

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2008***

STEPHANIE SCHEE, TREASURER



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ridgedale Local School District, Marion County, prepared by Julian & Grube, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 27, 2009

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, its major fund, and the aggregate remaining fund information of Ridgedale Local School District, Marion County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise Ridgedale Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ridgedale Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, its major fund, and the aggregate remaining fund information of Ridgedale Local School District, as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2009, on our consideration of Ridgedale Local School District'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.

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

Julian & Grube, Inc.

Julian & Grube, Inc.
January 16, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The management's discussion and analysis of the Ridgedale Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities increased \$342,232 which represents a 10.34% increase from 2007.
- General revenues accounted for \$6,201,604 in revenue or 70.62% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,579,812 or 29.38% of total revenues of \$8,781,416.
- The District had \$8,439,184 in expenses related to governmental activities; \$2,579,812 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,201,604 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$7,923,413 in revenues and \$7,394,950 in expenditures. During fiscal year 2008, the general fund's fund balance increased \$528,463 from \$1,447,598 to \$1,976,061.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

In the statement of net assets and statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food service operations.

The District's statement of net assets and statement of activities can be found on pages 12-13 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 8. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 14-18 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 19 and 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-50 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2008 and 2007.

	Net Assets	
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Assets</u>		
Current and other assets	\$ 5,012,141	\$ 3,967,008
Capital assets, net	<u>2,025,866</u>	<u>2,155,138</u>
Total assets	<u>7,038,007</u>	<u>6,122,146</u>
<u>Liabilities</u>		
Current liabilities	2,654,787	2,038,319
Long-term liabilities	<u>729,923</u>	<u>772,762</u>
Total liabilities	<u>3,384,710</u>	<u>2,811,081</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	1,856,875	1,812,288
Restricted	499,356	471,931
Unrestricted	<u>1,297,066</u>	<u>1,026,846</u>
Total net assets	<u>\$ 3,653,297</u>	<u>\$ 3,311,065</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$3,653,297.

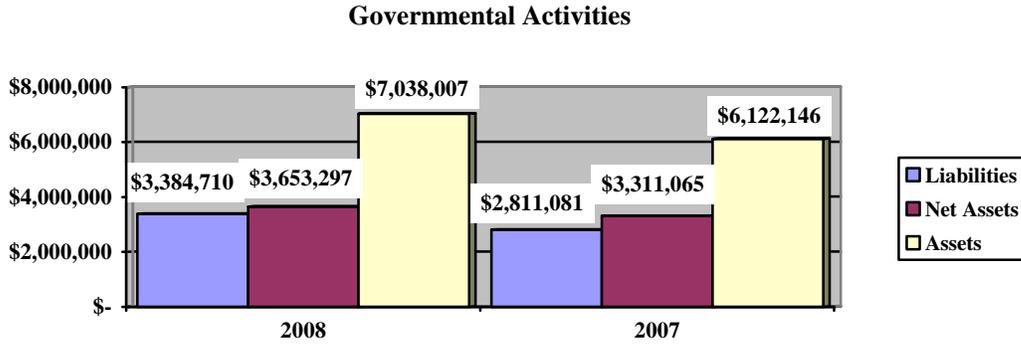
At year-end, capital assets represented 28.78% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$1,856,875. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$499,356, represents resources that are subject to external restriction on how they may be used.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The graph below illustrates the governmental activities assets, liabilities and net assets at June 30, 2008 and 2007:



The table below shows the change in net assets for fiscal year 2008 and 2007.

Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,758,500	\$ 1,562,354
Operating grants and contributions	810,642	818,762
Capital grants and contributions	10,670	23,132
General revenues:		
Property taxes	2,547,223	2,171,705
Grants and entitlements	3,534,092	3,853,916
Investment earnings	78,484	65,695
Other	41,805	21,650
Total revenues	8,781,416	8,517,214

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Change in Net Assets

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 3,227,869	\$ 3,159,417
Special	562,511	533,812
Vocational	130,053	203,003
Other	1,175,148	1,075,954
Support services:		
Pupil	263,700	240,124
Instructional staff	242,562	258,883
Board of education	42,521	6,515
Administration	638,339	714,344
Fiscal	231,814	206,021
Operations and maintenance	686,708	652,701
Pupil transportation	592,229	534,509
Central	25,974	31,865
Operation of non-instructional services:		
Food service operations	343,097	342,335
Extracurricular activities	259,987	371,728
Interest and fiscal charges	<u>16,672</u>	<u>19,413</u>
Total expenses	<u>8,439,184</u>	<u>8,350,624</u>
Change in net assets	342,232	166,590
Net assets at beginning of year	<u>3,311,065</u>	<u>3,144,475</u>
Net assets at end of year	<u>\$ 3,653,297</u>	<u>\$ 3,311,065</u>

Governmental Activities

Net assets of the District's governmental activities increased \$342,232. Total governmental expenses of \$8,439,184 were offset by program revenues of \$2,579,812 and general revenues of \$6,201,604. Program revenues supported 30.57% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 69.25% of total governmental revenue.

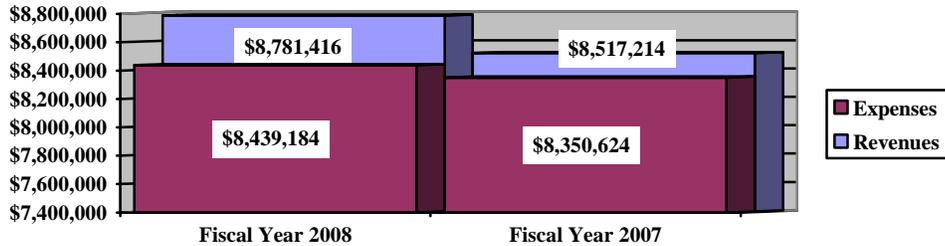
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,095,581 or 60.38% of total governmental expenses for fiscal year 2008.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
Program expenses				
Instruction:				
Regular	\$ 3,227,869	\$ 1,834,896	\$ 3,159,417	\$ 1,889,661
Special	562,511	182,876	533,812	133,061
Vocational	130,053	108,467	203,003	161,078
Other	1,175,148	1,172,632	1,075,954	1,075,954
Support services:				
Pupil	263,700	142,613	240,124	129,448
Instructional staff	242,562	144,098	258,883	201,932
Board of education	42,521	42,521	6,515	6,515
Administration	638,339	612,717	714,344	704,545
Fiscal	231,814	231,814	206,021	206,021
Operations and maintenance	686,708	685,798	652,701	651,550
Pupil transportation	592,229	526,851	534,509	498,954
Central	25,974	21,197	31,865	21,926
Food service operations	343,097	22,028	342,335	54,351
Extracurricular activities	259,987	114,192	371,728	191,967
Interest and fiscal charges	16,672	16,672	19,413	19,413
Total expenses	<u>\$ 8,439,184</u>	<u>\$ 5,859,372</u>	<u>\$ 8,350,624</u>	<u>\$ 5,946,376</u>

