

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2005***





**Auditor of State  
Betty Montgomery**

Board of Education  
Ridgedale Local School District  
3103 Hillman-Ford Road  
Morrill, Ohio 43337

We have reviewed the *Independent Auditor's Report* of the Ridgedale Local School District, Marion County, prepared by Julian and Grube, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ridgedale 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

April 28, 2006

**This Page is Intentionally Left Blank.**

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - General Fund .....	19
Statement of Fiduciary Net Assets - Fiduciary Funds .....	20
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds .....	21
Notes to the Basic Financial Statements.....	22 - 52
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	53 - 54



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education  
Ridgedale Local School District  
3103 Hillman-Ford Road  
Morral, Ohio 43337

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, its major fund, and the aggregate remaining fund information of the Ridgedale Local School District, Marion County (the "District") as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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 the 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, its discretely presented component unit, its major fund, and the aggregate remaining fund information of the Ridgedale Local School District, Marion County, as of June 30, 2005, and the respective changes in financial position and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005.

Ridgedale Local School District  
Independent Auditor's Report  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
February 22, 2006

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

The management's discussion and analysis of the Ridgedale Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities increased \$236,598 which represents a 5.90% increase from 2004.
- General revenues accounted for \$6,103,068 in revenue or 75.43% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,988,039 or 24.57% of total revenues of \$8,091,107.
- The District had \$7,854,509 in expenses related to governmental activities; \$1,988,039 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,103,068 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$6,882,119 in revenues and other financing sources and \$6,884,458 in expenditures. During fiscal year 2005, the general fund's fund balance decreased \$2,339 from \$417,081 to \$414,742.

**Using these Basic Financial Statements**

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

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

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.



**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

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

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

***Reporting the District's Fiduciary Responsibilities***

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

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-46 of this report.

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2005 and 2004.

	<b>Net Assets</b>	
	Governmental Activities 2005	Governmental Activities 2004
	<u>2005</u>	<u>2004</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 3,148,610	\$ 3,105,774
Capital assets	<u>3,860,913</u>	<u>4,069,037</u>
Total assets	<u>7,009,523</u>	<u>7,174,811</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,949,698	2,196,527
Long-term liabilities	<u>813,567</u>	<u>968,624</u>
Total liabilities	<u>2,763,265</u>	<u>3,165,151</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	3,503,686	3,589,490
Restricted	447,750	279,972
Unrestricted	<u>294,822</u>	<u>140,198</u>
Total net assets	<u>\$ 4,246,258</u>	<u>\$ 4,009,660</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$4,246,258. Of this total, \$294,822 is unrestricted in use.

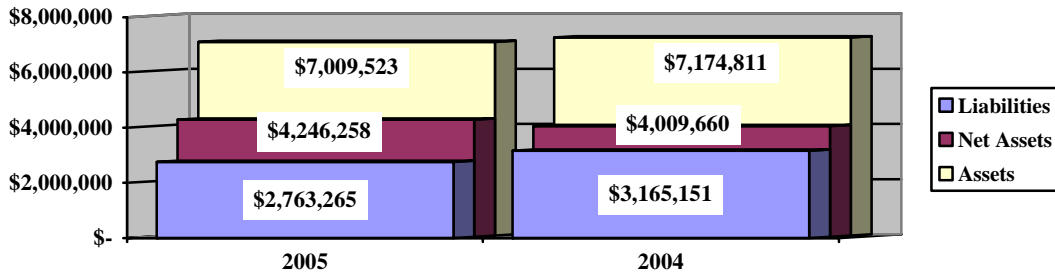
At year-end, capital assets represented 55.08% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$3,503,686. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$447,750, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$294,822 may be used to meet the District's ongoing obligations to the students and creditors.

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2005 and 2004.

**Change in Net Assets**

	Governmental Activities 2005	Governmental Activities 2004	Percentage Change
<b><u>Revenues</u></b>			
Program revenues:			
Charges for services and sales	\$ 1,561,258	\$ 1,603,684	(2.65) %
Operating grants and contributions	420,781	367,036	14.64 %
Capital grants and contributions	6,000	39,475	(84.80) %
General revenues:			
Property taxes	2,719,145	2,402,136	13.20 %
Grants and entitlements	3,146,346	3,333,664	(5.62) %
Investment earnings	10,947	15,232	(28.13) %
Other	226,630	82,145	175.89 %
<b>Total revenues</b>	<b>8,091,107</b>	<b>7,843,372</b>	<b>3.16 %</b>

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

**Change in Net Assets**

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>	<u>Percentage Change</u>
<b><u>Expenses</u></b>			
Program expenses:			
Instruction:			
Regular	\$ 3,103,728	\$ 3,309,511	(6.22) %
Special	473,664	411,616	15.07 %
Vocational	183,788	286,588	(35.87) %
Other	718,491	495,533	44.99 %
Support services:			
Pupil	87,480	166,024	(47.31) %
Instructional staff	376,650	470,398	(19.93) %
Board of education	11,618	13,098	(11.30) %
Administration	832,854	861,701	(3.35) %
Fiscal	214,447	218,569	(1.89) %
Business	90	27,024	(99.67) %
Operations and maintenance	680,200	669,166	1.65 %
Pupil transportation	522,794	618,116	(15.42) %
Central	66,720	14,791	351.09 %
Food service operations	273,061	278,264	(1.87) %
Operations of non-instructional services	4,122	13,553	(69.59) %
Extracurricular activities	287,533	286,005	0.53 %
Interest and fiscal charges	<u>17,269</u>	<u>11,075</u>	55.93 %
Total expenses	<u>7,854,509</u>	<u>8,151,032</u>	(3.64) %
Change in net assets	236,598	(307,660)	(176.90) %
Net assets at beginning of year	<u>4,009,660</u>	<u>4,317,320</u>	(7.13) %
Net assets at end of year	<u>\$ 4,246,258</u>	<u>\$ 4,009,660</u>	5.90 %

**Governmental Activities**

Net assets of the District's governmental activities increased \$236,598. Total governmental expenses of \$7,854,509 were offset by program revenues of \$1,988,039 and general revenues of \$6,103,068. Program revenues supported 25.31% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 72.49% of total governmental revenue.

