

**RIDGEWOOD LOCAL SCHOOL DISTRICT**  
**ANNUAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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





Mary Taylor, CPA  
Auditor of State

Board of Education  
Ridgewood Local School District  
301 South Oak Street  
West Lafayette, Ohio 43845

We have reviewed the *Independent Auditors' Report* of the Ridgewood Local School District, Coshocton County, prepared by Wolfe, Wilson & Phillips, 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 Ridgewood Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 25, 2007

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**RIDGEWOOD LOCAL SCHOOL DISTRICT  
COSHOCOTON COUNTY**

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

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ridgewood Local School District, Coshocton County as of and for the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ridgewood Local School District, Coshocton County as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity generally accepted accounting principles accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2006, on our consideration of Ridgewood Local School District's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to opine of the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards expenditures present additional information and is required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
December 12, 2006

**Ridgewood Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
(Unaudited)

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The discussion and analysis of the Ridgewood Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key Financial Highlights for 2006 are as follows:

- General Revenues accounted for \$9,713,529 in revenue or 83% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,045,016 or 17% of total revenues of \$11,758,545.
- Total program expenses were \$12,567,661.
- In total, net assets decreased \$809,116 from 2005.

***Using this Annual Report***

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Ridgewood Local School District as a whole 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 School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Ridgewood Local School District, the general fund is by far the most significant fund.

***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Ridgewood Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2006*  
*(Unaudited)*

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

In the *Statement of Net Assets* and the *Statement of Activities*, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, operation of food service, extracurricular activities and interest and fiscal charges.

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

*Fund Financial Statements*

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

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

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

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

The governmental fund financial statements begin on page 13.

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

The proprietary fund financial statements begin on page 18.

**Ridgewood Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2006*  
*(Unaudited)*

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

The fiduciary fund financial statements begin on page 21.

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

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for 2006 compared to 2005:

**(Table 1)**  
**Net Assets**

|                          | Governmental Activities |               |
|--------------------------|-------------------------|---------------|
|                          | 2006                    | 2005          |
| <b>Assets</b>            |                         |               |
| Current and Other Assets | \$ 6,989,636            | \$ 6,947,480  |
| Capital Assets           | 18,888,030              | 19,643,314    |
| Total Assets             | 25,877,666              | 26,590,794    |
| <b>Liabilities</b>       |                         |               |
| Other Liabilities        | 3,728,665               | 3,540,286     |
| Long-Term Liabilities    | 4,522,695               | 4,615,086     |
| Total Liabilities        | 8,251,360               | 8,155,372     |
| <b>Net Assets</b>        |                         |               |
| Invested in Capital      |                         |               |
| Assets Net of Debt       | 15,118,399              | 15,729,240    |
| Restricted               | 796,716                 | 1,325,038     |
| Unrestricted             | 1,020,144               | 1,381,144     |
| Total Net Asset          | \$ 16,935,259           | \$ 18,435,422 |

Total assets decreased by \$713,128. A \$755,284 decrease in total capital assets reflects current year depreciation exceeding additional purchases. Total liabilities increased by \$95,988. This increase was primarily due to increases in accrued wages and benefits and accrued interest payable.

Table 2 shows the changes in net assets for fiscal year 2006 as compared to fiscal year 2005.

**Ridgewood Local School District**  
*Management's Discussion and Analysis (Continued)*  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)

**(Table 2)**  
**Change in Net Assets**  
**Governmental Activities**

|  | 2006                 | 2005                 |
|--|----------------------|----------------------|
| <b>Revenues</b>                          |                      |                      |
| <i>Program Revenues</i>                  | \$ 683,319           | \$ 762,191           |
| Charges for Services                     | 1,337,242            | 1,077,311            |
| Capital Grants                           | 24,455               | 0                    |
| <i>Total Program Revenues</i>            | <u>2,045,016</u>     | <u>1,839,502</u>     |
| <i>General Revenues</i>                  |                      |                      |
| Property Taxes                           | 2,736,211            | 2,856,592            |
| Grants and Entitlements                  | 6,761,574            | 7,174,991            |
| Investment Earnings                      | 150,178              | 60,562               |
| Miscellaneous                            | 65,566               | 59,910               |
| <i>Total General Revenues</i>            | <u>9,713,529</u>     | <u>10,152,055</u>    |
| <i>Total Revenues</i>                    | <u>11,758,545</u>    | <u>11,991,557</u>    |
| <b>Program Expenses</b>                  |                      |                      |
| Instruction:                             |                      |                      |
| Regular                                  | 5,819,415            | 5,592,664            |
| Special                                  | 949,580              | 995,170              |
| Vocational                               | 186,737              | 156,463              |
| Other                                    | 31,697               | 4,896                |
| Support Services:                        |                      |                      |
| Pupils                                   | 436,389              | 438,734              |
| Instructional Staff                      | 526,692              | 476,081              |
| Board of Education                       | 16,343               | 24,464               |
| Administration                           | 952,524              | 831,360              |
| Fiscal                                   | 328,468              | 292,668              |
| Operation and Maintenance of Plant       | 1,373,457            | 1,006,037            |
| Pupil Transportation                     | 844,714              | 803,725              |
| Operation of Non-Instructional Services: |                      |                      |
| Food Service Operations                  | 523,389              | 589,485              |
| Community Services                       | 15,000               | 0                    |
| Extracurricular Activities               | 327,643              | 343,306              |
| Interest and Fiscal Charges              | 235,613              | 226,392              |
| <i>Total Program Expenses</i>            | <u>12,567,661</u>    | <u>11,781,445</u>    |
| <i>Change in Net Assets</i>              | (809,116)            | 200,067              |
| <i>Net Assets Beginning of Year</i>      | <u>18,435,422</u>    | <u>18,235,355</u>    |
| <i>Net Assets End of Year</i>            | <u>\$ 17,626,306</u> | <u>\$ 18,435,422</u> |

**Ridgewood Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2006*  
*(Unaudited)*

**Governmental Activities**

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. Property taxes made up 23 percent of revenues for governmental activities for the School District in fiscal year 2006. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

Instruction comprises 56 percent of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 36 percent. The remaining 8 percent of program expenses is used for other obligations of the School District such as non-instructional services, extracurricular activities and interest and fiscal charges.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons of 2006 to 2005 have been made in Table 3.