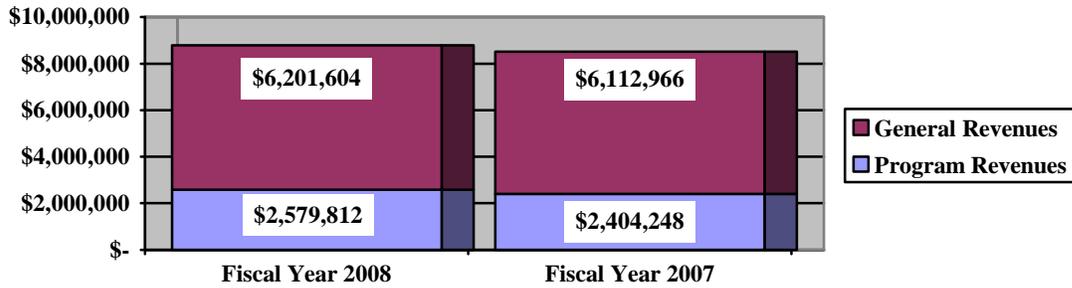
The dependence upon tax and other general revenues for governmental activities is apparent, 64.74% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 69.43%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The graph below presents the District's governmental activities revenue for fiscal year 2008 and 2007.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$2,156,630, which is higher than last year's total of \$1,673,666. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance <u>June 30, 2008</u>	Fund Balance <u>June 30, 2007</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 1,976,061	\$ 1,447,598	\$ 528,463	36.51 %
Other Governmental	<u>180,569</u>	<u>226,068</u>	<u>(45,499)</u>	(20.13) %
Total	<u>\$ 2,156,630</u>	<u>\$ 1,673,666</u>	<u>\$ 482,964</u>	28.86 %

General Fund

The District's general fund balance increased \$528,463. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 2,581,839	\$ 2,455,043	\$ 126,796	5.16 %
Tuition	1,280,964	1,085,366	195,598	18.02 %
Earnings on investments	78,359	65,344	13,015	19.92 %
Intergovernmental	3,797,091	3,699,940	97,151	2.63 %
Other revenues	<u>185,160</u>	<u>268,872</u>	<u>(83,712)</u>	(31.13) %
Total	<u>\$ 7,923,413</u>	<u>\$ 7,574,565</u>	<u>\$ 348,848</u>	4.61 %

Earnings on investments increased 19.92% as a result of increasing interest rates. Tuition revenue increased 18.02% due to an increase in open enrollment participation. The decrease in other revenues was a result of a decrease in payments in lieu of taxes received during the year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
Instruction	\$ 4,768,587	\$ 4,430,418	\$ 338,169	7.63 %
Support services	2,396,445	2,333,604	62,841	2.69 %
Extracurricular activities	120,033	121,743	(1,710)	(1.40) %
Capital outlay	-	87,080	(87,080)	(100.00) %
Debt service	<u>109,885</u>	<u>127,353</u>	<u>(17,468)</u>	(13.72) %
Total	<u>\$ 7,394,950</u>	<u>\$ 7,100,198</u>	<u>\$ 294,752</u>	4.15 %

There were no capital lease transactions during the year resulting in no capital outlay expenditures. Debt service payments declined due to lower amounts owed on scheduled lease payments. The increase in instructional and support services expenditures were a result of increasing wages and benefits during the year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$7,071,500 and final budgeted revenues and other financing sources were \$7,336,344. Actual revenues and other financing sources for fiscal year 2008 was \$7,904,464. This represents a \$568,120 increase over final budgeted revenues.

General fund original appropriations and other uses of \$7,156,285 were increased to \$7,534,253 in the final appropriations. The actual budget basis expenditures for fiscal year 2008 totaled \$7,486,573, which was \$47,680 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the District had \$2,025,866 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2008 balances compared to 2007:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 50,442	\$ 50,442
Land improvements	172,013	182,424
Building and improvements	1,538,282	1,584,086
Furniture and equipment	52,785	60,365
Vehicles	<u>212,344</u>	<u>277,821</u>
Total	<u>\$ 2,025,866</u>	<u>\$ 2,155,138</u>

The overall decrease in capital assets of \$129,272 is due to depreciation expense of \$140,366 exceeding capital outlays of \$11,094 in the fiscal year. See Note 7 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2008, the District had \$249,637 in capital lease obligations outstanding. Of this total, \$79,073 is due within one year and \$170,564 is due in greater than one year. The following table summarizes the capital lease obligations outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	<u>2008</u>	<u>2007</u>
Capital lease obligations	<u>\$ 249,637</u>	<u>\$ 342,850</u>
Total	<u>\$ 249,637</u>	<u>\$ 342,850</u>

