

**RIDGEDALE COMMUNITY SCHOOL
MARION COUNTY, OHIO**

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

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



**Auditor of State
Betty Montgomery**

Board of Directors
Ridgedale Community School
3103 Hillman-Ford Road
Morral, Ohio 43337

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ridgedale Community School is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

April 20, 2006

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**RIDGEDALE COMMUNITY SCHOOL
MARION COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Auditor's Report

Board of Directors
Ridgedale Community School
3103 Hillman-Ford Road
Morral, OH 43337

We have audited the accompanying financial statements of Ridgedale Community School (the "School"), Marion County, Ohio, a component unit of Ridgedale Local School District, as of and for the fiscal year ended June 30, 2005, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Ridgedale Community School, as of June 30, 2005, and the changes in financial position and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2006, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report
Ridgedale Community School
Page Two

The management's discussion and analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
February 24, 2006

**RIDGEDALE COMMUNITY SCHOOL
MARION COUNTY, OHIO**

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

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

Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A. However, because this is the first fiscal year of the existence of the School and the first fiscal year of adoption of the new reporting model, comparative prior fiscal year information does not exist. Subsequent reports will include the comparative information.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets were \$219,343 at June 30 2005.
- The School had operating revenues of \$211,674 and operating expenses of \$166,686 for fiscal year 2005. The School also received \$156,823 in federal and state grants and \$266 in interest income during fiscal year 2005. Total change in net assets for the fiscal year was an increase of \$202,077.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

Reporting the School's Financial Activities

Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School as a whole, the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 6 and 7 of this report.

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 8 of this report.

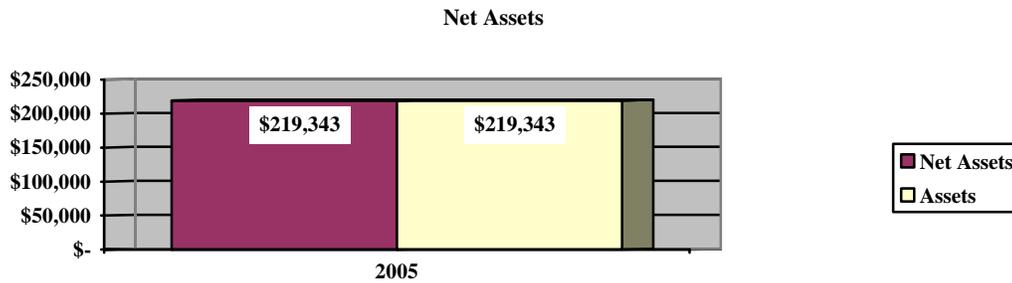
**RIDGEDALE COMMUNITY SCHOOL
MARION COUNTY, OHIO**

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

The table below provides a summary of the School's net assets for fiscal year 2005:

<u>Assets</u>	<u>2005</u>
Current assets	\$ 219,343
Total assets	<u>219,343</u>
<u>Net Assets</u>	
Unrestricted	<u>219,343</u>
Total net assets	<u>\$ 219,343</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the School's net assets totaled \$219,343. The table below provides a summary of the School's net assets for 2005:



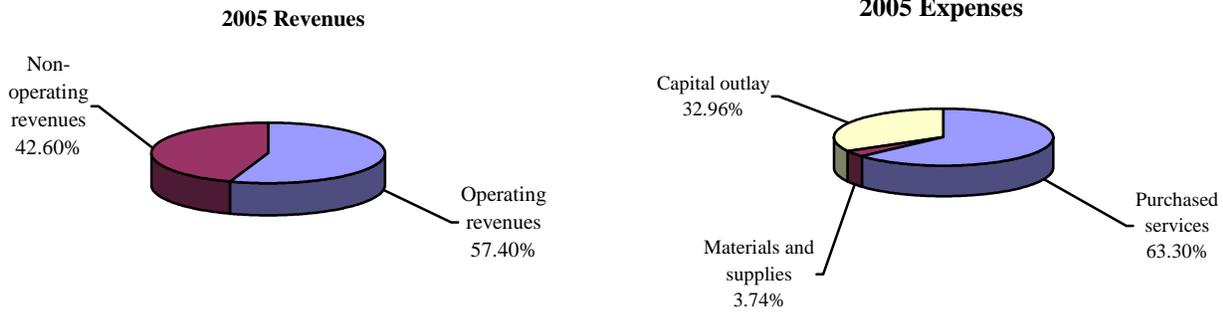
The table below shows the changes in net assets for fiscal year 2005:

<u>Change in Net Assets</u>	<u>2005</u>
<u>Operating Revenues:</u>	
State foundation	\$ 211,674
Total operating revenues	<u>211,674</u>
<u>Operating Expenses:</u>	
Purchased services	105,521
Materials and supplies	6,229
Capital outlay	<u>54,936</u>
Total operating expenses	<u>166,686</u>
<u>Non-operating revenues:</u>	
Federal and state grants	156,823
Interest income	<u>266</u>
Total non-operating revenues	<u>157,089</u>
Change in net assets	202,077
Net assets at beginning of year	<u>17,266</u>
Net assets at end of year	<u>\$ 219,343</u>

**RIDGEDALE COMMUNITY SCHOOL
MARION COUNTY, OHIO**

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

The charts below illustrate the revenues and expenses for the School during fiscal 2005:



Current Financial Related Activities

The School is sponsored by the Ridgedale Local School District. The School relies on the State Foundation Funds as well as the Federal Sub-Grants to provide the monies necessary to begin the start-up of a technology oriented educational program. These funds will help expand the current program.

The future of the School is dependent upon continued funding from the State Foundation Funds as no local revenue can be generated through tuition or property taxes. It is the intention of the management of the School to pursue other State and Federal Sub-Grants as they become available.

In conclusion, the School has committed itself to providing state of the art technology based educational opportunities to students. The management will aggressively pursue adequate funding to secure the financial stability of the School.

Contacting the District's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Kim Reynolds, Treasurer, Ridgedale Community School, 3103 Hillman-Ford Road, Morral, Ohio 43337.

**BASIC
FINANCIAL STATEMENTS**

**RIDGEDALE COMMUNITY SCHOOL
MARION COUNTY, OHIO**

STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Assets:	
Current assets:	
Equity in pooled cash and cash equivalents. . .	\$ 142,274
Receivables:	
Intergovernmental.	77,069
	219,343
Total current assets	219,343
Total assets	219,343
Net Assets:	
Unrestricted	219,343
	219,343
Total net assets	\$ 219,343

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RIDGEDALE COMMUNITY SCHOOL
MARION COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Operating revenues:	
State foundation	\$ 211,674
Total operating revenues.	<u>211,674</u>
Operating expenses:	
Purchased services.	105,521
Materials and supplies	6,229
Capital outlay.	<u>54,936</u>
Total operating expenses.	<u>166,686</u>
Operating income	<u>44,988</u>
Non-operating revenues:	
Federal and state grants	156,823
Interest income	<u>266</u>
Total non-operating revenues	<u>157,089</u>
Change in net assets	202,077
Net assets at beginning of year	<u>17,266</u>
Net assets at end of year	<u><u>\$ 219,343</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RIDGEDALE COMMUNITY SCHOOL
MARION COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Cash flows from operating activities:	
Cash received from State foundation.	\$ 211,674
Cash payments for capital outlay.	(54,936)
Cash payments to suppliers for goods and services . . .	(105,521)
Cash payments for materials and supplies	<u>(6,229)</u>
Net cash provided by operating activities	<u>44,988</u>
Cash flows from noncapital financing activities:	
Federal and state grants.	<u>79,754</u>
Net cash provided by noncapital financing activities	<u>79,754</u>
Cash flows from investing activities:	
Interest received	<u>266</u>
Net cash provided by investing activities	<u>266</u>
Net increase in cash and cash equivalents	125,008
Cash and cash equivalents at beginning of year . . .	<u>17,266</u>
Cash and cash equivalents at end of year.	<u><u>\$ 142,274</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RIDGEDALE COMMUNITY SCHOOL
MARION COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL

The Ridgedale Community School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect their tax exempt status. The School's objective is to deliver a comprehensive educational program of high quality, tied to state and national standards, which can be delivered through distance learning technologies as well as other alternative teaching strategies and services to students in the grades kindergarten through 12th. The School is a public school that provides an alternative to the traditional educational setting. The School serves a student population that may include, but is not limited to, home schooled children, children with special physical and mental needs, students removed from the regular classroom for discipline concerns, and students who need an alternative to the traditional classroom for various reasons. The School, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the school.

The School was certified by the State of Ohio Secretary of State as a non-profit organization on June 25, 2002, and began operations in May 2004. The School was approved for operation under a contract with the Ridgedale Local School District (the "Sponsor") for a five year period commencing July 1, 2003. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration.

The School operates under the direction of a five-member Board of Directors. The School Board of Directors is appointed by the following: the Sponsor's Board of Education appoints (3) representatives from its School District, and these representatives appoint (2) other persons who are neither officers nor employees of the Sponsor School District, one of whom shall be a public educator or other public official representing a governmental entity that desires to further the establishment and operation of the School and one who represents the interests of parents and students served by the conversion School. The Sponsor's treasurer shall be a non-voting ex-officio member of the School's Board of Directors. A resignation or vacancy on the Board of Directors will be appointed for the remaining term by the agency that has representation. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School is a component unit of Ridgedale Local School District.