**(Table 3)**  
**Governmental Activities**

|   | 2006<br>Total Cost<br>of Service | 2005<br>Total Cost<br>of Service | 2006<br>Net Cost<br>of Service | 2005<br>Net Cost<br>of Service |
|---|----------------------------------|----------------------------------|--------------------------------|--------------------------------|
| <b>Program Expenses</b>                           |                                  |                                  |                                |                                |
| Instruction                                       | \$ 6,987,429                     | \$ 6,749,193                     | \$ (5,926,568)                 | \$ (6,025,635)                 |
| Support Services:                                 |                                  |                                  |                                |                                |
| Pupil and Instructional Staff                     | 963,081                          | 914,815                          | (745,683)                      | (657,690)                      |
| Board of Education, Administration,<br>and Fiscal | 1,297,335                        | 1,148,492                        | (1,223,332)                    | (1,066,864)                    |
| Operation and Maintenance of Plant                | 1,373,457                        | 1,006,037                        | (1,373,457)                    | (1,004,214)                    |
| Pupil Transportation                              | 844,714                          | 803,725                          | (835,747)                      | (800,228)                      |
| Operation of Non-Instructional Services           |                                  |                                  |                                |                                |
| Food Service Operations                           | 523,389                          | 589,485                          | 23,736                         | 4,505                          |
| Community Services                                | 15,000                           | 10,045                           | (15,000)                       | (10,045)                       |
| Extracurricular Activities                        | 327,643                          | 343,306                          | (190,981)                      | (165,425)                      |
| Interest and Fiscal Charges                       | 235,613                          | 226,392                          | (235,613)                      | (226,392)                      |
| <b>Total</b>                                      | <b>\$ 12,567,661</b>             | <b>\$ 11,791,490</b>             | <b>\$ (10,522,645)</b>         | <b>\$ (9,951,988)</b>          |

The dependence upon general revenues in the form of property taxes and grant and entitlements not restricted to specific programs is apparent. Program revenues only account for 16 percent of all governmental expenses. Program revenues include charges for services, grants and contributions that are program specific.

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

**Ridgewood Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2006*  
*(Unaudited)*

***General Fund Budgeting Highlights***

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

For the general fund, final budget basis revenue including other financing sources was \$9,814,939, under original budget estimates of \$9,776,497. Of this \$38,442 increase, most was attributable to increased property tax revenues.

Final appropriations including other financing uses of \$10,422,810 were \$575,900 higher than the \$9,846,910 in the original budget. The largest part of the increase was due to instruction and operation and maintenance of plant.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2006, the School District had nearly \$18,888,030 invested in land, buildings, equipment. Table 4 shows fiscal year 2006 balances compared with 2005.

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

|                            | 2006          | 2005          |
|----------------------------|---------------|---------------|
| Land                       | \$ 194,966    | \$ 194,966    |
| Buildings and Improvements | 17,432,189    | 18,051,166    |
| Furniture and Equipment    | 1,060,029     | 1,201,943     |
| Vehicles                   | 166,686       | 155,034       |
| Educational Media          | 34,160        | 40,205        |
| <i>Totals</i>              | \$ 18,888,030 | \$ 19,643,314 |

The \$755,284 decrease in capital assets reflects depreciation exceeding additional purchases.

Senate Bill 345 requires the School District to set aside \$155.07 per pupil of certain general fund revenues in each of two areas, one for the purchase of textbooks and materials related to instruction and the other for capital outlay. For fiscal year 2006, this amounted to \$202,940 for each set aside for Ridgewood Local School District. The School District has qualifying disbursements or offsets exceeding these requirements for textbooks. The School District did not have offsets and qualifying disbursements during the fiscal year that reduced the capital improvement set-aside below zero and is required to establish a fund balance reserve.

**Ridgewood Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2006*  
*(Unaudited)*

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**Debt**

At June 30, 2006, the School District had \$3,500,000 in bonds outstanding with \$125,000 due within one year. During fiscal year 2006, \$125,000 of general obligation bonds were retired. Table 5 summarizes bonds outstanding.

**(Table 5)**  
**Outstanding Debt, at June 30**

|                           | <u>Governmental<br/>Activities<br/>2006</u> | <u>Governmental<br/>Activities<br/>2005</u> |
|---------------------------|---|---|
| General Obligation Bonds: |   |   |
| May 1999 Bond Issue       |   |   |
| 5.85% due 12/1/2004       | \$ 1,140,000                                | \$ 1,175,000                                |
| November 1999 Bond Issue  |   |   |
| 5.85% due 12/1/2022       | <u>2,360,000</u>                            | <u>2,450,000</u>                            |
|                           | <u>\$ 3,500,000</u>                         | <u>\$ 3,625,000</u>                         |

***Current Issues***

Ridgewood School District is primarily state funded. The School District anticipates that state funding will remain about the same for fiscal year 2007 as what was received in 2006 and it is still uncertain what its enrollment will be for future years. Electronic schools are becoming more popular as an alternative to traditional public education. The School District has a historical trend of a net loss of students through open enrollment. As programs and course offerings are reduced, the School District may lose more students through these alternative forms of education.

**Ridgewood Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2006*  
*(Unaudited)*

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***Recent Levy History***

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

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

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

August 3, 2004 - 1/2% five year income tax operating levy -  
1,703 votes cast. 1,236 votes against the levy (73%) to 467 votes for the levy (27%).  
The levy was defeated by 769 votes.

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

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

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

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

**Ridgewood Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2006*  
*(Unaudited)*

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

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

***Contacting the School District's Financial Management***

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

**Ridgewood Local School District**

*Statement of Net Assets*

*June 30, 2006*

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|   | Governmental<br>Activities |
|---|----------------------------|
| <b>Assets</b>                                   |                            |
| Equity in Pooled Cash and Cash Equivalents      | \$ 4,130,420               |
| Receivables:                                    |                            |
| Taxes   | 2,696,031                  |
| Intergovernmental                               | 163,185                    |
| Nondepreciable Capital Assets                   | 194,966                    |
| Depreciable Capital Assets (Net)                | <u>18,693,064</u>          |
| <i>Total Assets</i>                             | <u>25,877,666</u>          |
| <b>Liabilities</b>                              |                            |
| Accounts Payable                                | 26,374                     |
| Accrued Wages and Benefits                      | 886,699                    |
| Matured Compensated Absences Payable            | 8,186                      |
| Accrued Vacation Payable                        | 16,666                     |
| Intergovernmental Payable                       | 297,757                    |
| Deferred Revenue                                | 2,369,310                  |
| Accrued Interest Payable                        | 16,880                     |
| Claims Payable                                  | 106,793                    |
| Long-Term Liabilities:                          |                            |
| Due Within One Year                             | 169,956                    |
| Due Within More Than One Year                   | <u>4,352,739</u>           |
| <i>Total Liabilities</i>                        | <u>8,251,360</u>           |
| <b>Net Assets</b>                               |                            |
| Invested in Capital Assets, Net of Related Debt | 15,118,399                 |
| Restricted for:                                 |                            |
| Capital Projects                                | 236,266                    |
| Debt Service                                    | 299,797                    |
| Other Purposes                                  | 796,716                    |
| Set Asides                                      | 154,984                    |
| Unrestricted                                    | <u>1,020,144</u>           |
| <i>Total Net Assets</i>                         | <u>\$ 17,626,306</u>       |

See accompanying notes to the basic financial statements.

