

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2006***

KIMBERLY REYNOLDS, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Education
Ridgedale Local School District
3103 Hillman-Ford Road
Morral, 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, 2005 through June 30, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 20, 2007

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**RIDGEDALE LOCAL SCHOOL DISTRICT
MARION COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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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, Ohio (the "District") as of and for the fiscal year ended June 30, 2006, 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 the Comptroller General of the United States *Government Auditing Standards*. 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, 2006, and the respective changes in financial position thereof 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.

Ridgedale Local School District
Independent Auditor's Report
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 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 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.".

Julian & Grube, Inc.
December 20, 2006

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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, 2006. 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 2006 are as follows:

- In total, net assets of governmental activities increased \$118,524 which represents a 2.79% increase from 2005.
- General revenues accounted for \$5,854,425 in revenue or 72.84% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,182,606 or 27.16% of total revenues of \$8,037,031.
- The District had \$7,918,507 in expenses related to governmental activities; \$2,182,606 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 \$5,854,425 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$7,618,568 in revenues and other financing sources and \$7,159,428 in expenditures. During fiscal year 2006, the general fund's fund balance increased \$459,140 from \$414,742 to \$873,882.

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 2006?" 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, 2006
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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 22-51 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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 2006 and 2005.

	Net Assets	
	Governmental Activities 2006	Governmental Activities 2005
<u>Assets</u>		
Current and other assets	\$ 3,618,120	\$ 3,148,610
Capital assets	<u>3,773,162</u>	<u>3,860,913</u>
Total assets	<u>7,391,282</u>	<u>7,009,523</u>
<u>Liabilities</u>		
Current liabilities	2,227,968	1,949,698
Long-term liabilities	<u>798,532</u>	<u>813,567</u>
Total liabilities	<u>3,026,500</u>	<u>2,763,265</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	3,409,452	3,503,686
Restricted	507,253	447,750
Unrestricted	<u>448,077</u>	<u>294,822</u>
Total net assets	<u>\$ 4,364,782</u>	<u>\$ 4,246,258</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$4,364,782. Of this total, \$448,077 is unrestricted in use.

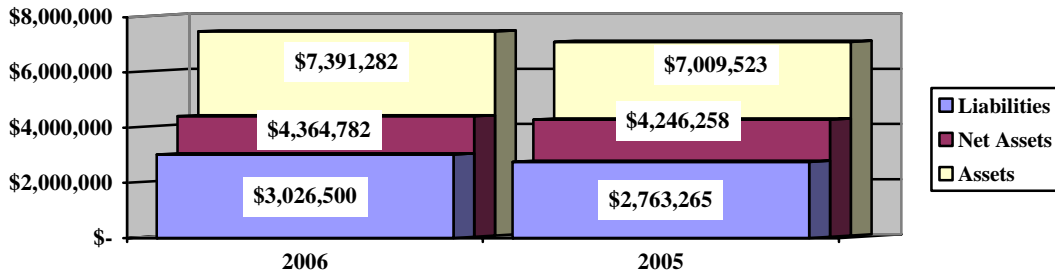
At year-end, capital assets represented 51.05% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$3,409,452. These capital assets are used 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, \$507,253, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$448,077 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, 2006
UNAUDITED

Governmental Activities



The table below shows the change in net assets for fiscal year 2006 and 2005.

Change in Net Assets

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Program revenues:			
Charges for services and sales	\$ 1,715,283	\$ 1,561,258	9.87 %
Operating grants and contributions	461,323	420,781	9.63 %
Capital grants and contributions	6,000	6,000	- %
General revenues:			
Property taxes	2,221,410	2,719,145	(18.30) %
Grants and entitlements	3,599,854	3,146,346	14.41 %
Investment earnings	28,386	10,947	159.30 %
Other	<u>4,775</u>	<u>226,630</u>	(97.89) %
Total revenues	<u>8,037,031</u>	<u>8,091,107</u>	(0.67) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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Change in Net Assets

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>	<u>Percentage Change</u>
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	\$ 2,945,170	\$ 3,103,728	(5.11) %
Special	579,248	473,664	22.29 %
Vocational	221,350	183,788	20.44 %
Other	841,527	718,491	17.12 %
Support services:			
Pupil	214,601	87,480	145.31 %
Instructional staff	331,752	376,650	(11.92) %
Board of education	12,737	11,618	9.63 %
Administration	715,699	832,854	(14.07) %
Fiscal	200,939	214,447	(6.30) %
Business	-	90	(100.00) %
Operations and maintenance	692,319	680,200	1.78 %
Pupil transportation	553,385	522,794	5.85 %
Central	18,646	66,720	(72.05) %
Operation of non-instructional services:			
Food service operations	281,907	273,061	3.24 %
Other non-instructional services	1,066	4,122	(74.14) %
Extracurricular activities	290,893	287,533	1.17 %
Interest and fiscal charges	<u>17,268</u>	<u>17,269</u>	(0.01) %
Total expenses	<u>7,918,507</u>	<u>7,854,509</u>	0.81 %
Change in net assets	118,524	236,598	(49.90) %
Net assets at beginning of year	<u>4,246,258</u>	<u>4,009,660</u>	5.90 %
Net assets at end of year	<u>\$ 4,364,782</u>	<u>\$ 4,246,258</u>	2.79 %