At June 30, 2008, the District's overall legal debt margin was \$8,567,481, and an unvoted debt margin of \$95,194.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Contacting the District's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government	Component Unit
	Governmental Activities	Ridgedale Community School
Assets:		
Equity in pooled cash and cash equivalents.	\$ 2,234,371	\$ 314,773
Cash with fiscal agent.	535	-
Receivables:		
Taxes	2,682,686	-
Accounts	1,879	-
Intergovernmental	32,926	14,504
Due from component unit	15,794	-
Prepayments.	42,376	-
Materials and supplies inventory	1,574	-
Capital assets:		
Land	50,442	-
Depreciable capital assets, net	1,975,424	-
Capital assets, net	2,025,866	-
 Total assets.	 7,038,007	 329,277
Liabilities:		
Accounts payable.	200,442	-
Accrued wages and benefits	513,932	-
Pension obligation payable.	156,651	-
Intergovernmental payable	25,517	3,182
Due to primary government	-	15,794
Unearned revenue	1,758,245	-
Long-term liabilities:		
Due within one year.	110,433	-
Due in more than one year	619,490	-
 Total liabilities	 3,384,710	 18,976
Net Assets:		
Invested in capital assets, net of related debt.	1,856,875	-
Restricted for:		
Capital projects	49,880	-
Locally funded programs	21,550	-
State funded programs.	5,013	-
Federally funded programs	41,564	-
Student activities.	67,940	-
Set-asides	308,619	-
Other purposes.	4,790	-
Unrestricted	1,297,066	310,301
 Total net assets	 \$ 3,653,297	 \$ 310,301

