

**Ridgewood Local School
District**

Audited Financial Statements

June 30, 2004



**Auditor of State
Betty Montgomery**

Board of Education
Ridgewood Local School District
301 South Oak St.
West Lafayette, OH 43845

We have reviewed the Independent Auditor's Report of the Ridgewood Local School District, Coshocton County, prepared by Rea & Associates, Inc., for the audit period July 1, 2003 through June 30, 2004. 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 Ridgewood Local School District is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

March 8, 2005

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RIDGEWOOD LOCAL SCHOOL DISTRICT

JUNE 30, 2004

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RIDGEWOOD LOCAL SCHOOL DISTRICT

JUNE 30, 2004

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The logo for Rea & Associates, Inc. features a teal-colored graphic on the left consisting of a vertical bar and a curved shape. To the right, the company name "Rea & Associates, Inc." is written in a large, serif font. Below the name, the text "ACCOUNTANTS AND BUSINESS CONSULTANTS" is written in a smaller, all-caps, serif font, separated by a thin horizontal line.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 28, 2004

To the Board of Education
Ridgewood Local School District
West Lafayette, OH

Independent Auditor's Report

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

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

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

As stated in Note 3, the School District adopted Governmental Accounting Standards Board (GASB) Statements No. 34, "Basic Financial Statements and Management's Discussion and Analysis, No. 37, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus, and No. 38, Certain Financial Statement Note Disclosures, and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financials."

In accordance with *Government Auditing Standards*, we also have issued our report dated December 28, 2004 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Hea & Associates, Inc.

Ridgewood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

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

Financial Highlights

Key Financial Highlights for 2004 are as follows:

- General Revenues accounted for \$10.2 million in revenue or 88% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1.4 million or 12% of total revenues of \$11.6 million.
- Total program expenses were \$12.3 million.
- In total, net assets decreased \$685,406 from 2003.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

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

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

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

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

The government-wide financial statements begin on page 11.

Ridgewood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the general fund.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 13.

Proprietary Funds - The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Proprietary funds use full accrual accounting.

The proprietary fund financial statements begin on page 18.

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

The fiduciary fund financial statements begin on page 21.

Ridgewood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

(Table 1)
Net Assets

| | Governmental Activities | |
|--------------------------|-------------------------|---------------|
| | 2004 | 2003 |
| Assets | | |
| Current and Other Assets | \$ 6,359,317 | \$ 6,139,725 |
| Capital Assets | 20,446,237 | 21,377,427 |
| Total Assets | 26,805,554 | 27,517,152 |
| Liabilities | | |
| Long-Term Liabilities | 4,854,055 | 4,830,833 |
| Other Liabilities | 3,716,144 | 3,765,558 |
| Total Liabilities | 8,570,199 | 8,596,391 |
| Net Assets | | |
| Invested in Capital | | |
| Assets Net of Debt | 16,388,299 | 17,196,159 |
| Restricted | 1,102,571 | 1,352,088 |
| Unrestricted (Deficit) | 744,485 | 372,514 |
| Total Net Assets | \$ 18,235,355 | \$ 18,920,761 |

Total assets decreased by \$711,598. A \$931,190 in total capital assets reflects depreciation exceeding additional purchases. Total liabilities decreased by \$26,192. This decrease was due to no contracts payable, due to completion of all construction projects.

Ridgewood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2004. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

(Table 2)
Governmental Activities

| | Governmental Activities |
|-----------------------------------|----------------------------|
| | 2004 |
| <i>Revenues</i> | |
| <i>Program Revenues:</i> | |
| Charges for Services | \$ 760,168 |
| Operating Grants | 686,641 |
| <i>General Revenue:</i> | |
| Property Taxes | 2,718,397 |
| Grants and Entitlements | 7,388,108 |
| Other | 105,583 |
| <i>Total Revenues</i> | 11,658,897 |
| <i>Program Expenses</i> | |
| Instruction | 7,486,125 |
| Support Services | 3,661,113 |
| Food Service Operations | 593,003 |
| Uniform Supplies | 34,094 |
| Extracurricular Activities | 336,744 |
| Interest and Fiscal Charges | 233,224 |
| <i>Total Expenses</i> | 12,344,303 |
| Increase (Decrease) in Net Assets | \$ (685,406) |

Governmental Activities

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

Ridgewood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

(Table 3)
Governmental Activities

| | 2004 | |
|--|--------------------------|------------------------|
| | Total Cost of Service | Net Cost of Service |
| Instruction | \$ 7,486,125 | \$ (6,808,834) |
| Support Services: | | |
| Pupil and Instructional Staff | 659,466 | (467,887) |
| Board of Education, Administration, Fiscal and Business | 1,132,793 | (1,061,801) |
| Operation and Maintenance of Plant and Central | 1,156,984 | (1,154,385) |
| Pupil Transportation | 711,870 | (710,907) |
| Food Service Operations | 593,003 | (284,516) |
| Uniform Supplies | 34,094 | (1,238) |
| Extracurricular Activities | 336,744 | (174,702) |
| Interest and Fiscal Charges | 233,224 | (233,224) |
| | \$ 12,344,303 | \$ (10,897,494) |

Instruction and Student Support Services comprise 75% of governmental program expenses. Interest/Fiscal charges were less than 2%. Interest expense was primarily attributable to the outstanding debts. Pupil transportation and the operation/maintenance of facilities accounts for 15% of governmental program expenses.

The district is primarily state funded. As a rural agricultural/residential area, the district has a minimal commercial/industrial tax base.

General Fund Budgeting Highlights

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

For the general fund, budget basis revenue was \$9.7 million, under original budget estimates of \$8.9 million. Of this \$.8 million increase, most was attributable to increased intergovernmental revenues and tuition and fees.

Final appropriations of \$10 million were \$.7 million higher than the \$9.3 million in the original budget. The largest part of the increase was due to instruction.

Ridgewood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had nearly \$20.4 million invested in land, buildings, equipment. Table 4 shows fiscal year 2004 balances compared with 2003.

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

| | Governmental Activities | |
|----------------------------|-------------------------|----------------------|
| | 2004 | 2003 |
| Land | \$ 194,966 | \$ 194,966 |
| Buildings and Improvements | 18,670,584 | 19,290,620 |
| Furniture and Equipment | 1,421,158 | 1,681,438 |
| Vehicles | 159,529 | 210,403 |
| | <u>\$ 20,446,237</u> | <u>\$ 21,377,427</u> |

The \$931,190 decrease in capital assets reflects depreciation exceeding additional purchases.