Governmental Activities

Net assets of the District's governmental activities increased \$118,524. Total governmental expenses of \$7,918,507 were offset by program revenues of \$2,182,606 and general revenues of \$5,854,425. Program revenues supported 27.56% 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 72.43% of total governmental revenue.

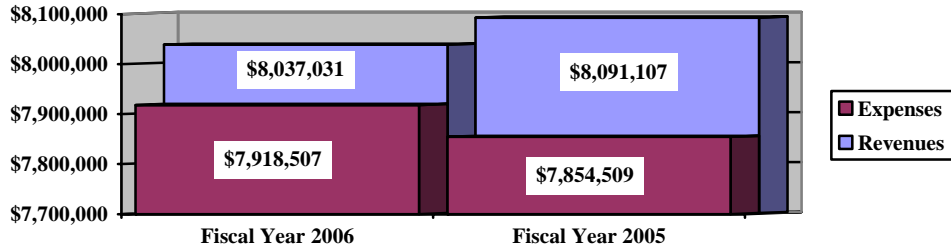
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,587,295 or 57.93% of total governmental expenses for fiscal year 2006.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.

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 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Program expenses				
Instruction:				
Regular	\$ 2,945,170	\$ 1,563,245	\$ 3,103,728	\$ 1,887,770
Special	579,248	464,269	473,664	395,281
Vocational	221,350	217,350	183,788	181,510
Other	841,527	841,527	718,491	718,491
Support services:				
Pupil	214,601	83,920	87,480	85,917
Instructional staff	331,752	298,894	376,650	329,881
Board of education	12,737	12,737	11,618	11,618
Administration	715,699	703,181	832,854	675,333
Fiscal	200,939	200,939	214,447	214,447
Business	-	-	90	90
Operations and maintenance	692,319	690,557	680,200	677,666
Pupil transportation	553,385	553,385	522,794	521,629
Central	18,646	14,007	66,720	61,853
Food service operations	281,907	(1,995)	273,061	(11,149)
Operations of non-instructional services	1,066	985	4,122	(357)
Extracurricular activities	290,893	75,632	287,533	99,221
Interest and fiscal charges	17,268	17,268	17,269	17,269
Total expenses	<u>\$ 7,918,507</u>	<u>\$ 5,735,901</u>	<u>\$ 7,854,509</u>	<u>\$ 5,866,470</u>

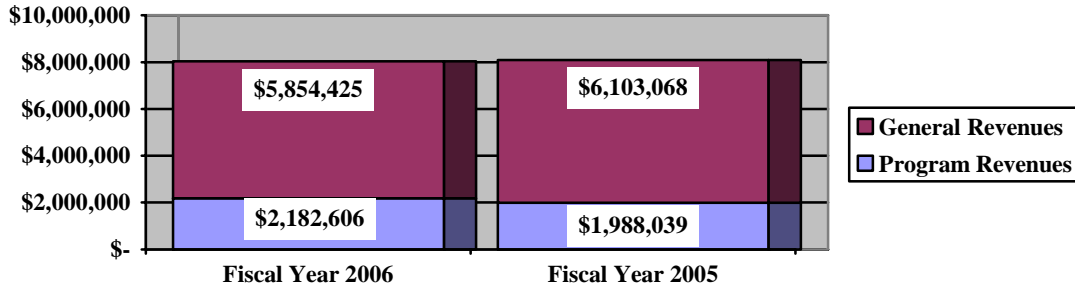
The dependence upon tax and other general revenues for governmental activities is apparent, 67.28% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 72.43%. The District's taxpayers, as a whole, are by far the 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, 2006
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal year 2006 and 2005.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,180,368, which is higher than last year's total of \$705,965. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance June 30, 2006	Fund Balance June 30, 2005	Increase	Percentage Change
General	\$ 873,882	\$ 414,742	\$ 459,140	110.70 %
Other Governmental	306,486	291,223	15,263	5.24 %
Total	<u>\$ 1,180,368</u>	<u>\$ 705,965</u>	<u>\$ 474,403</u>	67.20 %