**Ridgewood Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2006

|   | Program Revenues     |                                      |  | Net (Expense)<br>Revenue and Changes<br>in Net Assets |                            |
|---|----------------------|--------------------------------------|--|---|----------------------------|
|   | Expenses             | Charges for<br>Services<br>and Sales | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions                | Governmental<br>Activities |
| <b>Governmental Activities</b>                              |                      |                                      |  |   |                            |
| Instruction:  |                      |                                      |  |   |                            |
| Regular   | \$ 5,819,415         | \$ 259,354                           | \$ 75,110                                | \$ 0  | \$ (5,484,951)             |
| Special   | 949,580              | 11,577                               | 644,879                                  | 15,488  | (277,636)                  |
| Vocational  | 186,737              | 0                                    | 54,453                                   | 0   | (132,284)                  |
| Other   | 31,697               | 0                                    | 0  | 0   | (31,697)                   |
| Support Services:   |                      |                                      |  |   |                            |
| Pupils  | 436,389              | 0                                    | 4,954                                    | 0   | (431,435)                  |
| Instructional Staff   | 526,692              | 0                                    | 212,444                                  | 0   | (314,248)                  |
| Board of Education  | 16,343               | 0                                    | 0  | 0   | (16,343)                   |
| Administration  | 952,524              | 0                                    | 74,003                                   | 0   | (878,521)                  |
| Fiscal  | 328,468              | 0                                    | 0  | 0   | (328,468)                  |
| Operation and Maintenance of Plant                          | 1,373,457            | 0                                    | 0  | 0   | (1,373,457)                |
| Pupil Transportation  | 844,714              | 0                                    | 0  | 8,967   | (835,747)                  |
| Operation of Non-Instructional Services:                    |                      |                                      |  |   |                            |
| Food Service Operations                                     | 523,389              | 275,726                              | 271,399                                  | 0   | 23,736                     |
| Community Services  | 15,000               | 0                                    | 0  | 0   | (15,000)                   |
| Extracurricular Activities                                  | 327,643              | 136,662                              | 0  | 0   | (190,981)                  |
| Interest and Fiscal Charges                                 | 235,613              | 0                                    | 0  | 0   | (235,613)                  |
| <i>Total Governmental Activities</i>                        | <u>\$ 12,567,661</u> | <u>\$ 683,319</u>                    | <u>\$ 1,337,242</u>                      | <u>\$ 24,455</u>                                      | <u>(10,522,645)</u>        |
| <br><b>General Revenues</b>                                 |                      |                                      |  |   |                            |
| Property Taxes Levied for:                                  |                      |                                      |  |   |                            |
| General Purposes  |                      |                                      |  |   | 2,343,559                  |
| Debt Service  |                      |                                      |  |   | 346,310                    |
| Capital Outlay  |                      |                                      |  |   | 46,342                     |
| Grants and Entitlements not Restricted to Specific Programs |                      |                                      |  |   | 6,761,574                  |
| Investment Earnings   |                      |                                      |  |   | 150,178                    |
| Miscellaneous   |                      |                                      |  |   | 65,566                     |
| <i>Total General Revenues</i>                               |                      |                                      |  |   | <u>9,713,529</u>           |
| <i>Change in Net Assets</i>                                 |                      |                                      |  |   | (809,116)                  |
| <i>Net Assets Beginning of Year</i>                         |                      |                                      |  |   | <u>18,435,422</u>          |
| <i>Net Assets End of Year</i>                               |                      |                                      |  |   | <u>\$ 17,626,306</u>       |

See accompanying notes to the basic financial statements.

**Ridgewood Local School District***Balance Sheet**Governmental Funds**June 30, 2006*

|  | <u>General</u>      | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|---|---|
| <b>Assets</b>                              |                     |   |   |
| Equity in Pooled Cash and Cash Equivalents | \$ 2,348,305        | \$ 1,444,184                            | \$ 3,792,489                            |
| Restricted Cash and Cash Equivalents       | 154,984             | 0                                       | 154,984                                 |
| Receivables:                               |                     |   |   |
| Taxes                                      | 2,304,597           | 391,434                                 | 2,696,031                               |
| Interfund                                  | 16,000              | 0                                       | 16,000                                  |
| Intergovernmental                          | 0                   | 163,185                                 | 163,185                                 |
| Advances to Other Funds                    | 50,000              | 0                                       | 50,000                                  |
| <i>Total Assets</i>                        | <u>\$ 4,873,886</u> | <u>\$ 1,998,803</u>                     | <u>\$ 6,872,689</u>                     |
| <b>Liabilities and Fund Balances</b>       |                     |   |   |
| <b>Liabilities</b>                         |                     |   |   |
| Accounts Payable                           | \$ 10,061           | \$ 16,313                               | \$ 26,374                               |
| Accrued Wages and Benefits                 | 794,678             | 92,021                                  | 886,699                                 |
| Matured Compensated Absences Payable       | 8,186               | 0                                       | 8,186                                   |
| Interfund Payable                          | 0                   | 16,000                                  | 16,000                                  |
| Intergovernmental Payable                  | 261,076             | 36,681                                  | 297,757                                 |
| Deferred Revenue                           | 2,166,497           | 477,926                                 | 2,644,423                               |
| Advances from Other Funds                  | 0                   | 50,000                                  | 50,000                                  |
| <i>Total Liabilities</i>                   | <u>3,240,498</u>    | <u>688,941</u>                          | <u>3,929,439</u>                        |
| <b>Fund Balances</b>                       |                     |   |   |
| Reserved for Encumbrances                  | 105,489             | 203,936                                 | 309,425                                 |
| Reserved for BWC Refunds                   | 42,320              | 0                                       | 42,320                                  |
| Reserved for Property Taxes                | 138,100             | 23,405                                  | 161,505                                 |
| Reserved for Capital Improvements          | 112,664             | 0                                       | 112,664                                 |
| Reserved for Advances                      | 50,000              | 0                                       | 50,000                                  |
| Unreserved:                                |                     |   |   |
| Designated for Budget Stabilization        | 54,777              | 0                                       | 54,777                                  |
| Undesignated, Reported in:                 |                     |   |   |
| General Fund                               | 1,130,038           | 0                                       | 1,130,038                               |
| Special Revenue Funds                      | 0                   | 568,559                                 | 568,559                                 |
| Debt Service Fund                          | 0                   | 274,910                                 | 274,910                                 |
| Capital Projects Funds                     | 0                   | 239,052                                 | 239,052                                 |
| <i>Total Fund Balances</i>                 | <u>1,633,388</u>    | <u>1,309,862</u>                        | <u>2,943,250</u>                        |
| <i>Total Liabilities and Fund Balances</i> | <u>\$ 4,873,886</u> | <u>\$ 1,998,803</u>                     | <u>\$ 6,872,689</u>                     |

See accompanying notes to the basic financial statements.

**Ridgewood Local School District**  
*Reconciliation of Total Fund Balances to*  
*Net Assets of Governmental Activities*  
*June 30, 2006*

|  |             |                              |
|--|-------------|------------------------------|
| Total Governmental Fund Balances   | \$          | 2,943,250                    |
| <br><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   |             | 18,888,030                   |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.   |             |                              |
| Grants   | \$ 109,897  |                              |
| Delinquent Property Taxes  | 165,216     | 275,113                      |
| <br>In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is not recorded.   |             | <br>(16,880)                 |
| <br>An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. |             | <br>76,154                   |
| Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:  |             |                              |
| General Obligation Bonds   | (3,500,000) |                              |
| Accrued Vacation Payable   | (16,666)    |                              |
| Compensated Absences   | (753,064)   |                              |
| Capital Leases Payable   | (269,631)   | (4,539,361)                  |
| <br>Net Assets of Governmental Activities  | <br>\$      | <br><u><u>17,626,306</u></u> |

See accompanying notes to the basic financial statements.