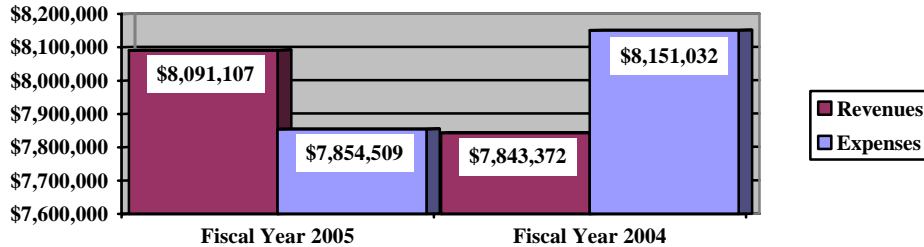
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,479,671 or 57.03% of total governmental expenses for fiscal year 2005.

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2005 and 2004.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

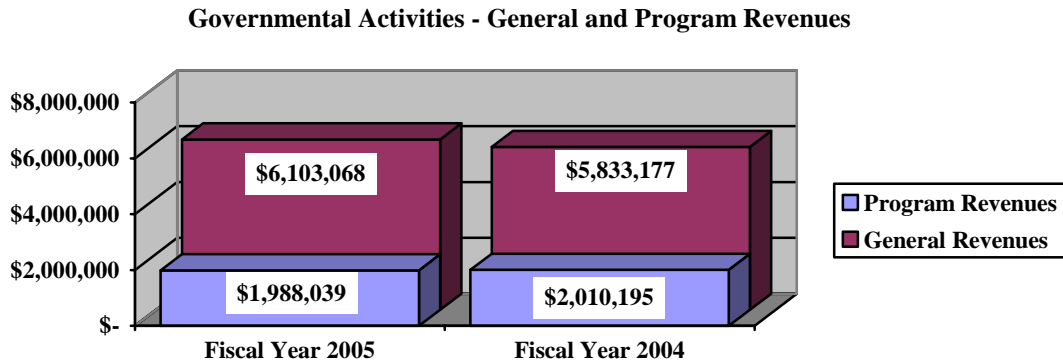
	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
<b>Program expenses</b>				
Instruction:				
Regular	\$ 3,103,728	\$ 1,887,770	\$ 3,309,511	\$ 2,033,387
Special	473,664	395,281	411,616	331,274
Vocational	183,788	181,510	286,588	286,588
Other	718,491	718,491	495,533	495,533
Support services:				
Pupil	87,480	85,917	166,024	76,936
Instructional staff	376,650	329,881	470,398	445,369
Board of education	11,618	11,618	13,098	13,098
Administration	832,854	675,333	861,701	849,855
Fiscal	214,447	214,447	218,569	218,569
Business	90	90	27,024	27,024
Operations and maintenance	680,200	677,666	669,166	666,555
Pupil transportation	522,794	521,629	618,116	618,116
Central	66,720	61,853	14,791	(14,684)
Food service operations	273,061	(11,149)	278,264	12,463
Operations of non-instructional services	4,122	(357)	13,553	13,130
Extracurricular activities	287,533	99,221	286,005	56,549
Interest and fiscal charges	17,269	17,269	11,075	11,075
<b>Total expenses</b>	<u>\$ 7,854,509</u>	<u>\$ 5,866,470</u>	<u>\$ 8,151,032</u>	<u>\$ 6,140,837</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 71.06% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 74.69%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal year 2005 and 2004.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$705,965, which is lower than last year's total of \$724,880. The June 30, 2004 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance June 30, 2005	Restated Fund Balance June 30, 2004	(Decrease)	Percentage Change
General	\$ 414,742	\$ 417,081	\$ (2,339)	(0.56) %
Other Governmental	291,223	307,799	(16,576)	(5.39) %
<b>Total</b>	<b>\$ 705,965</b>	<b>\$ 724,880</b>	<b>\$ (18,915)</b>	<b>(2.61) %</b>

**General Fund**

The District's general fund balance decreased \$2,339. The decrease in fund balance can be attributed to several items related to decreasing revenues and decreased expenditures. Expenditures exceed revenues for fiscal year 2005 by \$8,607. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2005 Amount	2004 Amount	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Taxes	\$ 2,604,677	\$ 2,414,238	\$ 190,439	7.89 %
Tuition	900,409	1,120,571	(220,162)	(19.65) %
Earnings on investments	7,305	11,882	(4,577)	(38.52) %
Intergovernmental	3,146,346	3,393,051	(246,705)	(7.27) %
Other revenues	217,114	97,457	119,657	122.78 %
<b>Total</b>	<b>\$ 6,875,851</b>	<b>\$ 7,037,199</b>	<b>\$ (161,348)</b>	<b>(2.29) %</b>

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

	2005 <u>Amount</u>	Restated 2004 <u>Amount</u>	Increase (Decrease)	Percentage Change
<b><u>Expenditures</u></b>				
Instruction	\$ 4,195,961	\$ 4,221,847	\$ (25,886)	(0.61) %
Support services	2,431,362	2,789,630	(358,268)	(12.84) %
Extracurricular activities	117,546	132,435	(14,889)	(11.24) %
Capital outlay	-	104,319	(104,319)	(100.00) %
Debt service	<u>139,589</u>	<u>594,800</u>	<u>(455,211)</u>	(76.53) %
Total	<u>\$ 6,884,458</u>	<u>\$ 7,843,031</u>	<u>\$ (958,573)</u>	(12.22) %

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2005, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$6,738,842 and final budgeted revenues and other financing sources were \$6,934,595. Actual revenues and other financing sources for fiscal year 2005 were \$6,988,287. This represents a \$53,692 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$7,313,417 were decreased to \$7,166,280 in the final appropriations. The actual budget basis expenditures for fiscal year 2005 totaled \$7,157,978, which was \$8,302 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2005, the District had \$3,860,913 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2005 balances compared to 2004:

	<b>Capital Assets at June 30 (Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Land	\$ 50,442	\$ 50,442
Land improvements	216,452	223,457
Building and improvements	2,860,448	2,929,652
Furniture and equipment	401,592	429,339
Vehicles	<u>331,979</u>	<u>436,147</u>
Total	<u>\$ 3,860,913</u>	<u>\$ 4,069,037</u>

The overall decrease in capital assets of \$208,124 is due to depreciation expense of \$214,909 exceeding capital outlays of \$6,785 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

***Debt Administration***

At June 30, 2005, the District had \$357,227 in capital lease obligations outstanding. Of this total, \$105,073 is due within one year and \$252,154 is due within greater than one year. The following table summarizes the capital lease obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
Capital lease obligations	\$ <u>357,227</u>	\$ <u>479,547</u>
Total	\$ <u><u>357,227</u></u>	\$ <u><u>479,547</u></u>

At June 30, 2005, the District's overall legal debt margin was \$7,796,971, and an unvoted debt margin of \$86,633.

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

**Current Financial Related Activities**

***Funding Challenges***

The Ridgedale Local School District is facing significant financial challenges. The Marion County economy remains in decline and state funding is uncertain. The District is primarily a residential/farming community. Residential growth is very low and agricultural land is decreasing in value. The District expects minimal growth in residential students. Student open enrollment has provided substantial revenue and has helped to maintain the fiscal stability of the District for the past several years. However, the District anticipates breaking even in FY06 with a cash deficit in FY06. This will change if the voters pass a new levy in calendar year 2006.

Since 2000, expenditures have exceeded revenues in the District. This trend has caused the depletion of carryover monies from previous years. The District has taken corrective action. The District has implemented more than \$1 million in Board-approved budget cuts, the majority being in staffing. Participation fees have been implemented and the Morral Elementary School was closed in 2004. A consolidation of buildings took place and now Ridgedale Local School consists of two buildings on one campus. This resulted in savings of \$200,000 per year. Even with these cuts, the Board and Administration have determined that the current levy amounts and the budget cuts cannot resolve the upcoming deficit. A new tax levy must be passed.

Between November 2003 and November 2004, the District made four attempts to pass a new levy. All ended in defeat. On May 3, 2005 the Board attempted another tax levy, but it was defeated also. This levy would have generated approximately \$690,000 for five years, estimated at 8.1 mils. The last successful operating levy was passed in 1992. This was an emergency levy that generated \$575,034 annually. The voters have renewed this levy twice, in 1997 and 2002, and it will be up for renewal again in 2007.



**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

***Budget Summary***

The fiscal year 2005 budget was very modest with minimal capital expenditures, and reductions in spending for instructional materials. As a result, in fiscal year 2005, the District was unable to spend enough in supplies and textbooks to meet the set-aside requirement. Standard operating costs, particularly health benefits, continue to rise at a rate exceeding revenue growth. The District is continuing to look for and has taken steps to control cost in many areas.

The District has taken steps to make the Food Service program self-sustaining. In previous years the District needed to transfer funds to this program so it would not have a negative balance. Staff reductions and operational changes were made, resulting in a positive impact on the fund.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Kim Reynolds, Treasurer, Ridgedale Local School District, 3103 Hillman Ford Rd., Morral, Ohio 43337.

**BASIC  
FINANCIAL STATEMENTS**

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2005

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Ridgedale Community School</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$ 504,263	\$ 142,274
Cash with fiscal agent. . . . .	693	-
Receivables:		
Taxes . . . . .	2,343,572	-
Accounts . . . . .	208,268	-
Intergovernmental . . . . .	33,193	77,069
Prepayments. . . . .	33,730	-
Materials and supplies inventory . . . . .	24,891	-
Capital assets:		
Land . . . . .	50,442	-
Depreciable capital assets, net . . . . .	3,810,471	-
Capital assets, net. . . . .	3,860,913	-
 Total assets. . . . .	 7,009,523	 219,343
<b>Liabilities:</b>		
Accounts payable. . . . .	52,417	-
Accrued wages and benefits . . . . .	522,901	-
Pension obligation payable. . . . .	154,091	-
Intergovernmental payable . . . . .	35,191	-
Deferred revenue . . . . .	1,185,098	-
Long-term liabilities:		
Due within one year. . . . .	179,465	-
Due in more than one year . . . . .	634,102	-
 Total liabilities . . . . .	 2,763,265	 -
<b>Net Assets:</b>		
Invested in capital assets, net of related debt. . . . .	3,503,686	-
Restricted for:		
Capital projects . . . . .	105,683	-
Locally funded programs . . . . .	14,649	-
State funded programs. . . . .	1,912	-
Federally funded programs . . . . .	23,903	-
Student activities . . . . .	83,552	-
Other purposes . . . . .	218,051	-
Unrestricted. . . . .	294,822	219,343
 Total net assets . . . . .	 \$ 4,246,258	 \$ 219,343

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ -	\$ 315,952	\$ 315,952
Cash with fiscal agent . . . . .	-	693	693
Receivables:			
Taxes . . . . .	2,343,572	-	2,343,572
Accounts . . . . .	208,268	-	208,268
Intergovernmental . . . . .	-	33,193	33,193
Interfund receivable . . . . .	19,823	-	19,823
Prepayments . . . . .	33,730	-	33,730
Materials and supplies inventory . . . . .	22,172	2,719	24,891
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	188,311	-	188,311
Total assets . . . . .	<u>\$ 2,815,876</u>	<u>\$ 352,557</u>	<u>\$ 3,168,433</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 38,118	\$ 14,299	\$ 52,417
Accrued wages and benefits . . . . .	505,930	16,971	522,901
Compensated absences payable . . . . .	36,291	-	36,291
Pension obligation payable. . . . .	144,835	9,256	154,091
Intergovernmental payable. . . . .	34,206	985	35,191
Interfund payable. . . . .	-	19,823	19,823
Deferred revenue. . . . .	1,641,754	-	1,641,754
Total liabilities . . . . .	<u>2,401,134</u>	<u>61,334</u>	<u>2,462,468</u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	56,244	57,819	114,063
Reserved for materials and supplies inventory. . . . .	22,172	2,719	24,891
Reserved for prepayments . . . . .	33,730	-	33,730
Reserved for property tax unavailable for appropriation . . . . .	910,010	-	910,010
Reserved for BWC refunds. . . . .	29,228	-	29,228
Reserved for textbooks. . . . .	161,307	-	161,307
Unreserved, undesignated (deficit), reported in:			
General fund . . . . .	(797,949)	-	(797,949)
Special revenue funds. . . . .	-	126,582	126,582
Capital projects funds. . . . .	-	104,103	104,103
Total fund balances . . . . .	<u>414,742</u>	<u>291,223</u>	<u>705,965</u>
Total liabilities and fund balances . . . . .	<u>\$ 2,815,876</u>	<u>\$ 352,557</u>	<u>\$ 3,168,433</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2005