General Fund

The District's general fund balance increased \$459,140. The increase in fund balance can be attributed to several items related to revenues increasing by 8.33% and expenditures only increasing by 3.99%. Revenues exceeded expenditures for fiscal year 2006 by \$289,147. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2006 Amount	2005 Amount	Increase (Decrease)	Percentage Change
Revenues				
Taxes	\$ 2,305,726	\$ 2,604,677	\$ (298,951)	(11.48) %
Tuition	1,175,302	900,409	274,893	30.53 %
Earnings on investments	26,313	7,305	19,008	260.21 %
Intergovernmental	3,599,854	3,146,346	453,508	14.41 %
Other revenues	<u>341,380</u>	<u>217,114</u>	<u>124,266</u>	57.24 %
Total	<u>\$ 7,448,575</u>	<u>\$ 6,875,851</u>	<u>\$ 572,724</u>	8.33 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED

	2006 <u>Amount</u>	2005 <u>Amount</u>	Increase (Decrease)	Percentage Change
<u>Expenditures</u>				
Instruction	\$ 4,290,843	\$ 4,195,961	\$ 94,882	2.26 %
Support services	2,397,804	2,431,362	(33,558)	(1.38) %
Extracurricular activities	120,010	117,546	2,464	2.10 %
Capital outlay	169,993	-	169,993	100.00 %
Debt service	<u>180,778</u>	<u>139,589</u>	<u>41,189</u>	29.51 %
Total	<u>\$ 7,159,428</u>	<u>\$ 6,884,458</u>	<u>\$ 274,970</u>	3.99 %

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 2006, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$6,767,149 and final budgeted revenues and other financing sources were \$6,967,149. Actual revenues and other financing sources for fiscal year 2006 was \$7,651,813. This represents a \$684,664 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$6,894,959 were increased to \$7,094,959 in the final appropriations. The actual budget basis expenditures for fiscal year 2006 totaled \$6,958,998, which was \$135,961 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the District had \$3,773,162 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 2006 balances compared to 2005:

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

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Land	\$ 50,442	\$ 50,442
Land improvements	202,662	216,452
Building and improvements	2,791,244	2,860,448
Furniture and equipment	445,948	401,592
Vehicles	<u>282,866</u>	<u>331,979</u>
Total	<u>\$ 3,773,162</u>	<u>\$ 3,860,913</u>

The overall decrease in capital assets of \$87,751 is due to depreciation expense of \$233,101 and disposals (net of accumulated depreciation) of \$62,591 exceeding capital outlays of \$207,941 in the fiscal year.

See Note 7 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, 2006
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Debt Administration

At June 30, 2006, the District had \$363,710 in capital lease obligations outstanding. Of this total, \$97,984 is due within one year and \$265,726 is due within greater than one year. The following table summarizes the capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
Capital lease obligations	\$ 363,710	\$ 357,227
Total	<u>\$ 363,710</u>	<u>\$ 357,227</u>

At June 30, 2006, the District's overall legal debt margin was \$7,905,535, and an unvoted debt margin of \$87,839.

See Note 8 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 (the "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 fiscal year 2007 with a cash deficit in fiscal year 2008. This will change if the voters pass a new levy in calendar year 2007.

Since fiscal year 2000, expenditures have exceeded revenues in the District. This trend has caused the continual 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 the District consists of two buildings on one campus. This resulted in a savings of \$200,000 per year. Even with these cuts, the Board and Administration has determined that the current levy amounts and the budget cuts cannot solve 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 mills. 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 2006.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