**Ridgewood Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2006*

|   | General             | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>                                     |                     |                                |                                |
| Property Taxes                                      | \$ 2,325,992        | \$ 389,760                     | \$ 2,715,752                   |
| Intergovernmental                                   | 7,071,318           | 1,056,282                      | 8,127,600                      |
| Investment Income                                   | 119,969             | 30,209                         | 150,178                        |
| Tuition and Fees                                    | 223,195             | 41,792                         | 264,987                        |
| Extracurricular Activities                          | 0                   | 136,092                        | 136,092                        |
| Rentals   | 75                  | 0                              | 75                             |
| Charges for Services                                | 6,439               | 275,726                        | 282,165                        |
| Contributions and Donations                         | 3,210               | 0                              | 3,210                          |
| Miscellaneous                                       | 60,303              | 5,263                          | 65,566                         |
| <i>Total Revenues</i>                               | <u>9,810,501</u>    | <u>1,935,124</u>               | <u>11,745,625</u>              |
| <b>Expenditures</b>                                 |                     |                                |                                |
| Current:  |                     |                                |                                |
| Instruction:  |                     |                                |                                |
| Regular   | 4,824,521           | 126,197                        | 4,950,718                      |
| Special   | 586,505             | 350,943                        | 937,448                        |
| Vocational  | 176,070             | 0                              | 176,070                        |
| Other   | 31,697              | 0                              | 31,697                         |
| Support Services:                                   |                     |                                |                                |
| Pupils  | 422,507             | 8,396                          | 430,903                        |
| Instructional Staff                                 | 300,414             | 213,778                        | 514,192                        |
| Board of Education                                  | 16,343              | 0                              | 16,343                         |
| Administration                                      | 836,842             | 73,066                         | 909,908                        |
| Fiscal  | 314,915             | 9,714                          | 324,629                        |
| Operation and Maintenance of Plant                  | 1,291,089           | 57,439                         | 1,348,528                      |
| Pupil Transportation                                | 820,727             | 447                            | 821,174                        |
| Operation of Non-Instructional Services:            |                     |                                |                                |
| Food Service Operations                             | 0                   | 528,863                        | 528,863                        |
| Community Services                                  | 0                   | 15,000                         | 15,000                         |
| Extracurricular Activities                          | 177,007             | 144,675                        | 321,682                        |
| Capital Outlay                                      | 0                   | 11,699                         | 11,699                         |
| Debt Service:                                       |                     |                                |                                |
| Principal Retirement                                | 19,443              | 125,000                        | 144,443                        |
| Interest and Fiscal Charges                         | 13,051              | 205,682                        | 218,733                        |
| <i>Total Expenditures</i>                           | <u>9,831,131</u>    | <u>1,870,899</u>               | <u>11,702,030</u>              |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(20,630)</u>     | <u>64,225</u>                  | <u>43,595</u>                  |
| <b>Other Financing Sources (Uses)</b>               |                     |                                |                                |
| Transfers In  | 0                   | 17,000                         | 17,000                         |
| Transfers Out                                       | (17,000)            | 0                              | (17,000)                       |
| <i>Total Financing Sources (Uses)</i>               | <u>(17,000)</u>     | <u>17,000</u>                  | <u>0</u>                       |
| <i>Net Change in Fund Balance</i>                   | (37,630)            | 81,225                         | 43,595                         |
| <i>Fund Balance Beginning of Year</i>               | <u>1,671,018</u>    | <u>1,228,637</u>               | <u>2,899,655</u>               |
| <i>Fund Balance End of Year</i>                     | <u>\$ 1,633,388</u> | <u>\$ 1,309,862</u>            | <u>\$ 2,943,250</u>            |

See accompanying notes to the basic financial statements.

**Ridgewood Local School District**  
*Reconciliation of the Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2006*

|  |                  |                         |
|--|------------------|-------------------------|
| Net Change in Fund Balances - Total Governmental Funds   | \$               | 43,595                  |
| <br><i>Amounts reported for governmental activities in the statement of activities are different because:</i>  |                  |                         |
| Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. |                  |                         |
| Capital Asset Additions  | \$ 133,997       |                         |
| Current Year Depreciation  | <u>(889,281)</u> | (755,284)               |
| <br>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |                  |                         |
| Grants   | (7,539)          |                         |
| Delinquent Property Taxes  | <u>20,459</u>    | 12,920                  |
| <br>Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.   |                  |                         |
| Bond Principal   | 125,000          |                         |
| Capital Leases   | <u>19,443</u>    | 144,443                 |
| <br>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.   |                  |                         |
|  |                  | (16,880)                |
| <br>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.  |                  |                         |
| Accrued Vacation Payable   | (5,780)          |                         |
| Compensated Absences   | <u>(52,052)</u>  | (57,832)                |
| <br>The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.                            |                  |                         |
|  |                  | <u>(180,078)</u>        |
| Change in Net Assets of Governmental Activities  | \$               | <u><u>(809,116)</u></u> |

See accompanying notes to the basic financial statements.

**Ridgewood Local School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual*  
**General Fund**  
*For the Fiscal Year Ended June 30, 2006*

|   | Budgeted Amounts |              | Actual       | Variance<br>with Final Budget<br>Positive<br>(Negative) |
|---|------------------|--------------|--------------|---|
|   | Original         | Final        |              |   |
| <b>Revenues</b>                                     |                  |              |              |   |
| Property Taxes                                      | \$ 2,185,100     | \$ 2,285,600 | \$ 2,331,433 | \$ 45,833   |
| Intergovernmental                                   | 7,287,487        | 7,077,487    | 7,071,318    | (6,169)   |
| Investment Income                                   | 20,000           | 100,000      | 119,969      | 19,969  |
| Tuition and Fees                                    | 227,760          | 236,060      | 235,195      | (865)   |
| Rentals   | 100              | 100          | 75           | (25)  |
| Charges for Services                                | 5,000            | 5,000        | 6,439        | 1,439   |
| Contributions and Donations                         | 50               | 50           | 3,210        | 3,160   |
| Miscellaneous                                       | 1,000            | 17,000       | 51,551       | 34,551  |
| <i>Total Revenues</i>                               | 9,726,497        | 9,721,297    | 9,819,190    | 97,893  |
| <b>Expenditures</b>                                 |                  |              |              |   |
| Current:  |                  |              |              |   |
| Instruction:  |                  |              |              |   |
| Regular   | 4,789,935        | 5,015,655    | 4,851,538    | 164,117   |
| Special   | 775,130          | 773,064      | 585,453      | 187,611   |
| Vocational  | 226,966          | 223,140      | 170,453      | 52,687  |
| Other   | 5,000            | 46,245       | 35,574       | 10,671  |
| Support Services                                    |                  |              |              |   |
| Pupils  | 441,631          | 458,817      | 431,363      | 27,454  |
| Instructional Staff                                 | 273,195          | 302,335      | 304,612      | (2,277)   |
| Board of Education                                  | 28,985           | 33,985       | 16,372       | 17,613  |
| Administration                                      | 763,852          | 823,449      | 820,842      | 2,607   |
| Fiscal  | 327,826          | 356,439      | 314,348      | 42,091  |
| Operation and Maintenance of Plant                  | 1,168,439        | 1,312,874    | 1,308,639    | 4,235   |
| Pupil Transportation                                | 807,471          | 826,719      | 788,182      | 38,537  |
| Extracurricular Activities                          | 157,480          | 166,780      | 175,475      | (8,695)   |
| <i>Total Expenditures</i>                           | 9,765,910        | 10,339,502   | 9,802,851    | 536,651   |
| <i>Excess of Revenues Over (Under) Expenditures</i> | (39,413)         | (618,205)    | 16,339       | 634,544   |
| <b>Other Financing Sources (Uses)</b>               |                  |              |              |   |
| Proceeds from Sale of Assets                        | 0                | 0            | 8,475        | 8,475   |
| Refund of Prior Year Expenditures                   | 0                | 0            | 277          | 277   |
| Refund of Prior Year Receipts                       | (1,000)          | (1,000)      | (847)        | 153   |
| Advances In   | 50,000           | 50,000       | 11,050       | (38,950)  |
| Advances Out  | (60,000)         | (60,000)     | (16,000)     | 44,000  |
| Transfers In  | 0                | 43,642       | 43,642       | 0   |
| Transfers Out                                       | (20,000)         | (22,308)     | (60,642)     | (38,334)  |
| <i>Total Other Financing Sources (Uses)</i>         | (31,000)         | 10,334       | (14,045)     | (24,379)  |
| <i>Net Change in Fund Balance</i>                   | (70,413)         | (607,871)    | 2,294        | 610,165   |
| <i>Fund Balance Beginning of Year</i>               | 2,172,094        | 2,172,094    | 2,172,094    | 0   |
| Prior Year Encumbrances Appropriated                | 553,423          | 553,423      | 553,423      | 0   |
| <i>Fund Balance End of Year</i>                     | \$ 2,655,104     | \$ 2,117,646 | \$ 2,727,811 | \$ 610,165  |

