management of Ravenna School District in a separate letter dated December 12, 2012.

This report is intended solely for the information and use of management, the District's Board of Education, Auditor of State, federal awarding agencies and pass-through entities and others within the government. We intend it for no one other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 12, 2012

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

Board of Education
Ravenna School District
Ravenna, Ohio 44266

To the Board of Education:

Compliance

We have audited the compliance of Ravenna 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 Ravenna School District's major federal program for the year ended June 30, 2012. Ravenna 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 Ravenna School District management. Our responsibility is to express an opinion on Ravenna 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 Ravenna 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 Ravenna School District's compliance with those requirements.

In our opinion, the Ravenna 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, 2012.

Internal Control Over Compliance

Management of Ravenna School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs.. In planning and performing our audit, we considered Ravenna 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 the auditing procedures for the purpose of expressing our opinion on compliance and to tests 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 Ravenna School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ravenna 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 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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above.

This report is intended solely for the information and use of management, the District's Board of Education, Auditor of State, federal awarding agencies and pass-through entities and others within the government. We intend it for no one other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.

Zanesville, Ohio

December 12, 2012

**RAVENNA SCHOOL DISTRICT
PORTAGE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505**

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 significant deficiencies in internal control reported at the financial statement level (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section. 510?	NO
(d)(1)(vii)	Major Programs:	Special Ed. Cluster; CFDA#84.027, 84.173 Title 1 Cluster: CFDA #84.010, 84.389
(d)(1)(viii)	Dollar Threshold: Type A\B Programs:	Type A: >\$300,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

NONE

3. Findings and Questioned Costs for Federal Awards

NONE

**RAVENNA SCHOOL DISTRICT
PORTAGE COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>						
Pass through Ohio Department of Education						
Nutrition Cluster						
National School Breakfast Program	n/a	10.553	130,397	-	130,397	-
National School Lunch Program	n/a	10.555	536,569	43,077	536,569	43,077
Total Nutrition Cluster			666,966	43,077	666,966	43,077
Child and Adult Care Food Program	n/a	10.558	18,294	-	18,294	-
School Fruit and Vegetable Program	n/a	10.582	20,397	-	20,397	-
Total U.S. Department of Agriculture			705,657	43,077	705,657	43,077
<u>U.S. DEPARTMENT OF EDUCATION:</u>						
Pass through Ohio Department of Education						
Title I Cluster:						
Title I Educationally Deprived Children	044685C1S111	84.010	50,405	-	85,707	-
	044685C1S112		719,050	-	683,590	-
			769,455	-	769,297	-
Title I Educationally Deprived Children ARRA	044685C1S111A	84.389	59,638	-	87,826	-
			59,638	-	87,826	-
Total Title I Cluster			829,093	-	857,123	-
Special Education Cluster:						
Title VI-B Special Education Assistance	044685BSF11	84.027	35,575	-	44,455	-
	044685BSF12		615,644	-	598,972	-
Special Education Preschool Grants	044685BSFPS11	84.173	1,968	-	4,039	-
	044685BSFPS12		17,518	-	16,261	-
			670,705	-	663,727	-
Title VI-B ARRA	044685BSF11A	84.391	197,693	-	234,310	-
Special Education Preschool Grant-ARRA	044685BSFPS11A	84.392	-	-	4,544	-
			197,693	-	238,854	-
Total Special Education Cluster			868,398	-	902,581	-
Improving Teacher Quality State Grant	044685TRS111	84.367	7,334	-	21,735	-
	044685TRS112		156,166	-	156,166	-
			163,500	-	177,901	-
Ohio Resident Educator Program	044685RTTFY12	84.395	2,100	-	2,100	-
			2,100	-	2,100	-
Title II-D Cluster						
Educational Technology State Grants	044685TJS111A	84.318	-	-	272	-
Educational Technology State Grants-ARRA	044685TJS112		5,678	-	5,678	-
Educational Technology State Grants-ARRA	044685TJS110A	84.386	40,364	-	59,997	-
Total Title II-D Cluster			46,042	-	65,947	-
Education Jobs Fund	044685FY12	84.410	17,105	-	14,658	-
			17,105	-	14,658	-
Total U.S. Department of Education			1,926,238	-	2,020,310	-
Total Federal Awards Expenditures			2,631,895	43,077	2,725,967	43,077

See notes to Schedule of Federal Awards Expenditures.

**RAVENNA SCHOOL DISTRICT
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTES B – CHILD NUTRITION CLUSTER

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

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

NOTE C – MATCHING REQUIREMENTS

Certain Federal programs require the District contribute non-Federal funds (matching funds) to support the federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**RAVENNA SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2012**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-01	Significant Deficiency due to restatements.	Yes	Finding No Longer Valid

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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 19, 2013**