The School has developed a cooperative arrangement with the Sponsor.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**RIDGEDALE COMMUNITY SCHOOL
MARION COUNTY, OHIO**

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

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

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

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

D. Cash and Investments

All monies received by the School are deposited in a demand deposit account.

E. Capital Assets

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

F. Operating Revenues and Expenses

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

**RIDGEDALE COMMUNITY SCHOOL
MARION COUNTY, OHIO**

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

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

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

H. Intergovernmental Revenue

The School currently participates in the State Foundation Program, the Federal Charter School Grant Program through the Ohio Department of Education (ODE), the Electronic Management Information System Grant, and other competitive federal and state grants through ODE. Revenues received from programs are recognized as operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

I. Estimates

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

NOTE 3 - DEPOSITS

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

NOTE 4 - RISK MANAGEMENT

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

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES

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

**RIDGEDALE COMMUNITY SCHOOL
MARION COUNTY, OHIO**

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

NOTE 6 - CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2005.

B. Litigation

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

C. State Foundation Funding

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

NOTE 7 - SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The School is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

NOTE 8 - SERVICE CONTRACTS

A. Tri-Rivers Educational Computer Association

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

**RIDGEDALE COMMUNITY SCHOOL
MARION COUNTY, OHIO**

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

NOTE 8 - SERVICE CONTRACTS - (Continued)

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

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

1. Annual Fee - The School shall pay \$25,000 for the 2004 - 2005 school year for services acquired from TRECA. The School made this required payment during fiscal year 2005.
2. Tier One Enrollment - The School shall pay \$500 per student per academic year, prorated for the portion of the academic year for which a student is enrolled in the School and educated by TRECA for those students receiving Tier One Enhancement Services. Students who are provided with a modified curriculum, but who are not placed in TRECA's online special education resource room shall be regarded as receiving Tier One Enhancement Services.
3. Tier Two Enrollment - The School shall pay between \$1,500 and \$21,000 per student per academic year, prorated for the portion of the academic year for which a student is enrolled in the School and educated by TRECA for those students receiving Tier Two Enhancement Services. Students who are placed in TRECA's online special education resource room for all or any part of their education shall be regarded as receiving Tier Two Enhancement Services. The fee paid for Tier Two Enhancement Services is based on the severity of the Disabled Student's handicap as outlined in the TRECA Enhancement Services exhibit to the Comprehensive Services Agreement between the School and TRECA.

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

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

**RIDGEDALE COMMUNITY SCHOOL
MARION COUNTY, OHIO**

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

NOTE 8 - SERVICE CONTRACTS - (Continued)

B. Ridgedale Local School District

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

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

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

NOTE 9 - START-UP PERIOD

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

NOTE 10 - SUBSEQUENT EVENT

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



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

Board of Directors
Ridgedale Community School
3103 Hillman-Ford Road
Morral, OH 43337

We have audited the financial statements of the Ridgedale Community School (the "School"), Marion County, Ohio, a component unit of Ridgedale Local School District, as of and for the fiscal year ended June 30, 2005, and have issued our report thereon dated February 24, 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 the School'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 would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the School in a separate letter dated February 24, 2006.

Board of Directors
Ridgedale Community School

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2005-RCS-001 and 2005-RCS-002.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
February 24, 2006

**RIDGEDALE COMMUNITY SCHOOL
MARION COUNTY, OHIO**

**SCHEDULE OF FINDINGS
JUNE 30, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2005-RCS-001
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Ohio Revised Code Section 3314.03(A)(11)(b) and the School Contract, Article III, Responsibilities of the School, states the governing authority will purchase liability insurance, or otherwise provide for the potential liability of the school.

It was noted during the audit that the School did not provide evidence of the purchase or provision of liability insurance for fiscal year 2005.

With not obtaining evidence of liability insurance for the School, there is risk for harm and liability.

We recommend the School obtain liability insurance as soon as possible.

Client Response: The School will be obtaining coverage as an add on to the Sponsor's policy.

Finding Number	2005-RCS-002
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Ohio Administrative Code Section 117-6-07 requires the fiscal officer to execute a bond prior to entering upon the duties of the fiscal officer as provided for in Ohio Revised Code Section 3314.011.

It was noted during the audit that the school did not provide evidence of fiscal officer being bonded.

Without adequately bonding of the School fiscal officer, the School risks potential theft concerns.

We recommend the School obtain fiscal officer bonding as soon as possible.

Client Response: The School will be obtaining bonding for its fiscal officer as approved by the Board of Directors.



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RIDGEDALE COMMUNITY SCHOOL

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 4, 2006**