See accompanying notes to the basic financial statements.

**Ridgewood Local School District**

*Statement of Net Assets*

*Proprietary Fund*

*June 30, 2006*

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|  | Governmental<br>Activities -<br>Internal Service<br>Fund |
|--|--|
| <b>Assets</b>                              |  |
| Equity in Pooled Cash and Cash Equivalents | <u>\$ 182,947</u>  |
| <b>Liabilities</b>                         |  |
| Claims Payable                             | <u>106,793</u>   |
| <b>Net Assets</b>                          |  |
| Unrestricted                               | <u><u>\$ 76,154</u></u>                                  |

See accompanying notes to the basic financial statements.

**Ridgewood Local School District**  
*Statement of Revenues, Expenses, and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2006*

|                                     | <u>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</u> |
|-------------------------------------|--|
| <b>Operating Revenues</b>           |  |
| Charges for Services                | <u>\$ 1,532,830</u>  |
| <b>Operating Expenses</b>           |  |
| Purchased Services                  | 329,156  |
| Claims                              | <u>1,383,752</u>   |
| <i>Total Operating Expenses</i>     | <u>1,712,908</u>   |
| <i>Change in Net Assets</i>         | (180,078)  |
| <i>Net Assets Beginning of Year</i> | <u>256,232</u>   |
| <i>Net Assets End of Year</i>       | <u><u>\$ 76,154</u></u>  |

See accompanying notes to the basic financial statements.

**Ridgewood Local School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2006

|   | <u>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</u> |
|---|--|
| <i>Decrease in Cash and Cash Equivalents</i>  |  |
| <b>Cash Flows From Operating Activities</b>   |  |
| Cash Received from Customers  | \$ 1,532,830   |
| Cash Paid for Goods and Services  | (329,156)  |
| Cash Paid for Claims  | <u>(1,366,059)</u>   |
| <i>Net Cash Used For Operating Activities</i>   | <u>(162,385)</u>   |
| <i>Net Decrease in Cash and Cash Equivalents</i>                                      | (162,385)  |
| <i>Cash and Cash Equivalents Beginning of Year</i>                                    | <u>345,332</u>   |
| <i>Cash and Cash Equivalents End of Year</i>  | <u><u>\$ 182,947</u></u>   |
| <b>Reconciliation of Operating Loss to Net Cash<br/>Used For Operating Activities</b> |  |
| Operating Loss  | \$ (180,078)   |
| Adjustment:   |  |
| Increase in Claims Payable  | <u>17,693</u>  |
| <i>Net Cash Used For Operating Activities</i>   | <u><u>\$ (162,385)</u></u>   |

See accompanying notes to the basic financial statements.

**Ridgewood Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2006*

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|  | <u>Agency</u>    |
|--|------------------|
| <b>Assets</b>                              |                  |
| Equity in Pooled Cash and Cash Equivalents | \$ 44,866        |
| <b>Liabilities</b>                         |                  |
| Accounts Payable                           | \$ 770           |
| Due to Students                            | 44,096           |
| <i>Total Liabilities</i>                   | <u>\$ 44,866</u> |

See accompanying notes to the basic financial statements.

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 1 - Description of the School District**

Ridgewood Local School District (the "School District") was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on, or as of, June 30, 2006, was 1,362. The School District employs 105 certified and 92 non-certified employees.

***Reporting Entity***

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

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

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

The School District participates in two jointly governed organizations. These organizations are the Ohio Mid Eastern Regional Educational Service Agency and the Coshocton County Career Center. These organizations are presented in Note 17 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**A. Basis of Presentation**

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

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

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

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

**B. Fund Accounting**

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

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

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

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

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position and cash flows. The following is the School District's only proprietary fund type:

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

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

**C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

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

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

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***D. Basis of Accounting***

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 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.

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

***E. Cash and Cash Equivalents***

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

During fiscal year 2006, investments were limited to certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$119,969 which includes \$33,327 assigned from other School District funds.

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

***F. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are imposed by creditors, contributors, grantors, or laws of other governments or by enabling legislation. Restricted assets include amounts required to be set aside by the School District for the acquisition or construction of capital assets and to create a reserve for budget stabilization.

***G. Capital Assets***

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

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

***H. Interfund Balances***

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

***I. Compensated Absences***

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

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

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

In governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

***J. Accrued Liabilities and Long-term Obligations***

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

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

***K. Net Assets***

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

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

***L. Fund Balance Reserves and Designations***

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. The School District records designations for portions of fund equity which the School District Board of Education has segregated for specific future use. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, property taxes, advances, capital improvements and budget stabilization, which are made up of refunds from the Bureau of Workers Compensation.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

Designated fund balance represents planned actions for monies set aside by the School District for budget stabilization.

***M. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as non-operating.

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

***O. 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 2006.

***P. Estimates***

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

***Q. Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require resolution of the Board of Education. The treasurer has been given authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were adopted.

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

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***R. New Accounting Principles***

For the year ended June 30, 2006, the School 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 Statement No. 47 “*Accounting for Termination Benefits.*”

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 46 establishes that any amount of the primary government’s net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements. At June 30, 2006, none of the School District’s net assets were restricted by enabling legislation.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to *all* termination benefits without limitation as to the period of time during which the benefits are offered.

The implementation of these GASB Statements did not have an effect on the financial statements of the School District.