Budget Summary

The fiscal year 2006 budget was very modest with minimal capital expenditures, and reductions in spending for instructional materials. As a result, in fiscal year 2006, 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, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Kim Reynolds, Treasurer, Ridgedale Local School District, 3103 Hillman-Ford Road, Morral, Ohio 43337.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Ridgedale Community School</u>
Assets:		
Equity in pooled cash and cash equivalents.	\$ 1,266,885	\$ 277,824
Cash with fiscal agent.	577	-
Receivables:		
Taxes	2,232,519	-
Accounts	949	-
Intergovernmental	27,113	729
Due from component unit	18,710	-
Prepayments.	54,857	-
Materials and supplies inventory	16,510	-
Capital assets:		
Land	50,442	-
Depreciable capital assets, net	3,722,720	-
Capital assets, net.	<u>3,773,162</u>	<u>-</u>
Total assets.	<u>7,391,282</u>	<u>278,553</u>
Liabilities:		
Accounts payable.	146,201	3,176
Accrued wages and benefits	550,062	-
Pension obligation payable.	149,051	-
Intergovernmental payable	16,351	-
Due to primary government	-	18,710
Deferred revenue	1,366,303	-
Long-term liabilities:		
Due within one year.	172,420	-
Due in more than one year	626,112	-
Total liabilities	<u>3,026,500</u>	<u>21,886</u>
Net Assets:		
Invested in capital assets, net of related debt.	3,409,452	-
Restricted for:		
Capital projects	109,537	-
Locally funded programs	23,339	-
State funded programs.	9,756	5,820
Federally funded programs	4,753	2,922
Student activities	86,838	-
Set-asides	268,059	-
Other purposes	4,971	-
Unrestricted.	<u>448,077</u>	<u>247,925</u>
Total net assets	<u>\$ 4,364,782</u>	<u>\$ 256,667</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental Activities	Unit Ridgedale Community School
Governmental activities:						
Instruction:						
Regular	\$ 2,945,170	\$ 1,311,863	\$ 70,062	\$ -	\$ (1,563,245)	\$ -
Special	579,248	-	114,979	-	(464,269)	-
Vocational	221,350	-	4,000	-	(217,350)	-
Other	841,527	-	-	-	(841,527)	-
Support services:						
Pupil	214,601	-	130,681	-	(83,920)	-
Instructional staff	331,752	-	26,858	6,000	(298,894)	-
Board of education	12,737	-	-	-	(12,737)	-
Administration	715,699	12,030	488	-	(703,181)	-
Fiscal	200,939	-	-	-	(200,939)	-
Operations and maintenance	692,319	-	1,762	-	(690,557)	-
Pupil transportation	553,385	-	-	-	(553,385)	-
Central	18,646	-	4,639	-	(14,007)	-
Operation of non-instructional services:						
Food service operations	281,907	177,640	106,262	-	1,995	-
Other non-instructional services	1,066	60	21	-	(985)	-
Extracurricular activities	290,893	213,690	1,571	-	(75,632)	-
Interest and fiscal charges	17,268	-	-	-	(17,268)	-
Total governmental activities	<u>7,918,507</u>	<u>1,715,283</u>	<u>461,323</u>	<u>6,000</u>	<u>(5,735,901)</u>	<u>-</u>
Component Unit:						
Ridgedale Community School	<u>387,229</u>	<u>-</u>	<u>180,646</u>	<u>-</u>	<u>-</u>	<u>(206,583)</u>
Totals	<u>\$ 8,305,736</u>	<u>\$ 1,715,283</u>	<u>\$ 641,969</u>	<u>\$ 6,000</u>	<u>(5,735,901)</u>	<u>(206,583)</u>
			General Revenues:			
			Property taxes levied for:			
			General purposes	2,221,410	-	
			Grants and entitlements not restricted to specific programs	3,599,854	243,089	
			Investment earnings	28,386	818	
			Miscellaneous	4,775	-	
			Total general revenues	<u>5,854,425</u>	<u>243,907</u>	
			Change in net assets	118,524	37,324	
			Net assets at beginning of year	<u>4,246,258</u>	<u>219,343</u>	
			Net assets at end of year	<u>\$ 4,364,782</u>	<u>\$ 256,667</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 656,459	\$ 337,396	\$ 993,855
Cash with fiscal agent	-	577	577
Receivables:			
Taxes	2,232,519	-	2,232,519
Accounts	-	949	949
Intergovernmental	-	27,113	27,113
Due from component unit	18,710	-	18,710
Prepayments	54,857	-	54,857
Materials and supplies inventory	15,837	673	16,510
Restricted assets:			
Equity in pooled cash and cash equivalents	273,030	-	273,030
Total assets	<u>\$ 3,251,412</u>	<u>\$ 366,708</u>	<u>\$ 3,618,120</u>
Liabilities:			
Accounts payable	\$ 134,845	\$ 11,356	\$ 146,201
Accrued wages and benefits	511,331	38,731	550,062
Compensated absences payable	45,636	-	45,636
Pension obligation payable	140,053	8,998	149,051
Intergovernmental payable	15,214	1,137	16,351
Deferred revenue	1,530,451	-	1,530,451
Total liabilities	<u>2,377,530</u>	<u>60,222</u>	<u>2,437,752</u>
Fund Balances:			
Reserved for encumbrances	25,497	9,758	35,255
Reserved for materials and supplies inventory	15,837	673	16,510
Reserved for prepayments	54,857	-	54,857
Reserved for property tax unavailable for appropriation	702,068	-	702,068
Reserved for budget stabilization	29,228	-	29,228
Reserved for school bus purchase	4,971	-	4,971
Reserved for textbooks/instructional materials	238,831	-	238,831
Unreserved, undesignated (deficit), reported in:			
General fund	(197,407)	-	(197,407)
Special revenue funds	-	186,518	186,518
Capital projects funds	-	109,537	109,537
Total fund balances	<u>873,882</u>	<u>306,486</u>	<u>1,180,368</u>
Total liabilities and fund balances	<u>\$ 3,251,412</u>	<u>\$ 366,708</u>	<u>\$ 3,618,120</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, 2006

Total governmental fund balances		\$	1,180,368
<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.			3,773,162
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			164,148
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences	\$	(389,186)	
Capital leases payable		(363,710)	
Total			(752,896)
Net assets of governmental activities		\$	4,364,782