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2004, this amounted to \$180,347 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements. For the textbooks, the School District disbursed \$118,265, with the remainder scheduled to be carried forward into the 2005 fiscal year.

Ridgewood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Debt

At June 30, 2004, the School District had \$3,750,000 in bonds outstanding with \$125,000 due within one year. During fiscal year 2004, \$117,000 of general obligation bonds were retired. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt, at June 30

| | Governmental Activities 2004 | Governmental Activities 2003 |
|---------------------------|------------------------------------|------------------------------------|
| General Obligation Bonds: | | |
| May 1999 Bond Issue | | |
| 5.85% due 12/1/2024 | \$ 1,210,000 | \$ 1,240,000 |
| November 1999 Bond Issue | | |
| 5.85% due 12/1/2022 | 2,540,000 | 2,615,000 |
| | \$ 3,750,000 | \$ 3,855,000 |

Current Issues

Ridgewood School District is primarily state funded. The District does not anticipate what level per student the state will fund for fiscal year 2006 and it is uncertain what its enrollment will be for future years. Electronic schools are becoming more popular as an alternative to traditional public education. The District has a historical trend of a net loss of students through open enrollment. As programs and course offerings are reduced, the District may lose more students through these alternative forms of education.

Recent Levy History

May 6, 2003 – 1% income continuing operating levy –
 1,486 votes cast. 929 against the levy (63%) to 557 for the levy (37%).
 The levy was defeated by 372 votes.

November 4, 2003 – combination replacement 7.8 mill and additional 4.2 mill
 five-year operating levy –
 2,815 votes cast. 2,125 against the levy (75%) to 690 for the levy (25%).
 The levy was defeated by 1,435 votes.

March 2, 2004 – 7.8 mill five-year operating levy renewed –
 tax years 2004-2008 and collections for calendar years 2005-2009.
 2,561 votes cast. 1,180 against the levy (46%) to 1,381 for the levy (54%).
 The levy passed by 201 votes.

Ridgewood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

August 3, 2004 – ½% five-year income tax operating levy –
1,703 votes cast. 1,236 votes against the levy (73%) to 467 votes for the levy (27%).
The levy was defeated by 769 votes.

November 2, 2004 – 1/4% five year income tax operating levy on the ballot. Levy did not pass.

Due to plant closings and layoffs we may experience higher delinquencies. Operating levies in the district are all continuing except one, the 7.8 mill 5 year operating levy. This levy was most recently renewed on March 2, 2004 for collection in calendar years 2005-2009.

State funding is crucial to this district. A very important aspect of state revenue is not just the publicized increases but how of the increases are restricted and how much are unrestricted. When local valuation increases (6 year revaluation tax year 2003, collection fiscal year 2004) state funding decreases more than local funding increases. Local increases are limited to the 4.7 inside mills and new construction. GAAP aid decreases if additional levies are passed.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House bill 920 which passed in 1976. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00 annually in taxes. Thus, the School District's dependency upon property taxes is hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property, liability, and fleet insurance.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

Another concern of the School District will be the State Legislative approval of the biennial budget, effective July 1, 2005. How the legislature plans to fund education programs during a weakened economy remains a concern.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Patti Stocker, Treasurer of Ridgewood Local School District, 301 S. Oak Street, West Lafayette, Ohio 43845.

Ridgewood Local School District

Statement of Net Assets

June 30, 2004

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$ 3,482,398 |
| Cash and Cash Equivalents: | |
| Restricted Cash | 42,320 |
| Receivables: | |
| Taxes | 2,603,326 |
| Intergovernmental | 109,363 |
| Prepaid Items | 121,910 |
| Nondepreciable Capital Assets | 194,966 |
| Depreciable Capital Assets (Net) | <u>20,251,271</u> |
| <i>Total Assets</i> | <u>26,805,554</u> |
| Liabilities | |
| Accounts Payable | 74,046 |
| Accrued Wages and Benefits | 902,426 |
| Intergovernmental Payable | 305,318 |
| Deferred Revenue | 2,334,276 |
| Claims Payable | 100,078 |
| Long Term Liabilities: | |
| Due Within One Year | 160,007 |
| Due Within More Than One Year | <u>4,694,048</u> |
| <i>Total Liabilities</i> | <u>8,570,199</u> |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 16,388,299 |
| Restricted for: | |
| Capital Projects | 252,284 |
| Debt Service | 217,883 |
| Other Purposes | 632,404 |
| Unrestricted | <u>744,485</u> |
| <i>Total Net Assets</i> | <u><u>\$ 18,235,355</u></u> |

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

Ridgewood Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

| | Expenses | Program Revenues | | Net (Expense) |
|--------------------------------------|----------------------|--------------------------------|------------------------------------|-----------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions | Revenue and Changes in Net Assets |
| | | | | Governmental Activities |
| Governmental Activities | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | \$ 5,927,396 | \$ 256,783 | \$ 112,810 | \$ (5,557,803) |
| Special | 1,229,374 | 0 | 307,698 | (921,676) |
| Vocational | 328,106 | 0 | 0 | (328,106) |
| Other | 1,249 | 0 | 0 | (1,249) |
| Support services: | | | | |
| Pupils | 261,118 | 0 | 10,408 | (250,710) |
| Instructional Staff | 398,348 | 0 | 181,171 | (217,177) |
| Board of Education | 27,812 | 0 | 0 | (27,812) |
| Administration | 809,206 | 0 | 70,992 | (738,214) |
| Fiscal | 295,775 | 0 | 0 | (295,775) |
| Operation and Maintenance of Plant | 1,156,984 | 0 | 2,599 | (1,154,385) |
| Pupil Transportation | 711,870 | 0 | 963 | (710,907) |
| Food Service Operations | 593,003 | 308,487 | 0 | (284,516) |
| Uniform Supplies | 34,094 | 32,856 | 0 | (1,238) |
| Extracurricular Activities | 336,744 | 162,042 | 0 | (174,702) |
| Debt Service: | | | | |
| Interest and Fiscal Charges | 233,224 | 0 | 0 | (233,224) |
| Total Governmental Activities | \$ 12,344,303 | \$ 760,168 | \$ 686,641 | (10,897,494) |