**Note 3 – Fund Deficits**

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

|  | <u>Deficit</u> |
|--|----------------|
| <i>Nonmajor Special Revenue Funds:</i> |                |
| Management Information Systems         | \$ 1,099       |
| Ohio Reads Grant                       | 346            |
| Title I                                | 39,949         |
| Miscellaneous Federal Grants           | 699            |

These deficits are the result of adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 4 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances in and advances out are non-operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

**Net Change in Fund Balance**

|   |                        |
|---|------------------------|
| GAAP Basis                              | \$ (37,630)            |
| Net Adjustment for Revenue Accruals     | 61,083                 |
| Advances In                             | 11,050                 |
| Advances Out                            | (16,000)               |
| Net Adjustment for Expenditure Accruals | 97,547                 |
| Adjustment for Encumbrances             | <u>(113,756)</u>       |
| Budget Basis                            | <u><u>\$ 2,294</u></u> |

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 5- Deposits and Investments**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 5- Deposits and Investments (Continued)**

6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$4,175,286. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2006, \$4,104,504 of the School District's bank balance of \$4,353,314 was exposed to custodial risk as discussed above, while \$248,810 was covered by Federal Deposit Insurance Corporation.

**Note 6- Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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 School District. Real property tax revenue received in calendar 2006 represents collections of calendar 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.

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 6– Property Taxes (Continued)**

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, 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 semiannually. 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 School District prior to June 30.

The School District receives property taxes from Coshocton, Guernsey and Tuscarawas Counties. The County Auditors periodically advances to the School 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 the 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 delayed personal property tax and 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 \$138,100 in the general fund, \$20,646 in the bond retirement debt service fund and \$2,759 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2005 was \$143,541 in the general fund, \$21,552 in the bond retirement debt service fund and \$2,876 in the classroom facilities maintenance special revenue 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.

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

**Note 6– Property Taxes (Continued)**

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

|   | 2005 Second-Half<br>Collections |             | 2006 First-Half<br>Collections |             |
|---|---------------------------------|-------------|--------------------------------|-------------|
|   | Amount                          | Percent     | Amount                         | Percent     |
| Agricultural/Residential<br>and Other Real Estate | \$ 99,407,360                   | 89%         | \$ 101,814,400                 | 90%         |
| Public Utility Personal                           | 1,296,920                       | 1%          | 6,006,820                      | 5%          |
| Tangible Personal Property                        | 10,774,030                      | 10%         | 5,400,000                      | 5%          |
| <b>Total Assessed Value</b>                       | <b>\$ 111,478,310</b>           | <b>100%</b> | <b>\$ 113,221,220</b>          | <b>100%</b> |
| <br>Tax rate per \$1,000 of<br>assessed value     | <br><b>\$ 43.00</b>             |             | <br><b>\$ 43.00</b>            |             |

**Note 7 - Interfund Activity**

**A. Interfund Balances**

Interfund balances at June 30, 2006 consist of the following:

|                                       | Interfund<br>Receivable | Interfund<br>Payable | Advances to<br>Other Funds | Advances from<br>Other Funds |
|---------------------------------------|-------------------------|----------------------|----------------------------|------------------------------|
| <i>Major Fund</i>                     |                         |                      |                            |                              |
| General                               | \$ 16,000               | \$ 0                 | \$ 50,000                  | \$ 0                         |
| <i>Nonmajor Special Revenue Funds</i> |                         |                      |                            |                              |
| Uniform School Supplies               | 0                       | 0                    | 0                          | 50,000                       |
| Improving Teacher Quality             | 0                       | 15,000               | 0                          | 0                            |
| Miscellaneous Federal Grants          | 0                       | 1,000                | 0                          | 0                            |
| <b>Totals</b>                         | <b>\$ 16,000</b>        | <b>\$ 16,000</b>     | <b>\$ 50,000</b>           | <b>\$ 50,000</b>             |

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the Statement of Net Assets.

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

**Note 7 - Interfund Activity (Continued)**

**B. Interfund Transfers**

During the fiscal year, the general fund transferred \$15,000 and \$2,000 to the athletics special revenue fund and the management information systems special revenue fund, respectively, to provide additional resources for current operations.

**Note 8 – Receivables**

Receivables at June 30, 2006 consisted of taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds. All receivables are expected to be received within one year.

**Note 9 - Capital Assets**

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

|   | Balance<br>6/30/2005 | Additions           | Reductions  | Balance<br>6/30/2006 |
|---|----------------------|---------------------|-------------|----------------------|
| <b>Governmental Activities</b>                            |                      |                     |             |                      |
| <b><i>Capital Assets, not being depreciated</i></b>       |                      |                     |             |                      |
| Land  | \$ 194,966           | \$ 0                | \$ 0        | \$ 194,966           |
| <b><i>Capital Assets, being depreciated</i></b>           |                      |                     |             |                      |
| Land Improvements   | 2,054,262            | 0                   | 0           | 2,054,262            |
| Building and Improvements                                 | 21,407,236           | 0                   | 0           | 21,407,236           |
| Furniture and Equipment                                   | 3,173,815            | 75,997              | 0           | 3,249,812            |
| Vehicles  | 1,111,329            | 58,000              | 0           | 1,169,329            |
| Textbooks   | 946,816              | 0                   | 0           | 946,816              |
| <b><i>Total Capital Assets, being depreciated</i></b>     | <b>28,693,458</b>    | <b>133,997</b>      | <b>0</b>    | <b>28,827,455</b>    |
| <b><i>Less Accumulated Depreciation</i></b>               |                      |                     |             |                      |
| Land Improvements   | 754,496              | 127,241             | 0           | 881,737              |
| Building and Improvements                                 | 4,655,836            | 491,736             | 0           | 5,147,572            |
| Furniture and Equipment                                   | 1,971,872            | 217,911             | 0           | 2,189,783            |
| Vehicles  | 956,295              | 46,348              | 0           | 1,002,643            |
| Textbooks   | 906,611              | 6,045               | 0           | 912,656              |
| <b><i>Total Accumulated Depreciation</i></b>              | <b>9,245,110</b>     | <b>889,281</b> *    | <b>0</b>    | <b>10,134,391</b>    |
| <b><i>Total Capital Assets being depreciated, net</i></b> | <b>19,448,348</b>    | <b>(755,284)</b>    | <b>0</b>    | <b>18,693,064</b>    |
| <b><i>Governmental Activities Capital Assets, net</i></b> | <b>\$ 19,643,314</b> | <b>\$ (755,284)</b> | <b>\$ 0</b> | <b>\$ 18,888,030</b> |

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 9 - Capital Assets (Continued)**

\* Depreciation expense was charged to governmental functions as follows:

|  |                              |
|--|------------------------------|
| Instruction:                             |                              |
| Regular                                  | \$ 789,703                   |
| Support Services:                        |                              |
| Instructional Staff                      | 4,806                        |
| Administration                           | 21,952                       |
| Operation and Maintenance of Plant       | 881                          |
| Pupil Transportation                     | 49,121                       |
| Operation of Non-Instructional Services: |                              |
| Food Service Operations                  | <u>22,818</u>                |
| <br>Total Depreciation                   | <br><u><u>\$ 889,281</u></u> |

**Note 10 – Risk Management**

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

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

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

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

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

The School District has established a limited risk management program for hospital/medical benefits. Premiums are paid into the self-insurance fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2006, a total expense of \$1,712,908 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of \$35,000. The liability for unpaid claims cost of \$106,793 reported in the fund at June 30, 2006 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions.