<b>Total governmental fund balances</b>		\$ 705,965
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,860,913
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	248,464	
Miscellaneous revenue	208,192	
Total	456,656	456,656
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	\$ 420,049	
Capital leases payable	357,227	
Total		(777,276)
<b>Net assets of governmental activities</b>		\$ 4,246,258

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 2,604,677	\$ -	\$ 2,604,677
Tuition . . . . .	900,409	-	900,409
Earnings on investments . . . . .	7,305	3,642	10,947
Charges for services . . . . .	-	190,154	190,154
Extracurricular . . . . .	46,488	220,217	266,705
Classroom materials and fees . . . . .	-	38,935	38,935
Other local revenues . . . . .	170,626	12,867	183,493
Intergovernmental - Intermediate . . . . .	-	14,304	14,304
Intergovernmental - State . . . . .	3,141,032	59,008	3,200,040
Intergovernmental - Federal . . . . .	5,314	353,469	358,783
Total revenue . . . . .	<u>6,875,851</u>	<u>892,596</u>	<u>7,768,447</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	2,908,029	189,533	3,097,562
Special . . . . .	390,507	78,571	469,078
Vocational . . . . .	178,934	2,559	181,493
Other . . . . .	718,491	-	718,491
Support services:			
Pupil . . . . .	85,824	1,656	87,480
Instructional staff . . . . .	334,579	39,301	373,880
Board of education . . . . .	11,618	-	11,618
Administration . . . . .	668,754	152,808	821,562
Fiscal . . . . .	214,258	-	214,258
Business . . . . .	90	-	90
Operations and maintenance . . . . .	638,122	2,621	640,743
Pupil transportation . . . . .	419,227	1,196	420,423
Central . . . . .	58,890	7,830	66,720
Food service operations . . . . .	-	270,065	270,065
Other non-instructional services . . . . .	-	3,380	3,380
Extracurricular activities . . . . .	117,546	153,384	270,930
Debt service:			
Principal retirement . . . . .	122,320	-	122,320
Interest and fiscal charges . . . . .	17,269	-	17,269
Total expenditures . . . . .	<u>6,884,458</u>	<u>902,904</u>	<u>7,787,362</u>
Excess (deficiency) of revenues under expenditures . . . . .	<u>(8,607)</u>	<u>(10,308)</u>	<u>(18,915)</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	6,268	-	6,268
Transfers (out) . . . . .	-	(6,268)	(6,268)
Total other financing sources (uses) . . . . .	<u>6,268</u>	<u>(6,268)</u>	<u>-</u>
Net change in fund balances . . . . .	(2,339)	(16,576)	(18,915)
<b>Fund balances</b>			
at beginning of year (restated) . . . . .	417,081	307,799	724,880
<b>Fund balances at end of year . . . . .</b>	<u>\$ 414,742</u>	<u>\$ 291,223</u>	<u>\$ 705,965</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

<b>Net change in fund balances - total governmental funds</b>	\$	(18,915)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 6,785	
Current year depreciation	(214,909)	
Total		(208,124)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	114,468	
Miscellaneous	208,192	
Total		322,660
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		122,320
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		18,657
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>236,598</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,408,904	\$ 2,368,695	\$ 2,402,280	\$ 33,585
Tuition. . . . .	1,009,559	992,708	1,006,783	14,075
Earnings on investments. . . . .	7,325	7,203	7,305	102
Extracurricular. . . . .	46,616	45,838	46,488	650
Other local revenues . . . . .	181,521	164,374	166,626	2,252
Intergovernmental - State . . . . .	2,863,872	3,140,974	3,141,032	58
Intergovernmental - Federal. . . . .	8,000	5,314	5,314	-
Total revenue . . . . .	<u>6,525,797</u>	<u>6,725,106</u>	<u>6,775,828</u>	<u>50,722</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,095,113	3,039,886	3,036,358	3,528
Special. . . . .	392,381	385,379	384,932	447
Vocational. . . . .	210,020	206,272	206,033	239
Other. . . . .	747,897	720,458	719,629	829
Support services:				
Pupil. . . . .	99,196	97,426	97,313	113
Instructional staff . . . . .	359,868	353,447	353,037	410
Board of education . . . . .	16,535	16,240	16,221	19
Administration. . . . .	753,852	740,400	739,541	859
Fiscal . . . . .	228,389	224,313	224,053	260
Operations and maintenance. . . . .	663,574	649,190	648,443	747
Pupil transportation . . . . .	535,946	526,383	525,772	611
Central. . . . .	68,878	67,648	67,570	78
Extracurricular activities. . . . .	121,561	119,392	119,253	139
Total expenditures . . . . .	<u>7,293,210</u>	<u>7,146,434</u>	<u>7,138,155</u>	<u>8,279</u>
Excess of revenues over (under) expenditures. . . . .	<u>(767,413)</u>	<u>(421,328)</u>	<u>(362,327)</u>	<u>59,001</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	110,902	109,051	110,597	1,546
Transfers in. . . . .	6,285	6,180	6,268	88
Advances in. . . . .	91,847	90,314	91,594	1,280
Advances (out) . . . . .	(20,207)	(19,846)	(19,823)	23
Sale of capital assets. . . . .	4,011	3,944	4,000	56
Total other financing sources (uses) . . . . .	<u>192,838</u>	<u>189,643</u>	<u>192,636</u>	<u>2,993</u>
Net change in fund balance . . . . .	(574,575)	(231,685)	(169,691)	61,994
<b>Fund balance at beginning of year. . . . .</b>	225,325	225,325	225,325	-
<b>Prior year encumbrances appropriated . . . . .</b>	47,739	47,739	47,739	-
<b>Fund balance (deficit) at end of year. . . . .</b>	<u>\$ (301,511)</u>	<u>\$ 41,379</u>	<u>\$ 103,373</u>	<u>\$ 61,994</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 52,962	\$ 27,006
Total assets. . . . .	52,962	\$ 27,006
<b>Liabilities:</b>		
Accounts payable. . . . .	500	\$ 156
Due to students . . . . .	-	26,850
Total liabilities . . . . .	500	\$ 27,006
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	30,985	
Endowments . . . . .	21,477	
Total net assets . . . . .	\$ 52,462	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 703
Gifts and contributions. . . . .	2,030
	2,733
Total additions. . . . .	2,733
<b>Deductions:</b>	
Scholarships awarded . . . . .	1,250
	1,483
Change in net assets . . . . .	1,483
<b>Net assets at beginning of year . . . . .</b>	<b>50,979</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 52,462</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