General Revenues

| | |
|---|----------------------|
| Property Taxes Levied for: | |
| General Purposes | 2,376,377 |
| Debt Service | 337,224 |
| Capital Outlay | 4,796 |
| Grants and Entitlements not Restricted to Specific Programs | 7,388,108 |
| Investment Earnings | 25,685 |
| Miscellaneous | 79,898 |
| Total General Revenues | 10,212,088 |
| Change in Net Assets | (685,406) |
| Net Assets Beginning of Year (Restated - Note 3) | 18,920,761 |
| Net Assets End of Year | \$ 18,235,355 |

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

Ridgewood Local School District

Balance Sheet

Governmental Funds

June 30, 2004

| | General | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,754,954 | \$ 1,250,855 | \$ 3,005,809 |
| Cash and Cash Equivalents: | | | |
| Restricted Cash | 42,320 | 0 | 42,320 |
| Receivables: | | | |
| Taxes | 2,223,755 | 379,571 | 2,603,326 |
| Interfund | 50,100 | 0 | 50,100 |
| Intergovernmental | 0 | 109,363 | 109,363 |
| Prepaid Items | 105,494 | 16,416 | 121,910 |
| <i>Total Assets</i> | <u>\$ 4,176,623</u> | <u>\$ 1,756,205</u> | <u>\$ 5,932,828</u> |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Accounts Payable | \$ 58,241 | \$ 15,805 | \$ 74,046 |
| Accrued Wages and Benefits | 800,533 | 101,893 | 902,426 |
| Interfund Payable | 0 | 50,100 | 50,100 |
| Intergovernmental Payable | 153,893 | 18,816 | 172,709 |
| Deferred Revenue | 2,100,112 | 374,826 | 2,474,938 |
| <i>Total Liabilities</i> | 3,112,779 | 561,440 | 3,674,219 |
| Fund Balances | | | |
| Fund Balance: | | | |
| Reserved for Encumbrances | 281,281 | 41,762 | 323,043 |
| Reserved for BWC Refunds | 42,320 | 0 | 42,320 |
| Reserved for Property Taxes Advance | 123,643 | 21,105 | 144,748 |
| Unreserved: | | | |
| Undesignated, Reported in: | | | |
| General Fund | 616,600 | 0 | 616,600 |
| Special Revenue Funds | 0 | 700,988 | 700,988 |
| Debt Service Fund | 0 | 183,263 | 183,263 |
| Capital Projects Funds | 0 | 247,647 | 247,647 |
| <i>Total Fund Balances</i> | <u>1,063,844</u> | <u>1,194,765</u> | <u>2,258,609</u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$ 4,176,623</u> | <u>\$ 1,756,205</u> | <u>\$ 5,932,828</u> |

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

Ridgewood Local School District
Reconciliation of Total Governmental Fund Balances to
Net Assets Governmental Activities
June 30, 2004

| | | |
|----------------------------------|----|-----------|
| Total Governmental Fund Balances | \$ | 2,258,609 |
|----------------------------------|----|-----------|

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

| | | |
|--|--|------------|
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. | | 20,446,237 |
|--|--|------------|

Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.

| | | |
|---------------------------|-----------|---------|
| Grants | \$ 16,360 | |
| Delinquent Property Taxes | 124,302 | 140,662 |

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

376,511

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 | 4,032,000 | |
| Compensated Absences | 796,117 | |
| Capital Lease Payable | 25,938 | |
| Intergovernmental Payable | 132,609 | (4,986,664) |

| | | |
|---------------------------------------|----|------------|
| Net Assets of Governmental Activities | \$ | 18,235,355 |
|---------------------------------------|----|------------|

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

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

| | General | Other Governmental Funds | Total Governmental Funds |
|---|--------------|--------------------------------|--------------------------------|
| Revenues: | | | |
| Taxes | \$ 2,319,318 | \$ 379,734 | \$ 2,699,052 |
| Intergovernmental | 7,066,571 | 1,013,290 | 8,079,861 |
| Investment Income | 19,037 | 6,648 | 25,685 |
| Tuition and Fees | 252,447 | 1,976 | 254,423 |
| Extracurricular Activities | 0 | 160,066 | 160,066 |
| Charges for Services | 0 | 345,679 | 345,679 |
| Miscellaneous | 70,156 | 9,742 | 79,898 |
| <i>Total Revenues</i> | 9,727,529 | 1,917,135 | 11,644,664 |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 4,629,618 | 146,558 | 4,776,176 |
| Special | 907,237 | 327,633 | 1,234,870 |
| Vocational | 328,349 | 0 | 328,349 |
| Other | 1,249 | 0 | 1,249 |
| Support Services: | | | |
| Pupils | 258,009 | 11,471 | 269,480 |
| Instructional Staff | 222,707 | 173,174 | 395,881 |
| Board of Education | 27,812 | 0 | 27,812 |
| Administration | 746,535 | 69,784 | 816,319 |
| Fiscal | 289,378 | 9,614 | 298,992 |
| Operation and Maintenance of Plant | 1,053,030 | 117,063 | 1,170,093 |
| Pupil Transportation | 682,291 | 822 | 683,113 |
| Food Service Operations | 0 | 552,677 | 552,677 |
| Uniform Supplies | 0 | 34,094 | 34,094 |
| Extracurricular Activities | 177,163 | 158,682 | 335,845 |
| Capital outlay | 0 | 271,960 | 271,960 |
| Debt Service: | | | |
| Principal Retirement | 18,331 | 104,999 | 123,330 |
| Interest and Fiscal Charges | 15,542 | 217,682 | 233,224 |
| <i>Total Expenditures</i> | 9,357,251 | 2,196,213 | 11,553,464 |
| <i>Excess of Revenues Over (Under) Expenditures</i> | 370,278 | (279,078) | 91,200 |
| Other Financing Sources (Uses): | | | |
| Proceeds From Sales of Fixed Assets | 3,128 | 0 | 3,128 |
| Transfers In | 0 | 527,308 | 527,308 |
| Transfers Out | (73,000) | (454,308) | (527,308) |
| <i>Total Financing Sources and (Uses)</i> | (69,872) | 73,000 | 3,128 |
| <i>Net Change in Fund Balance</i> | 300,406 | (206,078) | 94,328 |
| <i>Fund Balance at Beginning of Year</i> | 763,438 | 1,400,843 | 2,164,281 |
| <i>Fund Balance at End of Year</i> | \$ 1,063,844 | \$ 1,194,765 | \$ 2,258,609 |