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 10 – Risk Management (Continued)**

Changes in the fund's claims liability amount in 2005 and 2006 were:

|      | Balance<br>Beginning<br>of Year | Current<br>Year<br>Claims | Claims<br>Payments | Balance<br>End of<br>Year |
|------|---------------------------------|---------------------------|--------------------|---------------------------|
|      |                                 |                           |                    |                           |
| 2005 | \$ 100,078                      | \$ 1,485,086              | \$ 1,496,064       | \$ 89,100                 |
| 2006 | \$ 89,100                       | \$ 1,383,752              | \$ 1,366,059       | \$ 106,793                |

**Note 11 – Compensated Absences**

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

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

**Note 12 - Pension Plans**

***A. School Employees Retirement System***

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

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 12 - Pension Plans (Continued)**

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.57 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 a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$213,036, \$207,189, and \$205,811, respectively; 49 percent has been contributed for fiscal year 2006 and 100 percent for the fiscal years 2005 and 2004. \$108,450 represents the unpaid contribution for fiscal year 2006, and is recorded as a liability within the respective funds.

***B. State Teachers Retirement System***

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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. 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 School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 12 - Pension Plans (Continued)**

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$620,004, \$592,094, and \$623,731, respectively; 83 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$107,820 represents the unpaid contribution for fiscal year 2006, and is recorded as a liability within the respective funds.

**C. Social Security System**

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

**Note 13 - Postemployment Benefits**

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

STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio 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 costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$44,286 during the 2006 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, the health care costs paid by STRS were \$254,780,000 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. Premiums are reduced by 50 percent for those retirees whose household income falls below federal poverty levels.

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 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay has been established at \$27,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$80,231.

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 13 - Postemployment Benefits (Continued)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for the maintenance of the asset target level for the health care fund. Net health care costs for the year ending June 30, 2005 (the latest information available) were \$178,221,113. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005 (the latest information available), the value of the health care fund was \$267.5 million, which is about 168 percent of next year's projected net health care costs of \$158,776,151. SERS has 58,123 participants currently receiving health care benefits.

**Note 14 – Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

**B. Litigation**

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

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2006

**Note 15 - Long - Term Obligations**

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

|   | Outstanding<br>6/30/2005 | Additions         | Reductions          | Outstanding<br>6/30/2006 | Amounts<br>Due in<br>One Year |
|---|--------------------------|-------------------|---------------------|--------------------------|-------------------------------|
| <b>Governmental Activities</b>                  |                          |                   |                     |                          |                               |
| <i>General Obligation Bonds</i>                 |                          |                   |                     |                          |                               |
| May 1999 Bond Issue<br>5.85% due 12/1/2024      | \$ 1,175,000             | \$ 0              | \$ (35,000)         | \$ 1,140,000             | \$ 35,000                     |
| November 1999 Bond Issue<br>5.85% due 12/1/2022 | 2,450,000                | 0                 | (90,000)            | 2,360,000                | 90,000                        |
|   | <u>3,625,000</u>         | <u>0</u>          | <u>(125,000)</u>    | <u>3,500,000</u>         | <u>125,000</u>                |
| Capital Leases                                  | 289,074                  | 0                 | (19,443)            | 269,631                  | 20,071                        |
| Compensated Absences                            | <u>701,012</u>           | <u>126,578</u>    | <u>(74,526)</u>     | <u>753,064</u>           | <u>24,885</u>                 |
| <i>Total Governmental Activities</i>            |                          |                   |                     |                          |                               |
| <i>Long-Term Liabilities</i>                    | <u>\$ 4,615,086</u>      | <u>\$ 126,578</u> | <u>\$ (218,969)</u> | <u>\$ 4,522,695</u>      | <u>\$ 169,956</u>             |

Proceeds of the bond issues were expensed on building renovations.

The general obligation bonds will be paid from the bond retirement debt service fund. The capital leases will be paid from the general fund. Compensated absences will be paid from the general fund and the food service special revenue fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2006 are as follows:

| Fiscal Year<br>Ending June 30, | General Obligation Bonds |                     | Total               |
|--------------------------------|--------------------------|---------------------|---------------------|
|                                | Principal                | Interest            |                     |
| 2007                           | 125,000                  | 199,431             | 324,431             |
| 2008                           | 135,000                  | 192,931             | 327,931             |
| 2009                           | 135,000                  | 186,097             | 321,097             |
| 2010                           | 140,000                  | 179,050             | 319,050             |
| 2011                           | 150,000                  | 171,619             | 321,619             |
| 2012-2016                      | 885,000                  | 718,388             | 1,603,388           |
| 2017-2021                      | 1,175,000                | 411,750             | 1,586,750           |
| 2022-2025                      | 755,000                  | 67,350              | 822,350             |
| Total                          | <u>\$ 3,500,000</u>      | <u>\$ 2,126,616</u> | <u>\$ 5,626,616</u> |

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

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 16 – Capital Leases**

Capital lease obligations relate to copier equipment and an administrative building lease purchase agreement, which is leased under long-term agreements. The leases meet the criteria of capital leases as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases". Capital assets acquired by lease have been capitalized in the amount of \$335,731 equal to the present value of the future minimum lease payments at the time of acquisition. Capital lease payments in the general fund have been reclassified and are reflected as debt service in the basic financial statements for the general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2006.

|   |           | <u>Capital<br/>Leases</u> |
|---|-----------|---------------------------|
| For Fiscal Year Ending June 30,         | 2007      | \$ 31,974                 |
|   | 2008      | 26,349                    |
|   | 2009      | 22,220                    |
|   | 2010      | 21,658                    |
|   | 2011      | 21,129                    |
|   | 2012-2016 | 97,706                    |
|   | 2017-2021 | 77,917                    |
|   | 2022-2026 | 71,208                    |
|   | 2027      | <u>28,367</u>             |
| Total Minimum Lease Payments            |           | 398,528                   |
| Less: Amount Representing Interest      |           | <u>(128,897)</u>          |
| Present Value of Minimum Lease Payments |           | <u><u>\$ 269,631</u></u>  |

**Note 17 – Jointly Governed Organizations**

***A. Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)***

The Ohio Mid Eastern Regional Educational Service Agency (OME-RESA) is a jointly governed organization comprised of 49 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports OME-RESA based upon a per pupil charge dependent upon the software package utilized. OME-RESA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. OME-RESA is governed by a board of directors chosen from the general membership of OME-RESA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Jefferson County Educational Service Center, which serves as fiscal agent, located at Steubenville, Ohio. During the year ended June 30, 2006, the School District paid \$174,730 to OME-RESA for basic service charges.

**Ridgewood Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 17 – Related Organizations (Continued)**

***B. Coshocton County Career Center***

Coshocton County Career Center is a jointly governed organization providing vocational services to its three member school districts. The joint vocational school is governed by a five-member board of education of which two members are appointed by the River View Local School District, two members are appointed by the Coshocton City School District and one member is appointed by the Ridgewood Local School District. The board controls the financial activity of the Career Center. The Career Center receives no direct funding from the member school districts. The continued existence of the Career Center is not dependent on the Ridgewood Local School District's continued participation and no equity interest exists.