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, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 2,305,726	\$ -	\$ 2,305,726
Tuition.	1,175,302	-	1,175,302
Earnings on investments.	26,313	2,073	28,386
Charges for services	-	177,640	177,640
Extracurricular.	45,873	244,039	289,912
Classroom materials and fees	-	39,013	39,013
Other local revenues.	295,507	7,246	302,753
Intergovernmental - Intermediate.	-	23,665	23,665
Intergovernmental - State.	3,599,854	43,631	3,643,485
Intergovernmental - Federal	-	397,556	397,556
Total revenue	<u>7,448,575</u>	<u>934,863</u>	<u>8,383,438</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,791,897	162,297	2,954,194
Special.	455,272	119,697	574,969
Vocational.	202,147	1,224	203,371
Other.	841,527	-	841,527
Support services:			
Pupil.	82,330	132,271	214,601
Instructional staff	291,654	40,865	332,519
Board of education	12,737	-	12,737
Administration.	685,217	13,262	698,479
Fiscal	200,701	-	200,701
Operations and maintenance.	647,557	1,315	648,872
Pupil transportation	461,159	12,911	474,070
Central.	16,449	2,197	18,646
Operation of non-instructional services:			
Food service operations.	-	279,261	279,261
Other non-instructional services.	-	20	20
Extracurricular activities	120,010	154,280	274,290
Capital outlay.	169,993	-	169,993
Debt service:			
Principal retirement	163,510	-	163,510
Interest and fiscal charges	17,268	-	17,268
Total expenditures	<u>7,159,428</u>	<u>919,600</u>	<u>8,079,028</u>
Excess of revenues over expenditures	<u>289,147</u>	<u>15,263</u>	<u>304,410</u>
Other financing sources:			
Capital lease transaction	169,993	-	169,993
Total other financing sources	<u>169,993</u>	<u>-</u>	<u>169,993</u>
Net change in fund balances	459,140	15,263	474,403
Fund balances at beginning of year	<u>414,742</u>	<u>291,223</u>	<u>705,965</u>
Fund balances at end of year.	<u>\$ 873,882</u>	<u>\$ 306,486</u>	<u>\$ 1,180,368</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, 2006

Net change in fund balances - total governmental funds	\$	474,403
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>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.</p>		
Capital asset additions	\$ 207,941	
Current year depreciation	<u>(233,101)</u>	
Total		(25,160)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.</p>		
		(62,591)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Taxes	(84,316)	
Accounts	<u>(208,192)</u>	
Total		(292,508)
<p>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.</p>		
		163,510
<p>Proceeds of capital leases are recorded as an other financing source in the funds; however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.</p>		
		(169,993)
<p>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.</p>		
		<u>30,863</u>
Change in net assets of governmental activities	\$	<u>118,524</u>

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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 2,220,791	\$ 2,287,003	\$ 2,513,668	\$ 226,665
Tuition.	944,920	1,069,392	1,175,379	105,987
Earnings on investments.	23,248	23,941	26,314	2,373
Extracurricular.	40,528	41,736	45,873	4,137
Other local revenues	204,698	210,801	231,693	20,892
Intergovernmental - State	<u>3,273,932</u>	<u>3,275,244</u>	<u>3,599,854</u>	<u>324,610</u>
Total revenue	<u>6,708,117</u>	<u>6,908,117</u>	<u>7,592,781</u>	<u>684,664</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,954,328	2,875,002	2,819,908	55,094
Special.	442,682	480,224	471,021	9,203
Vocational.	167,438	215,827	211,692	4,135
Other.	712,014	857,968	841,527	16,441
Support services:				
Pupil.	81,242	87,646	85,966	1,680
Instructional staff	337,870	299,915	294,168	5,747
Board of education	16,460	7,320	7,180	140
Administration.	645,270	711,051	697,425	13,626
Fiscal	212,569	235,406	230,895	4,511
Operations and maintenance.	588,555	577,602	566,533	11,069
Pupil transportation	579,418	604,643	593,056	11,587
Central.	38,045	18,548	18,193	355
Extracurricular activities.	<u>119,068</u>	<u>123,807</u>	<u>121,434</u>	<u>2,373</u>
Total expenditures	<u>6,894,959</u>	<u>7,094,959</u>	<u>6,958,998</u>	<u>135,961</u>
Excess of revenues over (under) expenditures.	<u>(186,842)</u>	<u>(186,842)</u>	<u>633,783</u>	<u>820,625</u>
Other financing sources:				
Refund of prior year expenditure.	16,796	16,796	16,796	-
Transfers in.	14,813	14,813	14,813	-
Advances in.	19,823	19,823	19,823	-
Sale of capital assets	<u>7,600</u>	<u>7,600</u>	<u>7,600</u>	<u>-</u>
Total other financing sources	<u>59,032</u>	<u>59,032</u>	<u>59,032</u>	<u>-</u>
Net change in fund balance	(127,810)	(127,810)	692,815	820,625
Fund balance at beginning of year.	103,373	103,373	103,373	-
Prior year encumbrances appropriated	<u>84,938</u>	<u>84,938</u>	<u>84,938</u>	<u>-</u>
Fund balance at end of year	<u>\$ 60,501</u>	<u>\$ 60,501</u>	<u>\$ 881,126</u>	<u>\$ 820,625</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, 2006