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

Ridgewood Local School District
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004

| | | |
|--|----|--------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 94,328 |
|--|----|--------|

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 exceeded capital outlay in the current period.

| | | |
|---------------------------|---------------------|-----------|
| Current Year Depreciation | <u>\$ (931,190)</u> | (931,190) |
|---------------------------|---------------------|-----------|

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

| | | |
|---------------------------|---------------|--------|
| Grants | (5,112) | |
| Delinquent Property Taxes | <u>19,345</u> | 14,233 |

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

| | | |
|----------------|--------------|---------|
| Bond Principal | 117,000 | |
| Capital Leases | <u>6,330</u> | 123,330 |

Some expenses reported in the statement of net activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.

| | | |
|----------------------|-----------------|-----------|
| Compensated Absences | (146,552) | |
| Pension Obligation | <u>(11,712)</u> | (158,264) |

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

| | | |
|--|--|----------------|
| | | <u>172,157</u> |
|--|--|----------------|

| | | |
|---|----|-------------------------|
| Change in Net Assets of Governmental Activities | \$ | <u><u>(685,406)</u></u> |
|---|----|-------------------------|

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

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

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | Actual | |
| Revenues: | | | | |
| Taxes | \$ 2,324,385 | \$ 2,272,750 | \$ 2,273,527 | \$ 777 |
| Intergovernmental | 6,500,000 | 7,045,351 | 7,046,127 | 776 |
| Investment Income | 4,284 | 18,600 | 19,037 | 437 |
| Tuition and Fees | 56,885 | 252,352 | 252,447 | 95 |
| Miscellaneous | 14,516 | 62,299 | 64,389 | 2,090 |
| <i>Total Revenues</i> | <u>8,900,070</u> | <u>9,651,352</u> | <u>9,655,527</u> | <u>4,175</u> |
| Expenditures: | | | | |
| Current | | | | |
| Instruction | 5,811,077 | 6,115,650 | 5,972,472 | 143,178 |
| Support Services | | | | |
| Pupils | 257,629 | 279,666 | 274,992 | 4,674 |
| Instructional Staff | 220,427 | 252,598 | 244,007 | 8,591 |
| Board of Education | 27,902 | 27,996 | 27,800 | 196 |
| Administration | 749,636 | 804,724 | 785,357 | 19,367 |
| Fiscal | 290,182 | 334,167 | 330,735 | 3,432 |
| Operation and Maintenance of Plant | 1,078,881 | 1,212,096 | 1,156,887 | 55,209 |
| Pupil Transportation | 689,182 | 795,609 | 710,819 | 84,790 |
| Extracurricular Activities | 175,783 | 177,728 | 176,739 | 989 |
| <i>Total Expenditures</i> | <u>9,300,700</u> | <u>10,000,234</u> | <u>9,679,808</u> | <u>320,426</u> |
| Excess of Revenues Over (Under) Expenditures | (400,630) | (348,882) | (24,281) | 324,601 |
| Other Financing Sources (Uses): | | | | |
| Proceeds from Sale of Assets | 0 | 3,128 | 3,128 | 0 |
| Refund of Prior Year Receipts | 0 | 33,969 | 33,969 | 0 |
| Advances In | 0 | 47,328 | 47,328 | 0 |
| Advances Out | 0 | (50,100) | (50,100) | 0 |
| Transfers Out | 0 | (73,000) | (73,000) | 0 |
| <i>Total Other Financing Sources (Uses)</i> | <u>0</u> | <u>(38,675)</u> | <u>(38,675)</u> | <u>0</u> |
| <i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i> | (400,630) | (387,557) | (62,956) | 324,601 |
| <i>Fund Balance (Deficit) at Beginning of Year</i> | 1,521,968 | 1,521,968 | 1,521,968 | 0 |
| Prior Year Encumbrances Appropriated | 338,268 | 338,268 | 338,268 | 0 |
| <i>Fund Balance (Deficit) at End of Year</i> | <u>\$ 1,459,606</u> | <u>\$ 1,472,679</u> | <u>\$ 1,797,280</u> | <u>\$ 324,601</u> |

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

Ridgewood Local School District

Statement of Net Assets

Proprietary Funds

June 30, 2004

| | Governmental Activities Internal Service Fund |
|--|--|
| | <u> </u> |
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$ 476,589 |
| | <u> </u> |
| Liabilities | |
| Claims Payable | 100,078 |
| | <u> </u> |
| Net Assets | |
| Unrestricted | \$ 376,511 |
| | <u><u> </u></u> |

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

Ridgewood Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2004

| | Governmental Activities - Internal Service Fund |
|---|--|
| Operating Revenues: | |
| Other Operating Revenues | \$ 1,624,344 |
| Operating Expenses: | |
| Purchased Services | 328,004 |
| Materials and Supplies | 34 |
| Claims | 1,124,149 |
| <i>Total Operating Expenses</i> | 1,452,187 |
| <i>Change in Net Assets</i> | 172,157 |
| <i>Net Assets (Deficit) Beginning of Year</i> | 204,354 |
| <i>Net Assets (Deficit) End of Year</i> | \$ 376,511 |

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

Ridgewood Local School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2004

| | <u>Governmental Activities - Internal Service Fund</u> |
|--|--|
| Cash Flows From Operating Activities: | |
| Cash Received from Customers | \$ 1,624,855 |
| Cash Paid for Goods and Services | (328,038) |
| Cash Paid for Claims | <u>(1,155,271)</u> |
| <i>Net Cash Provided by Operating Activities</i> | <u>141,546</u> |
| <i>Net Increase in Cash and Cash Equivalents</i> | 141,546 |
| <i>Cash and Cash Equivalents at Beginning of Year</i> | <u>335,043</u> |
| <i>Cash and Cash Equivalents at End of Year</i> | <u><u>\$ 476,589</u></u> |
| Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities: | |
| Operating Income | \$ 172,157 |
| Adjustments: | |
| Increase in Assets: | |
| Accounts Receivable | 511 |
| Decrease in Liabilities: | |
| Claims Payable | <u>(31,122)</u> |
| <i>Total Adjustments</i> | <u>(30,611)</u> |
| <i>Net Cash Provided by Operating Activities</i> | <u><u>\$ 141,546</u></u> |

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

Ridgewood Local School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2004

| | <u>Agency</u> |
|--|------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$ <u>43,242</u> |
| Liabilities | |
| Accounts Payable | \$ 1,427 |
| Due to Students | <u>41,815</u> |
| <i>Total Liabilities</i> | <u>\$ 43,242</u> |

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

Ridgewood Local School District

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

Note 1 - Description of the School District

Ridgewood Local School District (the "School District") was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on, or as of, June 30, 2004, was 1,529. The School District employs 107 certified and 82 non-certified employees.