**Note 18 – Set Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2006, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

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

|   | <u>BWC<br/>Refunds</u> | <u>Capital<br/>Improvements</u> | <u>Textbooks and<br/>Instructional<br/>Materials</u> | <u>Total</u>          |
|---|------------------------|---------------------------------|--|-----------------------|
| Set-Aside Cash Balance as of June 30, 2005      | \$ 42,320              | \$ 0                            | \$ 0   | \$ 42,320             |
| Set-Aside Carryover Balance as of June 30, 2005 | 0                      | 0                               | (144,013)  | (144,013)             |
| Current Year Set-Aside Requirement              | 0                      | 202,940                         | 202,940  | 405,880               |
| Qualifying Disbursements                        | <u>0</u>               | <u>(90,276)</u>                 | <u>(134,641)</u>                                     | <u>(224,917)</u>      |
| <br>Total                                       | <br><u>\$ 42,320</u>   | <br><u>\$ 112,664</u>           | <br><u>\$ (75,714)</u>                               | <br><u>\$ 79,270</u>  |
| <br>Balance Carried Forward FY2007              | <br><u>\$ 42,320</u>   | <br><u>\$ 112,664</u>           | <br><u>\$ (75,714)</u>                               |                       |
| <br>Amount Restricted for Set-Asides            | <br><u>\$ 42,320</u>   | <br><u>\$ 112,664</u>           | <br><u>\$ 0</u>                                      | <br><u>\$ 154,984</u> |

The School District had qualifying disbursements during the year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years for the purchase of textbooks and/or instructional materials. The School District did not have qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amount below zero and is required to establish a fund balance reserve. The total reserve balance for the set-asides at the end of the fiscal year was \$154,984.

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ridgewood Local School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 12, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Ridgewood Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Ridgewood Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standard*. We noted certain immaterial instances of noncompliance, which we have reported to management of Ridgewood Local School District in a separate letter dated December 12, 2006.

This report is intended for the information of the District's Board of Education, management, Auditor of State, federal award agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
December 12, 2006

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

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

Board of Education  
Ridgewood Local School District  
West Lafayette, Ohio 45786

**Compliance**

We have audited the compliance of Ridgewood Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. Ridgewood Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Ridgewood Local School District management. Our responsibility is to express an opinion on Ridgewood Local School District's compliance based on our audit.

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

In our opinion, the Ridgewood Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

**Internal Control Over Compliance**

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

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

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

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
December 12, 2006

**RIDGEWOOD LOCAL SCHOOL DISTRICT  
 COSHOCTON COUNTY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 OMB CIRCULAR A-133 SECTION 505**

**1. Summary of Auditor's Results**

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

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

NONE

**3. Findings and Questioned Costs for Federal Awards**

NONE

**RIDGEWOOD LOCAL SCHOOL DISTRICT  
COSHOCKTON COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

| Federal Grantor/<br>Sub-Grantor<br>Program Title                    | Pass Through<br>Entity Number | Federal<br>CFDA<br>Number | Receipts  | Non-Cash<br>Receipts | Disbursements | Non-Cash<br>Disbursements |
|---|-------------------------------|---------------------------|-----------|----------------------|---------------|---------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE:</b>                              |                               |                           |           |                      |               |                           |
| Pass through Ohio Department of Education                           |                               |                           |           |                      |               |                           |
| Nutrition Cluster   |                               |                           |           |                      |               |                           |
| National School Breakfast Program                                   | n/a                           | 10.553                    | \$ 54,307 | \$ -                 | \$ 54,307     | \$ -                      |
| National School Lunch Program                                       | n/a                           | 10.555                    | 173,447   | -                    | 173,447       | -                         |
| Total Nutrition Cluster   |                               |                           | 227,754   | -                    | 227,754       | -                         |
| Food Distribution Program   | n/a                           | 10.550                    | -         | 73,187               | -             | 73,187                    |
| <b>Total U.S. Department of Agriculture</b>                         |                               |                           | 227,754   | 73,187               | 227,754       | 73,187                    |
| <b>U.S. DEPARTMENT OF EDUCATION:</b>                                |                               |                           |           |                      |               |                           |
| Pass through Ohio Department of Education                           |                               |                           |           |                      |               |                           |
| Title I Educationally Deprived Children                             | 046474C1S105                  | 84.010                    | 23,037    | -                    | 45,616        | -                         |
|   | 046474C1S106                  |                           | 220,728   | -                    | 219,720       | -                         |
|   |                               |                           | 243,765   | -                    | 265,336       | -                         |
| Special Education Cluster:  |                               |                           |           |                      |               |                           |
| Title VI-B Special Education Assistance<br>for handicapped Children | 046474BSF05                   | 84.027                    | 1,103     | -                    | 29,449        | -                         |
|   | 046474BSF06                   |                           | 318,833   | -                    | 264,383       | -                         |
| Preschool Grants for Children                                       | 046474PG3105                  | 84.173                    | (116)     | -                    | 866           | -                         |
|   | 046474PG3106                  |                           | 13,928    | -                    | 12,689        | -                         |
|   |                               |                           | 333,748   | -                    | 307,387       | -                         |
| Drug Free School Program  | 046474DRS105                  | 84.186                    | (1,227)   | -                    | 1,227         | -                         |
|   | 046474DRS106                  |                           | 5,487     | -                    | 3,558         | -                         |
|   |                               |                           | 4,260     | -                    | 4,785         | -                         |
| Innovative Education Program Strategies                             | 046474C2S105                  | 84.298                    | (93)      | -                    | 213           | -                         |
|   | 046474C2S106                  |                           | 2,607     | -                    | 4,092         | -                         |
|   |                               |                           | 2,514     | -                    | 4,305         | -                         |
| Technology Literacy Challenge                                       | 046474TJS105                  | 84.318                    | (1,366)   | -                    | 1,366         | -                         |
|   | 046474TJS106                  |                           | 7,203     | -                    | 7,112         | -                         |
|   |                               |                           | 5,837     | -                    | 8,478         | -                         |
| Improving Teacher Quality State Grant                               | 046474TRS105                  | 84.367                    | (80,970)  | -                    | 91,359        | -                         |
|   | 046474TRS106                  |                           | 3,046     | -                    | 6,673         | -                         |
|   |                               |                           | (77,924)  | -                    | 98,032        | -                         |
| <b>Total U.S. Department of Education</b>                           |                               |                           | 512,200   | -                    | 688,323       | -                         |
| <b>Total Federal Awards Expenditures</b>                            |                               |                           | 739,954   | 73,187               | 916,077       | 73,187                    |

See notes to Schedule of Federal Awards Expenditures.

**RIDGEWOOD LOCAL SCHOOL DISTRICT  
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTES B – CHILD NUTRITION CLUSTER

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

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



**Mary Taylor, CPA**  
Auditor of State

**RIDGEWOOD LOCAL SCHOOL DISTRICT**  
**COSHOCTON 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**  
**FEBRUARY 8, 2007**