Ridgedale Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state and federal guidelines.

The District was established in 1957. The District serves an area of approximately one hundred twenty-five square miles. It is located in Crawford, Marion, and Wyandot Counties. The District is the 50<sup>th</sup> largest in the State of Ohio (among 614 school districts) in terms of enrollment. It is staffed by 40 classified employees, 64 certified teaching personnel, and 6 administrative employees who provide services to 932 students and other community members. The District currently operates two elementary schools, a junior high/high school, and an administration building.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise have access to the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has one component unit. The basic financial statements of the reporting entity include only those of the District (the primary government). The following component unit and organizations are described due to their relationship to the District:

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Ridgedale Community School

The Ridgedale Community School is a legally separate, conversion community school, served by a Board of Directors. The Ridgedale Community School provides students within the District a program of online instruction and other alternative teaching and learning strategies. The Board of Directors consists of five individuals: the District's superintendent; the Ridgedale High School principal; a District community member; the retired principal of Morral Elementary School; and the executive director of the Tri-Rivers Educational Computer Association (TRECA) and TRECA Digital Academy. The superintendent of the District serves as the chief administrative officer of the Ridgedale Community School, and the District's treasurer serves as the Community School's chief financial officer. Based on the significant services provided by the District to the Ridgedale Community School, the Community School's purpose of servicing the students within the District, and the relationship between the Board of Education of the District and the Board of Directors of the Ridgedale Community School, the Ridgedale Community School is a component unit of the District and the financial activity of the School is presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Community School at 3103 Hillman-Ford Road, Morral, Ohio 43337.

*JOINTLY GOVERNED ORGANIZATIONS*

Tri-Rivers Educational Computer Association

The District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion-Mt. Gilead Road, Marion, Ohio 43302.

Tri-Rivers Career Center

The Tri-Rivers Career Center (the "Career Center") is a distinct political subdivision of the State of Ohio which provides vocational education. The Career Center operates under the direction of a Board consisting of one representative from each of the ten participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Terril Martin, who serves as Treasurer, 2222 Marion-Mt. Gilead Road, Marion, Ohio 43302.

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

North Central Ohio Special Education Regional Resource Center

The North Central Ohio Special Education Regional Resource Center (the "SERRC") is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a forty-seven member board including the superintendent from the forty-two participating educational entities, one representative from a non-public school, one representative from Knox County Educational Service Center, one representative from Ashland University, and two parents of children with disabilities. The degree of control exercised by any participating educational entity is limited to its representative on the Board. Financial information can be obtained from Patricia Lyons, Knox County Educational Service Center, 106 East High Street, Mt. Vernon, Ohio 43050.

Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (the "NOERC") is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

North Central Regional Professional Development Center

The North Central Regional Professional Development Center (the "Center") is a jointly governed organization among the school districts in Crawford, Huron, Knox, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The organization was formed to create and sustain self-renewing learning communities to transform education in Ohio so that all learners can achieve their full potential. The Center is governed by a twenty-one member Board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Lorraine Earnest, Mid-Ohio Educational Service Center, 1495 West Longview Avenue, Suite 202, Mansfield, Ohio 44906.

*INSURANCE PURCHASING POOLS*

Ohio School Plan

For fiscal year 2005, the District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool. (Refer to Note 11.B. for more detail).

**B. Fund Accounting**

The 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 is the District's major governmental fund:

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*FIDUCIARY FUNDS*

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

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**C. Basis of Presentation and Measurement Focus**

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

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

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



**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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

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

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, 2005, but which were levied to finance fiscal year 2006 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 Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2005 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates. The Marion County Commissioners waived this requirement for fiscal 2005.
2. By no later than January 20, the board-adopted budget is filed with the Marion County Budget Commission for tax rate determination.

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2005.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function and one digit object level of expenditures for the general fund and the fund level for all other funds, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund and function and one digit object level of expenditures for the general fund and the fund level for all other fund appropriations must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at fiscal year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures may not legally exceed budgeted appropriations at the fund and function and one digit object level for the general fund and the fund level for all other funds.
9. Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting for the General fund.

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$7,305, which includes \$3,348 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

**G. Inventory**

Inventory is presented at cost on a first-in, first-out basis and is expensed/expensed when used under the consumption method. Inventory consists of administrative supplies and donated and purchased foods.

**H. Capital Assets**

General capital assets 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 District maintains a capitalization threshold of \$5,000. 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. The District does not possess infrastructure.