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Ridgewood Local School District

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

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

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

B. Fund Accounting

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

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

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

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

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

Ridgewood Local School District

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 8.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities 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 Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (Continued)

During fiscal year 2004, investments were limited to STAROhio, (the State Treasurer's Investment Pool).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$19,037 which includes \$4,996 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material and to create a reserve for budget stabilization. See Note 24 for additional information regarding set asides.

G. Capital Assets

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

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

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

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (Continued)

| Description | Governmental Activities Estimated Lives |
|----------------------------|---|
| Land | N/A |
| Buildings and Improvements | 10 - 40 Years |
| Furniture and Fixtures | 5 - 20 Years |
| Vehicles | 13 Years |
| Textbooks | 5 Years |

H. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

I. Compensated Absences

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

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

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (Continued)

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

K. Net Assets

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

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

L. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

N. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The proprietary funds received no capital contributions during the current fiscal year.

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (Continued)

O. 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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Extraordinary and Special Items

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

Q. Estimates

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

R. Receivables

Receivables at June 30, 2004, consisted of taxes and intergovernmental grants. 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 fiscal year guarantee of federal funds.

S. Budgetary Data

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

Ridgewood Local School District

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

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

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

Ridgewood Local School District

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

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

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

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

The government-wide financial statements split the School District’s programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by elimination of the internal service fund and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

Restatement of Fund Balance The following describes the transition from governmental fund balance to net assets of the governmental activities.

| | General | Governmental | Total |
|---|------------|--------------|---------------|
| Fund Balance June 30, 2003 | \$ 763,438 | \$ 1,380,068 | \$ 2,143,506 |
| Reclassification of Enterprise Funds | 0 | 20,775 | 20,775 |
| Restated Fund Balance July 1, 2003 | \$ 763,438 | \$ 1,400,843 | 2,164,281 |
| Fund Structure: | | | |
| Capital Assets | | | 21,377,427 |
| Capital Leases | | | (32,268) |
| Compensated Absences | | | (649,565) |
| Internal Service Fund | | | 204,354 |
| Pension Obligations | | | (120,897) |
| Long-Term Liabilities | | | (4,149,000) |
| Long-Term Deferred Assets | | | 126,429 |
| Governmental Activities Net Assets, June 30, 2003 | | | \$ 18,920,761 |

Note 4 – Fund Deficits

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

| | Deficit | |
|------------------------------|--------------|------------|
| | Fund Balance | Net Assets |
| Nonmajor Governmental Funds: | | |
| Uniform Supply | \$ 18,229 | \$ 18,229 |
| Title VI-B | 0 | 2,761 |

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

Note 5 – Net Assets Restricted for Other Purposes

Net assets restricted for other purposes consisted of the following:

| | |
|---|------------|
| General Fund Reserve for BWC Refunds | \$ 42,320 |
| Nonmajor Governmental Special Revenue Funds | 590,084 |
| | \$ 632,404 |

Ridgewood Local School District

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

Note 6 - Budgetary Basis of Accounting

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

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

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

Net Change in Fund Balance

| | <u>General</u> |
|---|---------------------------|
| GAAP Basis | \$ 300,406 |
| Net Adjustment for Revenue Accruals | (72,002) |
| Advance In | 47,328 |
| Advance Out | (50,100) |
| Net Adjustment for Expenditure Accruals | 49,680 |
| Adjustment for Encumbrances | <u>(338,268)</u> |
| Budget Basis | <u><u>\$ (62,956)</u></u> |

Note 7 - Deposits and Investments

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

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

Ridgewood Local School District

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

Note 7 - Deposits and Investments (Continued)

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

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

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

Interim monies to 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;
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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain 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,

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 7 - Deposits and Investments (Continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$2,990,495 bank balance was \$3,072,398. Of the bank balance:

1. \$200,000 of the bank balance was covered by depository insurance; and
2. \$2,872,398 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments GASB Statement No. 3 requires the School District's investments to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

| | Carrying Value | Fair Value |
|----------|-------------------|---------------|
| STAROhio | \$ 577,465 | \$ 577,465 |

Ridgewood Local School District

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

Note 7 - Deposits and Investments (Continued)

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

| | <u>Cash and Cash Equivalents</u> | <u>Investments</u> |
|----------------------|--------------------------------------|---------------------|
| GASB Statement No. 9 | \$ 3,567,960 | \$ 0 |
| STAROhio | <u>(577,465)</u> | <u>(577,465)</u> |
| GASB Statement No. 3 | <u>\$ 2,990,495</u> | <u>\$ (577,465)</u> |

Note 8 – Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a subsequent fiscal year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1, and are collected with real property taxes. Assessed values for real property are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 100% of true value (with certain exceptions) and on real property at 35% of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25% of true value. The assessed values upon which the fiscal year 2004 taxes were collected are:

| | <u>Amount</u> | <u>Percent</u> |
|---|-----------------------|----------------|
| Agricultural/Residential and Other Real Estate | \$ 98,290,120 | 89.34% |
| Public Utility Personal | 1,297,350 | 1.18% |
| Tangible Personal Property | <u>10,432,532</u> | <u>9.48%</u> |
| | <u>\$ 110,020,002</u> | <u>100.00%</u> |
| Tax Rate per \$1,000 of Assessed Valuation | \$ 43.00 | |

Ridgewood Local School District

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

Note 8 – Property Taxes (Continued)

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30, with the remainder payable by September 20.

The Coshocton, Guernsey, and Tuscarawas County Auditors are responsible for assessing and remitting these property taxes to the District. The County Auditors periodically advance to the District their portion of the taxes collected. The amount available to the District as an advance at June 30, 2004 is available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available and measurable are recorded as revenue. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount measurable and available to the District at June 30, 2004, was \$144,748.