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 54,648	\$ 31,188
Receivables:		
Accounts	-	286
Total assets.	54,648	\$ 31,474
Liabilities:		
Accounts payable.	-	\$ 736
Due to students	-	30,738
Total liabilities	-	\$ 31,474
Net Assets:		
Held in trust for scholarships	33,171	
Endowments	21,477	
Total net assets	\$ 54,648	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 2,120
Gifts and contributions.	1,065
	3,185
Total additions.	3,185
Deductions:	
Scholarships awarded	999
	2,186
Change in net assets	2,186
Net assets at beginning of year	52,462
Net assets at end of year.	\$ 54,648

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, 2006

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 510th largest in the State of Ohio (among 615 school districts) in terms of enrollment. It is staffed by 34 classified employees, 62 certified teaching personnel, and 6 administrative employees who provide services to 936 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 it does 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, preschool 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' government 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, 2006

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

Ridgedale Community School

The Ridgedale Community School (the "Community School") is a legally separate, conversion community school, served by a Board of Directors, the 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 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 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 Community School, the Community School is a component unit of the District and the financial activity of the Community School is presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Ridgedale 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, 2006

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 2006, 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, 2006

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 10.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, 2006

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, 2006

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, 2006, but which were levied to finance fiscal year 2007 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

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the function and one digit object level within the general fund, and at the fund level in all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

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 the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal 2006. 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, 2006.

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 2006 amounted to \$26,313, which includes \$9,932 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 expended/expensed when used under the consumption method. Inventory consists of administrative supplies and donated and purchased foods.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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.

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

<u>Description</u>	<u>Governmental Activities 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." The interfund balances between governmental funds 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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.

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/instructional materials, school bus purchases, budget stabilization, 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 budget stabilization represents monies requested to be set-aside by State statute to protect against cyclical changes in revenues and expenditures.

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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include monies restricted by State statute for school bus purchases.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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 textbook/instructional materials reserve and a budget stabilization reserve. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 15.

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 2006.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

B. Deficit Fund Balances

Fund balances at June 30, 2006 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Ohio Reads	\$ 9
Title I	2,470

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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;
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At year-end, the District had \$3,178 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, 2006, the District had \$577 in cash held by North Central Ohio Educational Service Center, which is included in the financial statements 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 with Financial Institutions" reported below.

C. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$773,853. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$770,769 of the District's bank balance of \$870,769 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

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, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> <u>6 months or less</u>
STAR Ohio	\$ 575,690	\$ 575,690

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 575,690	100.00

E. Reconciliation of Cash and Investments 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, 2006:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 773,853
Investments	575,690
Cash with fiscal agent	577
Cash on hand	3,178
Total	<u>\$ 1,353,298</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 1,267,462
Private-purpose trust funds	54,648
Agency funds	31,188
Total	<u>\$ 1,353,298</u>

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 5 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three 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.

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

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, 2006, are available to finance fiscal year 2006 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, 2006 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, 2006 was \$702,068 in the general fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2005 was \$910,010 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, 2006

NOTE 5 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 71,894,370	82.99	\$ 72,541,380	82.58
Public utility personal	8,935,690	10.31	9,492,340	10.81
Tangible personal property	<u>5,802,951</u>	<u>6.70</u>	<u>5,805,562</u>	<u>6.61</u>
Total	<u>\$ 86,633,011</u>	<u>100.00</u>	<u>\$ 87,839,282</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 47.39		\$ 47.39	