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	15 - 75 years
Buildings and improvements	15 - 50 years
Furniture and equipment	5 - 75 years
Vehicles	10 - 15 years

**I. 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 on the Statement of Net Assets.

**J. 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 the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

**K. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, textbooks, BWC refunds, and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute. The reserve for BWC refunds and textbooks represent monies required to be set aside by State statute.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes.

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbooks reserve and BWC refunds. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 16.

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**Q. Interfund Activity**

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

**R. 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 year 2005.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

	General	Nonmajor	Total
Fund Balances, June 30, 2004	\$ 479,015	\$ 316,502	\$ 795,517
GASB Technical Bulletin No. 2004-2	(61,934)	(8,703)	(70,637)
Restated Fund Balances, June 30, 2004	\$ 417,081	\$ 307,799	\$ 724,880

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

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

<u>Nonmajor Funds</u>	<u>Deficit</u>
Summer Intevention	\$ 96
Title I	252

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim moneys 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 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;

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in 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 State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**A. Cash on Hand**

At year-end, the District had \$684 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

**B. Cash with Fiscal Agent**

At June 30, 2005, the District had \$693 in cash held by North Central Ohio Educational Service Center, which is included in the balance sheet as "Cash with Fiscal Agent". The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants. The balance held by the fiscal agent is not included in the amount of "deposits" reported below.

**C. Deposits with Financial Institutions**

At June 30, 2005, the carrying amount of all District deposits was \$83,379. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$167,306 of the District's bank balance of \$267,306 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.



**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**D. Investments**

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	\$ 500,168	\$ 500,168

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 500,168	100.00%

**E. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 83,379
Investments	500,168
Cash with fiscal agent	693
Cash on hand	684
Total	<u>\$ 584,924</u>

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 504,956
Private-purpose trust funds	52,962
Agency funds	<u>27,006</u>
Total	<u>\$ 584,924</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2005 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 19,823

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2005 are reported on the Statement of Net Assets.

- B. Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

Transfers from Nonmajor Governmental funds to:	<u>Amount</u>
General Fund	\$ 6,268

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers are allowable in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the Statement of Activities.

**NOTE 6 - PROPERTY TAXES**

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

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Wyandot, Crawford and Marion Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$910,010 in the general fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2004 was \$707,613 in the general fund.

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

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 74,453,960	84.90	\$ 71,894,370	82.99
Public utility personal	8,491,400	9.68	8,935,690	10.31
Tangible personal property	<u>4,753,480</u>	<u>5.42</u>	<u>5,802,951</u>	<u>6.70</u>
<b>Total</b>	<b><u>\$ 87,698,840</u></b>	<b><u>100.00</u></b>	<b><u>\$ 86,633,011</u></b>	<b><u>100.00</u></b>
Tax rate per \$1,000 of assessed valuation	\$ 47.39		\$ 47.39	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Taxes	\$ 2,343,572
Accounts	208,268
Intergovernmental	<u>33,193</u>
<b>Total</b>	<b><u>\$ 2,585,033</u></b>

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

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 8 - CAPITAL ASSETS**

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

	<u>Balance 06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/05</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 50,442	\$ -	\$ -	\$ 50,442
Total capital assets, not being depreciated	<u>50,442</u>	<u>-</u>	<u>-</u>	<u>50,442</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	659,754	6,785	-	666,539
Buildings and improvements	4,276,306	-	-	4,276,306
Furniture and equipment	694,810	-	-	694,810
Vehicles	1,047,500	-	-	1,047,500
Total capital assets, being depreciated	<u>6,678,370</u>	<u>6,785</u>	<u>-</u>	<u>6,685,155</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(436,297)	(13,790)	-	(450,087)
Buildings and improvements	(1,346,654)	(69,204)	-	(1,415,858)
Furniture and equipment	(265,471)	(27,747)	-	(293,218)
Vehicles	(611,353)	(104,168)	-	(715,521)
Total accumulated depreciation	<u>(2,659,775)</u>	<u>(214,909)</u>	<u>-</u>	<u>(2,874,684)</u>
Governmental activities capital assets, net	<u>\$ 4,069,037</u>	<u>\$ (208,124)</u>	<u>\$ -</u>	<u>\$ 3,860,913</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 35,447
Special	2,550
Vocational	2,295

Support Services:

Administration	13,016
Fiscal	292
Operations and maintenance	39,351
Pupil transportation	103,266
Extracurricular activities	16,603
Food service operations	<u>2,089</u>
Total depreciation expense	<u>\$ 214,909</u>

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

	Balance			Balance	Amounts
	<u>06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/05</u>	<u>Due in</u>
					<u>One Year</u>
<b>Governmental Activities:</b>					
Capital leases payable	\$ 479,547	\$ -	\$ (122,320)	\$ 357,227	\$ 105,073
Compensated absences	<u>489,077</u>	<u>53,433</u>	<u>(86,170)</u>	<u>456,340</u>	<u>74,392</u>
Total long-term obligations, governmental activities	<u>\$ 968,624</u>	<u>\$ 53,433</u>	<u>\$ (208,490)</u>	<u>\$ 813,567</u>	<u>\$ 179,465</u>

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$7,796,971 and an unvoted debt margin of \$86,633.

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE**

- A. In a prior fiscal year, the District entered into capitalized leases for vehicles. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds.

Capital assets consisting of vehicles have been capitalized in prior years in the amount of \$937,194. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2005 totaled \$101,456 paid by the general fund.