Note 9 - Interfund Transfers

Transfers made during fiscal year 2004 were as follows:

| Fund | Transfer In | Transfer Out |
|----------------------------------|-------------------|-------------------|
| General Fund | \$ 0 | \$ 73,000 |
| Classroom Facilities Maintenance | 0 | 449,983 |
| Classroom Facilities | 449,983 | 0 |
| Food Service | 73,000 | 0 |
| Title II A | 4,313 | 4,110 |
| Miscellaneous Federal | 12 | 215 |
| Total | <u>\$ 527,308</u> | <u>\$ 527,308</u> |

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

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 10 - Interfund Balances

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

| | Interfund Receivable | Interfund Payable |
|-----------------------------|-------------------------|----------------------|
| General Fund | \$ 50,100 | \$ 0 |
| Nonmajor Governmental Funds | 0 | 50,100 |
| | \$ 50,100 | \$ 50,100 |

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

Note 11 – Receivables

Receivables at June 30, 2004 consisted of taxes and intergovernmental entitlements and grants. 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 intergovernmental receivables follows:

| | Amount |
|-------------------------------------|------------|
| <i>General Fund</i> | \$ 0 |
| <i>Nonmajor Governmental Funds</i> | |
| Voc Ed Enhancements | 763 |
| Title I | 43,968 |
| Title VI-B | 15,886 |
| Title II-A | 22,200 |
| Title II-D | 1,102 |
| Title V | 1,311 |
| Drug Free | 311 |
| Food Service | 23,822 |
| Total Nonmajor Governmental Funds | 109,363 |
| Total Intergovernmental Receivables | \$ 109,363 |

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 12 - Capital Assets

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

| | Restated Balance 06/30/03 | Additons | Reductions | Balance 6/30/04 |
|---|---------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Governmental Activities | | | | |
| <i>Capital Assets, not being depreciated:</i> | | | | |
| Land | \$ 194,966 | \$ 0 | \$ 0 | \$ 194,966 |
| <i>Capital Assets, being depreciated:</i> | | | | |
| Land Improvements | 2,054,262 | 0 | 0 | 2,054,262 |
| Buildings and Improvements | 21,407,236 | 0 | 0 | 21,407,236 |
| Furniture and Equipment | 3,155,531 | 0 | 0 | 3,155,531 |
| Vehicles | 1,091,839 | 0 | 0 | 1,091,839 |
| Educational Media | <u>904,504</u> | <u>0</u> | <u>0</u> | <u>904,504</u> |
| Total Capital Assets, being depreciated | 28,613,372 | 0 | 0 | 28,613,372 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (499,664) | (127,488) | 0 | (627,152) |
| Buildings and Improvements | (3,671,214) | (492,548) | 0 | (4,163,762) |
| Furniture and Equipment | (1,474,093) | (260,280) | 0 | (1,734,373) |
| Vehicles | (881,436) | (50,874) | 0 | (932,310) |
| Textbooks | <u>(904,504)</u> | <u>0</u> | <u>0</u> | <u>(904,504)</u> |
| Total Accumulated Depreciation | <u>(7,430,911)</u> | <u>(931,190)</u> | <u>0</u> | <u>(8,362,101)</u> |
| Total Capital Assets being depreciated, net | <u>21,182,461</u> | <u>(931,190)</u> | <u>0</u> | <u>20,251,271</u> |
| Governmental Capital Assets, net | <u>\$ 21,377,427</u> | <u>\$ (931,190)</u> | <u>\$ 0</u> | <u>\$ 20,446,237</u> |

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 12 - Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------------------|------------------------------|
| Instruction: | |
| Regular | \$ 824,838 |
| Support Services: | |
| Instructional Staff | 5,288 |
| Administration | 23,717 |
| Operation and Maintenance of Plant | 881 |
| Pupil Transportation | 53,648 |
| Food Service | <u>22,818</u> |
| Total Depreciation | <u><u>\$ 931,190</u></u> |

Note 13 – Risk Management

The School District is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The School District has a comprehensive property and casualty policy with Indiana Insurance in the amount of \$38,407,285. The deductible is \$1,000 per incident on property and equipment, providing replacement cost for such items. An inventory of all loose equipment is conducted annually.

All vehicles are also insured with Indiana Insurance and have a \$250 deductible for comprehensive and a \$500 deductible for collision. The School District has a violence coverage policy with the Ohio School Plan. The limits to this coverage are \$500,000 per occurrence and \$1,000,000 per aggregate.

Appropriate liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

A surety bond of \$50,000 is maintained on the Treasurer. Bonds are also provided for the school board president and superintendent in the amount of \$20,000 each.

By State statute, Bond is provided by all contractors in amounts sufficient to cover the entire bid amount awarded to the contractor.

The District has established a limited risk management program for hospital/medical benefits. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2004, a total expense of \$1,124,149 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of \$35,000. The liability for unpaid claims cost of \$100,078 reported in the fund at June 30, 2004 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions.

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 13 – Risk Management (Continued)

Changes in the fund's claims liability amount in 2003 and 2004 were:

| | | <u>Balance</u> <u>Beginning of Year</u> | <u>Current Year</u> <u>Claims</u> | <u>Claim</u> <u>Payments</u> | <u>Balance at</u> <u>End of Year</u> |
|------|----|--|--------------------------------------|---------------------------------|---|
| 2003 | \$ | 194,700 | \$ 1,190,080 | \$ 1,253,580 | \$ 131,200 |
| 2004 | \$ | 131,200 | \$ 1,124,149 | \$ 1,155,271 | \$ 100,078 |

Note 14 – Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service and hours worked. Vacation days are credited to non-certified employees on the anniversary of their employment and must be used within the next twelve months. Classified employees may carryover a maximum of five vacation days beyond the twelve month period. Additional days may be carried over only with the approval of the superintendent. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of fifteen (15) days per year.. Payment is made of one-fourth of the total sick leave accumulation, up to a maximum accumulation of 180 days upon retirement for certified employees or 225 days upon termination with 10 years of service for non-certified employees.

Note 15- Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 5.83% of annual covered salary was the portion used to fund health care. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$205,811, \$205,332, and \$197,424, respectively; 46% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$111,324 represents the unpaid contribution for fiscal year 2004, and is recorded as a liability within the respective funds.

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 15- Pension Plans (Continued)

B. State Teachers Retirement System

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

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10.0% of their annual covered salaries. The School District was required to contribute 14%; 13% 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$623,731, \$619,212, and \$607,704, respectively; 83% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$1,239 made by the School District and \$1,757 made by the plan members. \$105,032 represents the unpaid contribution for fiscal year 2004, and is recorded as a liability within the respective funds.