NOTE 6 - RECEIVABLES

Receivables at June 30, 2006 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	\$ 2,232,519
Accounts	949
Intergovernmental	<u>27,113</u>
Total	<u>\$ 2,260,581</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance <u>06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/06</u>
<i>Governmental Activities</i>				
<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	666,539	-	-	666,539
Buildings and improvements	4,276,306	-	-	4,276,306
Furniture and equipment	694,810	149,216	(104,319)	739,707
Vehicles	<u>1,047,500</u>	<u>58,725</u>	<u>(50,000)</u>	<u>1,056,225</u>
Total capital assets, being depreciated	<u>6,685,155</u>	<u>207,941</u>	<u>(154,319)</u>	<u>6,738,777</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(450,087)	(13,790)	-	(463,877)
Buildings and improvements	(1,415,858)	(69,204)	-	(1,485,062)
Furniture and equipment	(293,218)	(42,269)	41,728	(293,759)
Vehicles	<u>(715,521)</u>	<u>(107,838)</u>	<u>50,000</u>	<u>(773,359)</u>
Total accumulated depreciation	<u>(2,874,684)</u>	<u>(233,101)</u>	<u>91,728</u>	<u>(3,016,057)</u>
Governmental activities capital assets, net	<u>\$ 3,860,913</u>	<u>\$ (25,160)</u>	<u>\$ (62,591)</u>	<u>\$ 3,773,162</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 35,647
Special	2,550
Vocational	2,295
<u>Support Services:</u>	
Administration	27,338
Fiscal	292
Operations and maintenance	39,351
Pupil transportation	106,936
Extracurricular activities	16,603
Food service operations	<u>2,089</u>
Total depreciation expense	<u>\$ 233,101</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 8 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	Balance			Balance	Amounts
	<u>06/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/06</u>	<u>Due in</u>
					<u>One Year</u>
Governmental Activities:					
Capital leases payable	\$ 357,227	\$ 169,993	\$ (163,510)	\$ 363,710	\$ 97,984
Compensated absences	<u>456,340</u>	<u>52,874</u>	<u>(74,392)</u>	<u>434,822</u>	<u>74,436</u>
Total long-term obligations, governmental activities	<u>\$ 813,567</u>	<u>\$ 222,867</u>	<u>\$ (237,902)</u>	<u>\$ 798,532</u>	<u>\$ 172,420</u>

Compensated absences will be paid from the fund which the employees' salaries are paid, which is primarily the General fund. See Note 9 for detail about capital leases.

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, 2006 are a voted debt margin of \$7,905,535 and an unvoted debt margin of \$87,839.

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

- A. During fiscal year 2006, and in a prior fiscal year, the District entered into capitalized leases for school buses. 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 the amount of \$478,211 (of this total, \$26,777 was acquired in fiscal year 2006 and \$451,434 was acquired prior to fiscal year 2006). This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2006 was \$142,747 leaving a current book value of \$335,464. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2006 totaled \$87,443 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, 2006

NOTE 9 - 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>
2007	\$ 81,382
2008	58,897
2009	36,751
2010	33,301
2011	29,181
2012	<u>13,408</u>
Total minimum lease payments	252,920
Less amount representing interest	<u>(22,428)</u>
Total	<u>\$ 230,492</u>

- B.** During fiscal year 2006, the District entered into a capitalized lease for copier equipment. This capital lease replaced the capital lease and copier equipment reported by the District at June 30, 2005. This lease agreement meets 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 equipment have been capitalized in the amount of \$143,216. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2006 was \$4,774 leaving a current book value of \$138,442. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2006 totaled \$76,067 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, 2006:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 34,437
2008	34,437
2009	34,437
2010	34,437
2011	<u>20,088</u>
Total minimum lease payments	157,836
Less amount representing interest	<u>(24,618)</u>
Total	<u>\$ 133,218</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 10 - 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 2006, the District contracted with Selective Insurance Company of South Carolina for liability, property and fleet insurance. Coverage's 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	3,000,000
Deductible	2,500
General Liability	
Per occurrence combined single limit	1,000,000
Annual aggregate limit	3,000,000
Medical payments limit	10,000
Employee Benefits Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	3,000,000
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	250
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, 2006

NOTE 10 - 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 11 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent 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 statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$83,262, \$85,492, and \$82,805; 42.58 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$47,810 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System of Ohio

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 11 - PENSION PLANS - (Continued)

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

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for fund pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004 were \$394,892, \$419,815 and \$470,434; 83.85 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$63,774 represents the unpaid pension contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$202 made by the District and \$200 made by the plan members.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are 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, 2006**

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$30,376 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$40,005 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent 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 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

NOTE 13 - 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to 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:

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ 692,815
Net adjustment for revenue accruals	(144,206)
Net adjustment for expenditure accruals	(248,793)
Net adjustment for other sources/uses	110,961
Adjustment for encumbrances	<u>48,363</u>
GAAP basis	<u>\$ 459,140</u>

NOTE 14 - 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 15 - 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 for capital acquisition. 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, 2006, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>	Budget <u>Stabilization</u>
Set-aside cash balance as of June 30, 2005	\$ 161,307	\$ -	\$ 29,228
Current year set-aside requirement	132,396	132,396	-
Qualifying disbursements	<u>(54,872)</u>	<u>(217,276)</u>	<u>-</u>
Total	<u>\$ 238,831</u>	<u>\$ (84,880)</u>	<u>\$ 29,228</u>
Cash balance carried forward to FY 2007	<u>\$ 238,831</u>	<u>\$ -</u>	<u>\$ 29,228</u>

A schedule of the restricted assets at June 30, 2006 follows:

Amount restricted for instructional materials	\$ 238,831
Amounts restricted for budget stabilization	29,228
Amount restricted for bus purchase	<u>4,971</u>
Total restricted assets	<u>\$ 273,030</u>

The District did not have enough qualifying disbursements to reduce the set-aside amount below zero for the textbooks/instructional materials.