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)**

The following is a summary of the District's future annual debt service requirements to maturity for capital leases:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 94,765
2007	75,200
2008	52,714
2009	30,569
2010	27,119
2011 - 2012	<u>40,527</u>
Total minimum lease payments	320,894
Less amount representing interest	<u>(29,736)</u>
Total	<u>\$ 291,158</u>

- B.** In a prior fiscal year, District entered into capitalized leases for copier equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital assets consisting of copier equipment have been capitalized in the amount of \$104,319. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2005 totaled \$20,864 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2005:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 23,409
2007	23,409
2008	23,409
2009	<u>3,901</u>
Total minimum lease payments	74,128
Less amount representing interest	<u>(8,059)</u>
Total	<u>\$ 66,069</u>

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2005, the District contracted with Selective Insurance Company of South Carolina for liability, property and fleet insurance. Coverages provided by Selective Insurance Company of South Carolina are as follows:

<u>Description</u>	<u>Amount</u>
Building and Contents	
Replacement cost	\$39,741,262
Deductible	1,000
Liability	
School Board Errors and Omissions Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	1,000,000
Deductible	10,000
General Liability	
Per occurrence combined single limit	2,000,000
Annual aggregate limit	4,000,000
Medical payments limit	5,000
Employee Benefits Liability	
Each wrongful act limit	2,000,000
Annual aggregate limit	4,000,000
Deductible	1,000
Stop Gap	
Each accident	1,000,000
Disease each employee	1,000,000
Disease policy limit	1,000,000
Automotive Liability	
Liability	
Per occurrence combined single limit	2,000,000
Medical payments limit	5,000
Uninsured/underinsured motorists coverage	100,000
Auto Physical Damage (actual cash value)	
Comprehensive deductible	500
Collision deductible	500

Settled claims have not exceeded this commercial coverage in any of the past three years. Also, the District has not materially reduced its coverage in the past year.

**B. Ohio School Boards Association Workers' Compensation Group Rating Plan**

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



**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 11 - RISK MANAGEMENT - (Continued)**

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

**NOTE 12 - DEFINED BENEFIT PENSION PLAN**

**A. School Employees Retirement System**

The 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. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. 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 adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$113,234, \$127,533 and \$79,365, respectively; 37.95% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$70,260 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 12 - DEFINED BENEFIT PENSION PLAN - (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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. 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.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation 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 employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$452,108, \$506,621, and \$451,908, respectively; 84.35% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$70,740 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$325 made by the District and \$331 made by plan members.

**C. Social Security System**

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

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

The State Teachers Retirement 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 the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$32,293 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. 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, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$46,921 during the 2005 fiscal year.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

<b>Net Change in Fund Balance</b>	<u>General Fund</u>
Budget basis	\$ (169,691)
Net adjustment for revenue accruals	100,023
Net adjustment for expenditure accruals	168,759
Net adjustment for other sources/uses	(186,368)
Adjustment for encumbrances	<u>84,938</u>
 GAAP basis	 <u><u>\$ (2,339)</u></u>

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**C. 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 District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 16 - STATUTORY RESERVES**

The 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 the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years. Excess qualifying disbursement over the set-aside cash balance and set-aside requirement cannot be carried forward to the next fiscal year. In prior years, the District was also required to set aside money for budget stabilization. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2004	\$ 89,763	\$ -	\$ 29,228
Current year set-aside requirement	142,010	142,010	-
Qualifying disbursements	(70,466)	(148,483)	-
Total	<u>\$ 161,307</u>	<u>\$ (6,473)</u>	<u>\$ 29,228</u>
Cash balance carried forward to FY 2006	<u>\$ 161,307</u>	<u>\$ -</u>	<u>\$ 29,228</u>

A schedule of the restricted assets at June 30, 2005 follows:

Amount restricted for instructional materials	\$ 161,307
Amounts restricted for BWC refunds	29,228
Amount to limit set asides to available cash	(2,224)
Total restricted assets	<u>\$ 188,311</u>

The District did not have enough qualifying disbursements to reduce the set-aside amount below zero for the textbooks/instructional materials and capital acquisition/maintenance. However, the District does not have the cash available in the general fund to restrict the entire balances of the set-asides. Restricted cash is presented to the extent of the cash balance in the general fund at fiscal year-end. The entire balances of the set-asides are reported as +reserved fund balance in the general fund.

**NOTE 17 - SUBSEQUENT EVENT**

Effective January 1, 2006, Kim Reynolds was hired as Treasurer of the Ridgedale Local School District.

**NOTE 18 - RIDGEDALE COMMUNITY SCHOOL**

The Ridgedale Community School (the "School") has been determined to be a discrete component unit. The School District Management has determined it is significant; therefore, it has been included as part of the School District's basic financial statements. The School issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. That report may be obtained by writing to Ridgedale Community School, 3103 Hillman-Ford Road, Morral, Ohio 43337.

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 18 - RIDGEDALE COMMUNITY SCHOOL - (Continued)**

**A. Significant Accounting Policies**

**Accounting Basis** The basic financial statements of the Ridgedale Community School (the "School") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The School's significant accounting policies are described below.

**Basis of Presentation** Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Measurement Focus and Basis of Accounting** Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. The statement of cash flows reflects how the School finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**Budget Process** Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

**Cash and Cash Equivalents** Cash held by the School is reflected as "Cash and Cash Equivalents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During year 2005, the School had no investments.

**Intergovernmental Revenues** The School currently participates in the State Foundation Program. Revenue received from this program is recognized as operation revenues (foundation payments) in the accounting period in which they are earned and become measurable.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 18 - RIDGEDALE COMMUNITY SCHOOL - (Continued)**

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School must provide local resources to be sued for a specified purpose and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

The School participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the School was awarded \$150,000 during the year ended June 30, 2005 to offset start-up costs of the School. Revenue received from this program is recognized as state and federal grants in the accompanying financial statements. Of this award, \$75,000 was receivable at June 30, 2005. This amount is presented as an intergovernmental receivable on the financial statements. All intergovernmental receivables are considered collectible in full due to the current year guarantee of Federal funds.

The School also participates in the Electronic Management Information System Grant and other competitive federal and state grants through ODE.

Amounts awarded under the above named programs for the year ended June 30, 2005 totaled \$368,497.

**Capital Assets** The School maintains a capitalization threshold of \$2,500. Donated capital assets are recorded at their fair market value on the date donated. The School did not have any assets meeting the capitalization threshold or any donated capital assets.

**Net Assets** Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitation imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School had unrestricted net assets of \$219,343 at year end.