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 15- Pension Plans (Continued)

C. Social Security System

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

Note 16 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$43,472 during the 2004 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, the health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2004, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$101,443.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS had approximately 50,000 participants currently receiving health care benefits.

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 17 – Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

B. Litigation

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

Note 18 - Long - Term Obligations

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

| | Outstanding 6/30/03 | Additions | Reductions | Outstanding 6/30/04 | Amounts Due in One Year |
|--|------------------------|------------|------------|------------------------|-------------------------------|
| Governmental Activities: | | | | | |
| General Obligation Bonds: | | | | | |
| May 1999 Bond Issue 5.85% due 12/1/2024 | \$ 1,240,000 | \$ 0 | \$ 30,000 | \$ 1,210,000 | \$ 35,000 |
| November 1999 Bond Issue 5.85% due 12/1/2022 | 2,615,000 | 0 | 75,000 | 2,540,000 | 90,000 |
| | 3,855,000 | 0 | 105,000 | 3,750,000 | 125,000 |
| Capital Leases | 326,268 | 0 | 18,330 | 307,938 | 18,864 |
| Compensated Absences | 633,063 | 219,382 | 56,328 | 796,117 | 16,143 |
| Total Governmental Activities Long-Term Liabilities | \$ 4,814,331 | \$ 219,382 | \$ 179,658 | \$ 4,854,055 | \$ 160,007 |

Proceeds of the bond issues were expended on building renovations.

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 18 - Long - Term Obligations (Continued)

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

| Fiscal Year Ending June 30, | Bond Levy (May 99) | | Total |
|--------------------------------|---------------------|-------------------|---------------------|
| | Principal | Interest | |
| 2005 | \$ 35,000 | \$ 68,845 | \$ 103,845 |
| 2006 | 35,000 | 67,094 | 102,094 |
| 2007 | 35,000 | 65,344 | 100,344 |
| 2008 | 40,000 | 63,469 | 103,469 |
| 2009 | 40,000 | 61,444 | 101,444 |
| 2010-2014 | 230,000 | 272,889 | 502,889 |
| 2015-2019 | 305,000 | 194,850 | 499,850 |
| 2020-2025 | 490,000 | 92,700 | 582,700 |
| Total | <u>\$ 1,210,000</u> | <u>\$ 886,635</u> | <u>\$ 2,096,635</u> |

| Fiscal Year Ending June 30, | Bond Levy (Nov 99) | | Total |
|--------------------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | |
| 2005 | \$ 90,000 | \$ 143,087 | \$ 233,087 |
| 2006 | 90,000 | 138,588 | 228,588 |
| 2007 | 90,000 | 134,087 | 224,087 |
| 2008 | 95,000 | 129,463 | 224,463 |
| 2009 | 95,000 | 124,653 | 219,653 |
| 2010-2014 | 555,000 | 540,865 | 1,095,865 |
| 2015-2019 | 750,000 | 350,400 | 1,100,400 |
| 2020-2023 | 775,000 | 96,450 | 871,450 |
| Total | <u>\$ 2,540,000</u> | <u>\$ 1,657,593</u> | <u>\$ 4,197,593</u> |

The bonds are backed by the full faith and credit of the Ridgewood Local School District.

Ridgewood Local School District

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

Note 19 – Capitalized Leases

Capital lease obligations relate to copier equipment and an administrative building lease purchase agreement, which is leased under long-term agreements. The leases meet the criteria of capital leases as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases". Capital lease payments in the general fund have been reclassified and are reflected as debt service in the basic financial statements for the general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004.

| Fiscal Year Ending June 30, | Equipment Lease | | Total |
|--------------------------------|------------------|-----------------|------------------|
| | Principal | Interest | |
| 2005 | \$ 6,864 | \$ 1,855 | \$ 8,719 |
| 2006 | 7,443 | 1,276 | 8,719 |
| 2007 | 8,071 | 648 | 8,719 |
| 2008 | 3,560 | 73 | 3,633 |
| Total | <u>\$ 25,938</u> | <u>\$ 3,852</u> | <u>\$ 29,790</u> |

| Fiscal Year Ending June 30, | Building Lease | | Total |
|--------------------------------|-------------------|-------------------|-------------------|
| | Principal | Interest | |
| 2005 | \$ 12,000 | \$ 12,340 | \$ 24,340 |
| 2006 | 12,000 | 11,797 | 23,797 |
| 2007 | 12,000 | 11,255 | 23,255 |
| 2008 | 12,000 | 10,712 | 22,712 |
| 2009 | 12,000 | 10,170 | 22,170 |
| 2010-2014 | 60,000 | 42,714 | 102,714 |
| 2015-2019 | 56,000 | 29,267 | 85,267 |
| 2020-2025 | 67,000 | 19,232 | 86,232 |
| 2024-2027 | 39,000 | 2,147 | 41,147 |
| Total | <u>\$ 282,000</u> | <u>\$ 149,634</u> | <u>\$ 431,634</u> |

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 20 – Deferred Revenue

Deferred revenue at 6/30/04 consisted of the following:

| | <u>Statement of Net Assets</u> | <u>Balance Sheet</u> |
|---------------------------|------------------------------------|--------------------------|
| Property Taxes Receivable | \$ 2,334,276 | \$ 2,458,578 |
| Grants Receivable | <u>0</u> | <u>16,360</u> |
| Deferred Revenue | <u>\$ 2,334,276</u> | <u>\$ 2,474,938</u> |

Note 21 – Jointly Governed Organizations

The OME-RESA is a jointly governed organization comprised of 49 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 OME-RESA based upon a per pupil charge dependent upon the software package utilized. The OME-RESA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. OME-RESA is governed by a board of directors chosen from the general membership of the OME-RESA 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 from which participating districts are located. Financial information can be obtained by contacting the Jefferson County Educational Service Center, which serves as fiscal agent, located at Steubenville, Ohio. During the year ended June 30, 2004, the School District paid approximately \$37,678 to OME-RESA for basic service charges.

Note 22 – Statutory Reserves

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

Effective April 10, 2001, Senate Bill 345, eliminated the requirement that the School Districts' establish and maintain a budget stabilization reserve. The monies which do not represent BWC refunds may be left in the budget reserve set-aside, or returned to the General fund and used at the discretion of the of the District's Board of Education.