The District received monies restricted for school bus purchases. The amount of \$4,971 for school bus reserve is in the general fund on the governmental fund balance sheet at June 30, 2006.

NOTE 16 - RIDGEDALE COMMUNITY SCHOOL

The Ridgedale Community School (the "Community School") has been determined to be a discrete component unit of the Ridgedale Local School District (the "District"). The District is the Sponsor of the Community School. The District's Management has determined that the Community Schools activity is significant; therefore, it has been included as part of the District's basic financial statements. The Community 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, 2006

NOTE 16 - RIDGEDALE COMMUNITY SCHOOL - (Continued)

A. Significant Accounting Policies

The basic financial statements of the Community School 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 Community 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 Community 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 activities presents increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

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 Community School's contract with its Sponsor, except House Bill 364, which took effect April 8, 2003, added Ohio Rev. Code Section 3314.03 (11) (d), which states that community schools must comply with Ohio Rev. Code Section 5705.391. This requires each community school to submit to the Ohio Department of Education (ODE) a five year forecast no later than October 31 of each year. The contract between the Community 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 Community 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 2006, the Community School had no investments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 16 - RIDGEDALE COMMUNITY SCHOOL - (Continued)

Intergovernmental Revenues The Community 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.

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 used 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 (ODE). Under this program, the Community School was awarded \$150,000 during the year ended June 30, 2006 to offset start-up costs of the Community School. Revenue received from this program is recognized as state and federal grants in the accompanying financial statements. The entire amount of this award was received during the fiscal year. All intergovernmental receivables are considered collectible in full due to the current year guarantee of Federal funds.

The Community 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, 2006 totaled \$423,735.

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 Community 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Community School had unrestricted net assets of \$247,925 at June 30, 2006.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 16 - RIDGEDALE COMMUNITY SCHOOL - (Continued)

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 Directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year ended 2006.

B. Deposits

At June 30, 2006, the carrying amount of all Community School deposits was \$277,824. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$81,039 of the Community School's bank balance of \$281,039 was uncollateralized, while \$200,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Community School'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 Community School.

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 Community School. As of the date of this report the Community School has not purchased the required liability insurance or otherwise made any provisions for the potential liability of the Community School.

D. Service Contracts

Tri-Rivers Educational Computer Association The Community School entered into an agreement on May 19, 2005 for the 2005-06 school years with the Tri-Rivers Educational Computer Association (TRECA) for planning, instructional, administrative and technical services required for the operation of the Community 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 Community 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.

**RIDGEDALE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 16 - RIDGEDALE COMMUNITY SCHOOL - (Continued)

4. Communicate with the Community 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 Community 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 Community School is required to pay the following fees to TRECA:

1. Annual Fee - The Community School shall pay \$15,000 for the 2005 - 2006 school year for services acquired from TRECA. The Community School made this required payment during fiscal year 2006.
2. Tier One Enrollment - The Community 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 Community 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 Community 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 Community 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 Community School and TRECA.

During fiscal year 2006, the following payments were made from the Community School to TRECA:

Professional and technical services	\$	57,529
Instructional equipment		24,038
Total		81,567

Ridgedale Local School District The Community School Sponsorship Contract between the Community School and Ridgedale Local School District (the “Sponsor”) outlined the specific payments to be made by the Community School to the Sponsor during fiscal year 2006. In addition, the Community School Sponsorship Contract stated that the two parties agreed to

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

pay other mutually agreed upon amounts, including fees for any services provided to the Community School by the Sponsor.

NOTE 16 - RIDGEDALE COMMUNITY SCHOOL - (Continued)

During fiscal year 2006, the following payments were made from the Community School to the Sponsor:

Professional and technical services	\$ 118,625
Fiscal office supplies	<u>896</u>
Total	<u>\$ 119,521</u>

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

E. Contingencies

Grants The Community 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 Community School at June 30, 2006.

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 Community School was reviewed once during its initial year of operation and zero errors were found in enrollment, withdrawals and attendance. The Community School does not anticipate any significant adjustments to state funding for fiscal year 2007 as a result of the reviews which have yet to be completed.



Julian & Grube, Inc.
Serving Ohio Local Governments

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**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, Ohio (the "District") as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2006. 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 the Comptroller General of the United States *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control 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 another matter involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated December 20, 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 December 20, 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.".

Julian & Grube, Inc.
December 20, 2006



Mary Taylor, CPA
Auditor of State

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
MARCH 6, 2007