**Operating Revenues and Expenses** Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating.

**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.

**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 the year ended 2005.

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 18 - RIDGEDALE COMMUNITY SCHOOL - (Continued)**

**B. Deposits**

At June 30, 2005, the carrying amount of all School deposits was \$142,274. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$60,716 of the School's bank balance of \$160,716 was uncollateralized, while \$100,000 was covered by Federal Deposit Insurance Corporation.

**C. Risk Management**

Ohio Rev. Code Section 3314.03(11) (b) requires that the governing authority of each community school is required to purchase liability insurance, or otherwise provide for the potential liability of the School. As of the date of this report the School has not purchased the required liability insurance or otherwise made any provisions for the potential liability of the School.

**D. Service Contracts**

**Tri-Rivers Educational Computer Association** The School entered into an agreement on August 30, 2004, for the 2004-05 school years with the Tri-Rivers Educational Computer Association (TRECA) for planning, instructional, administrative and technical services required for the operation of the School. Under this contract, TRECA is required to provide the following services:

1. Via online delivery, its standardized digital curriculum, as described at the website of the TRECA Digital Academy.
2. Cooperate with the School in conducting assessments and in developing a draft evaluation team report as part of any required initial evaluation of a Suspected Disabled Student or reevaluation of a Suspected Disabled or Disabled Student.
3. Provide for the participation of the teacher(s) of the Disabled Student, in person or by telephone, in an IEP or related meetings.
4. Communicate with the School regarding educational or related services that are mandated by a Disabled Student's IEP but which TRECA has reason to believe are not being provided. TRECA shall also communicate with the School regarding any Disabled or Suspected Disabled Student who requires assessments as part of an initial evaluation or reevaluation and/or the development of a draft evaluation team report.
5. Provide such other services, including but not limited to the standard hardware and software package and the standard technical and administrative services, as are provided generally by TRECA to students.

For these services, the School is required to pay the following fees to TRECA:

1. Annual Fee - The School shall pay \$25,000 for the 2004 - 2005 school year for services acquired from TRECA. The School made this required payment during fiscal year 2005.



**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 18 - RIDGEDALE COMMUNITY SCHOOL - (Continued)**

2. Tier One Enrollment - The School shall pay \$500 per student per academic year, prorated for the portion of the academic year for which a student is enrolled in the School and educated by TRECA for those students receiving Tier One Enhancement Services. Students who are provided with a modified curriculum, but who are not placed in TRECA's online special education resource room shall be regarded as receiving Tier One Enhancement Services.
  
3. Tier Two Enrollment - The School shall pay between \$1,500 and \$21,000 per student per academic year, prorated for the portion of the academic year for which a student is enrolled in the School and educated by TRECA for those students receiving Tier Two Enhancement Services. Students who are placed in TRECA's online special education resource room for all or any part of their education shall be regarded as receiving Tier Two Enhancement Services. The fee paid for Tier Two Enhancement Services is based on the severity of the Disabled Student's handicap as outlined in the TRECA Enhancement Services exhibit to the Comprehensive Services Agreement between the School and TRECA.

The following payments were made in fiscal year 2005 from the School to TRECA:

Professional and technical services	\$	66,031
Instructional equipment		5,312
Total	\$	71,343

**Ridgedale Local School District** The Community School Sponsorship Contract between the School and Ridgedale Local School District outlined the specific payments to be made by the School to Ridgedale Local School District during fiscal year 2005. In addition, the Community School Sponsorship Contract stated that the two parties agreed to pay other mutually agreed upon amounts, including fees for any services provided to the School by Ridgedale Local School District. The following payments were made in fiscal year 2005 from the School to Ridgedale Local School District:

Professional and technical services	\$	39,490
Instructional equipment		45,793
Administrative equipment		3,831
Instructional supplies		5,677
Fiscal office supplies		552
Total	\$	95,343

Additionally, the contract allows, based on mutual agreement, for the payment of \$1,500 per student per year from the School to the Sponsor.

**E. Contingencies**

**Grants** The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. 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 at June 30, 2005.

**RIDGEDALE LOCAL SCHOOL DISTRICT  
MARION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 18 - RIDGEDALE COMMUNITY SCHOOL - (Continued)**

**Litigation** A suit was filed in Franklin County Common Pleas Court, on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state's Constitution and state laws. On April 21, 2003 the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18, 2003. The effect of this suit, if any, on the School is not presently determinable. On August 24, 2004, the Court of Appeals rendered a decision that community schools are part of the states public educational system and the matter was sent to the Ohio Supreme Court. The effect of this suit, if any, on the School is not presently determinable.

**State Foundation Funding** The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The School was reviewed once during its initial year of operation and zero errors were found in enrollment, withdrawals and attendance. The School does not anticipate any significant adjustments to state funding for fiscal year 2006 as a result of the reviews which have yet to be completed.

**F. Start-up period**

The School began operations May, 2004, but was not required to prepare GAAP-basis financial statements until the current fiscal year. At July 1, 2003, the School had net assets of \$70; during fiscal year 2004 the School recorded \$118,717 in cash receipts and \$101,521 in cash expenditures; there were no transactions that would have required accrual at June 30, 2004. The combination of these transactions resulted in beginning net assets at July 1, 2004 of \$17,266.

**G. Subsequent event**

Effective January 1, 2006, Kim Reynolds became the Treasurer of the School.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Board of Education  
Ridgedale Local School District  
3103 Hillman-Ford Road  
Morral, Ohio 43337

We have audited the financial statements of the governmental activities, the discretely presented component unit, its major fund, and the aggregate remaining fund information of the Ridgedale Local School District, Marion County, (the “District”) as of and for the fiscal year ended June 30, 2005, which collectively comprise the District’s basic financial statements and have issued our report thereon dated February 22, 2006. As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers” for the fiscal year ended June 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ridgedale Local School District’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated February 22, 2006.

Board of Education  
Ridgedale Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we have reported to the management of the District in a separate letter dated February 22, 2006.

This report is intended solely for the information and use of the management and Board of Education of the Ridgedale Local School District and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
February 22, 2006



**Auditor of State  
Betty Montgomery**

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

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**RIDGEDALE LOCAL SCHOOL DISTRICT**

**MARION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 11, 2006**