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 22 – Statutory Reserves (Continued)

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

| | BWC Refund | Capital Improvement Reserve | Textbook Instructional Materials Reserve | Total |
|--|------------------|-----------------------------------|---|---------------------|
| Set-Aside Cash Balance as of June 30, 2003 | \$ 42,320 | \$ 0 | \$ 0 | \$ 42,320 |
| Set-Aside Carry over Balance as of June 30, 2003 | 0 | 0 | (242,437) | (242,437) |
| Current Year Set-Aside Requirement | 0 | 180,347 | 180,347 | 360,694 |
| Qualifying Disbursements | 0 | (255,060) | (118,265) | (373,325) |
| Total | <u>\$ 42,320</u> | <u>\$ (74,713)</u> | <u>\$ (180,355)</u> | <u>\$ (212,748)</u> |
| Cash Balance Carried Forward FY 2004 | <u>\$ 42,320</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 42,320</u> |
| Amount to Restrict for Set-Asides | | | | <u>\$ 42,320</u> |
| Total Restricted Assets | | | | <u>\$ 42,320</u> |

The School District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. These extra amounts may only be used to reduce the set-aside requirement of future years for the purchase of textbooks and/or instructional materials. Negatives are therefore not presented as being carried forward to the next fiscal year for the other set-asides. The total reserve balance for the set-asides at the end of the fiscal year was \$42,320.

Note 23 – State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “the Ohio General Assembly to enact a school funding scheme that is thorough and efficient”.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 28, 2004

The Board of Education
Ridgewood Local School District
West Lafayette, Ohio 43845

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ridgewood Local School District (the "School District") as of and for the year then ended June 30, 2004, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 28, 2004, which included an explanatory paragraph regarding the accounting change to GASB34. 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.

Compliance

As part of obtaining reasonable assurance about whether the School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated December 28, 2004.

Internal Control Over Financial Reporting

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

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

Rea & Associates, Inc.



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

December 28, 2004

The Board of Education
Ridgewood Local School District
West Lafayette, Ohio 43845

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

Compliance

We have audited the compliance of Ridgewood Local School District (the “School District”) with the type of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The School District’s major federal program is identified in the summary of the auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District’s management. Our responsibility is to express an opinion on the School District’s compliance based on our audit.

We conducted our audit of compliance with those requirements 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 material noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District’s compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control over Compliance

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

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

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

Hea & Associates, Inc.

RIDGEWOOD LOCAL SCHOOL DISTRICT

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

| <u>Federal Grantor/ Pass Through Grantor/ Program Title</u> | <u>CFDA Number</u> | <u>Grant Number</u> | <u>Federal Receipts</u> | <u>Federal Disbursements</u> | <u>Non-Cash Disbursements</u> |
|--|------------------------|-------------------------|-----------------------------|----------------------------------|-----------------------------------|
| US Department of Agriculture (Passed Through Ohio Department of Education): | | | | | |
| Nutrition Cluster: | | | | | |
| Food Distribution Program - Non-Cash | 10.550 | N/A | \$ 65,177 | | \$ 63,680 |
| School Breakfast Program | 10.553 | N/A | 36,895 | 36,895 | |
| National School Lunch Program | 10.555 | N/A | <u>154,616</u> | <u>154,616</u> | <u>0</u> |
| Total Department of Agriculture - Nutrition Cluster | | | 256,688 | 191,511 | 63,680 |
| US Department of Education (Passed Through Ohio Department of Education): | | | | | |
| Title I | 84.010 | 046474-C1S1-04 | 249,160 | 252,959 | 0 |
| | | 046474-C1S1-03 | <u>0</u> | <u>26,294</u> | <u>0</u> |
| Total Title I | | | 249,160 | 279,253 | 0 |
| Chapter II | 84.298 | 046474-C2S1-04 | 7,127 | 6,598 | 0 |
| | | 046474-C2S1-03 | <u>0</u> | <u>548</u> | <u>0</u> |
| Total Chapter II | | | 7,127 | 7,146 | 0 |
| Special Education Cluster: | | | | | |
| Title VI-B | 84.027 | 046474-6BSF-04P | 187,540 | 173,543 | 0 |
| | | 046474-6BSF-03P | <u>0</u> | <u>23,834</u> | <u>0</u> |
| Total Title VI-B | | | 187,540 | 197,377 | 0 |
| Preschool Incentive | 84.173 | 046474-PGS1-04P | 11,176 | 11,176 | 0 |
| | | 046474-PGS1-03P | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Preschool Incentives | | | 11,176 | 11,176 | 0 |
| Total Special Education Cluster | | | 198,716 | 208,553 | 0 |
| Title IV | 84.168 | 046474-DRS1-03 | 0 | 182 | 0 |
| | | 046474-DRS1-04 | <u>9,890</u> | <u>8,171</u> | <u>0</u> |
| Total Title IV | | | 9,890 | 8,353 | 0 |
| Improving Teacher Quality | 84.367 | 046474-TRS1-03 | 0 | 13,092 | 0 |
| | | 046474-TRS1-04 | <u>63,915</u> | <u>62,497</u> | <u>0</u> |
| Total Improving Teacher Quality | | | 63,915 | 75,589 | 0 |
| Technology Literacy Challenge Fund Grant | 84.318 | 046474-TjS1-03 | 2,328 | 3,513 | 0 |
| | | 046474-TjS1-04 | <u>6,257</u> | <u>5,269</u> | <u>0</u> |
| Total Technology Literacy Challenge Fund Grant | | | 8,585 | 8,782 | 0 |
| Total U.S. Department of Education | | | <u>537,393</u> | <u>587,676</u> | <u>0</u> |
| Total Federal Assistance | | | <u>\$ 794,081</u> | <u>\$ 779,187</u> | <u>\$ 63,680</u> |

See accompanying notes to schedule of expenditures of federal awards.

RIDGEWOOD LOCAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2004

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B: NUTRITION CLUSTER

Non-monetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed. At June 30, 2004, the School District had no significant food commodities inventory. Reimbursement moneys are commingled with local receipts and state grants. It is assumed federal moneys are expended first.

RIDGEWOOD LOCAL SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, SECTION .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|--------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other reportable control weakness conditions at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under Section .510? | No |
| (d)(1)(vii) | Major Programs (list): | CFDA #84.010 Title 1 |
| (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 RELATING TO THE FINANCIAL STATEMENTS

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
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800-282-0370
Facsimile 614-466-4490

**RIDGEWOOD LOCAL SCHOOL DISTRICT
COSHOCKTON 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 22, 2005**