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary</u>	<u>Component</u>
					<u>Governmental</u>	<u>Unit</u>
					<u>Ridgedale Community School</u>	
Governmental activities:						
Instruction:						
Regular	\$ 3,227,869	\$ 1,364,269	\$ 28,704	\$ -	\$ (1,834,896)	\$ -
Special	562,511	6,740	372,895	-	(182,876)	-
Vocational	130,053	-	21,586	-	(108,467)	-
Other	1,175,148	-	2,516	-	(1,172,632)	-
Support services:						
Pupil	263,700	-	121,087	-	(142,613)	-
Instructional staff	242,562	-	92,464	6,000	(144,098)	-
Board of education	42,521	-	-	-	(42,521)	-
Administration	638,339	22,176	3,446	-	(612,717)	-
Fiscal	231,814	-	-	-	(231,814)	-
Operations and maintenance	686,708	-	910	-	(685,798)	-
Pupil transportation	592,229	29,300	31,408	4,670	(526,851)	-
Central	25,974	-	4,777	-	(21,197)	-
Food service operations	343,097	191,551	129,518	-	(22,028)	-
Extracurricular activities	259,987	144,464	1,331	-	(114,192)	-
Interest and fiscal charges	16,672	-	-	-	(16,672)	-
Total governmental activities	<u>8,439,184</u>	<u>1,758,500</u>	<u>810,642</u>	<u>10,670</u>	<u>(5,859,372)</u>	<u>-</u>
Component Unit:						
Ridgedale Community School	<u>235,935</u>	<u>-</u>	<u>18,822</u>	<u>-</u>	<u>-</u>	<u>(217,113)</u>
Totals	<u>\$ 8,675,119</u>	<u>\$ 1,758,500</u>	<u>\$ 829,464</u>	<u>\$ 10,670</u>	<u>(5,859,372)</u>	<u>(217,113)</u>
General Revenues:						
Property taxes levied for:						
General purposes					2,547,223	-
Grants and entitlements not restricted						
to specific programs					3,534,092	256,435
Investment earnings					78,484	6,300
Miscellaneous					41,805	-
Total general revenues					<u>6,201,604</u>	<u>262,735</u>
Change in net assets					342,232	45,622
Net assets at beginning of year					<u>3,311,065</u>	<u>264,679</u>
Net assets at end of year					<u>\$ 3,653,297</u>	<u>\$ 310,301</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,685,924	\$ 235,038	\$ 1,920,962
Cash with fiscal agent	-	535	535
Receivables:			
Taxes	2,682,686	-	2,682,686
Accounts	1,589	290	1,879
Intergovernmental	20,364	12,562	32,926
Due from component unit	15,794	-	15,794
Prepayments	42,376	-	42,376
Materials and supplies inventory	-	1,574	1,574
Restricted assets:			
Equity in pooled cash and cash equivalents	313,409	-	313,409
Total assets	<u>\$ 4,762,142</u>	<u>\$ 249,999</u>	<u>\$ 5,012,141</u>
Liabilities:			
Accounts payable	\$ 170,259	\$ 30,183	\$ 200,442
Accrued wages and benefits	486,369	27,563	513,932
Pension obligation payable	146,145	10,506	156,651
Intergovernmental payable	24,339	1,178	25,517
Deferred revenue	200,724	-	200,724
Unearned revenue	1,758,245	-	1,758,245
Total liabilities	<u>2,786,081</u>	<u>69,430</u>	<u>2,855,511</u>
Fund Balances:			
Reserved for encumbrances	64,869	24,152	89,021
Reserved for materials and supplies inventory	-	1,574	1,574
Reserved for prepayments	42,376	-	42,376
Reserved for property tax unavailable for appropriation	739,511	-	739,511
Reserved for school bus purchase	4,790	-	4,790
Reserved for textbooks/instructional materials	308,619	-	308,619
Unreserved, undesignated, reported in:			
General fund	815,896	-	815,896
Special revenue funds	-	116,911	116,911
Capital projects funds	-	37,932	37,932
Total fund balances	<u>1,976,061</u>	<u>180,569</u>	<u>2,156,630</u>
Total liabilities and fund balances	<u>\$ 4,762,142</u>	<u>\$ 249,999</u>	<u>\$ 5,012,141</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		\$	2,156,630
<i>Amounts reported for governmental activities on 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.			2,025,866
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	184,930	
Accounts receivable		15,794	
Total			200,724
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences payable		(480,286)	
Capital leases payable		(249,637)	
Total			(729,923)
Net assets of governmental activities		\$	3,653,297

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 2,581,839	\$ -	\$ 2,581,839
Tuition.	1,280,964	-	1,280,964
Transportation fees	17,665	-	17,665
Earnings on investments.	78,359	125	78,484
Charges for services	-	98,960	98,960
Extracurricular.	38,436	146,604	185,040
Classroom materials and fees	-	31,892	31,892
Other local revenues.	77,011	97,528	174,539
Payments in lieu of taxes	52,048	-	52,048
Intergovernmental - Intermediate	-	12,880	12,880
Intergovernmental - State.	3,797,091	91,509	3,888,600
Intergovernmental - Federal	-	404,367	404,367
Total revenues.	<u>7,923,413</u>	<u>883,865</u>	<u>8,807,278</u>
Expenditures:			
Current:			
Instruction:			
Regular	3,004,029	95,985	3,100,014
Special.	454,862	102,500	557,362
Vocational.	138,105	4,008	142,113
Other.	1,171,591	3,557	1,175,148
Support services:			
Pupil.	154,268	109,432	263,700
Instructional staff	145,354	98,118	243,472
Board of education	42,521	-	42,521
Administration.	624,137	11,969	636,106
Fiscal	235,515	-	235,515
Operations and maintenance.	656,759	910	657,669
Pupil transportation	516,702	673	517,375
Central.	21,189	4,785	25,974
Food service operations.	-	337,018	337,018
Extracurricular activities	120,033	125,199	245,232
Facilities acquisition and construction	-	35,210	35,210
Debt service:			
Principal retirement	93,213	-	93,213
Interest and fiscal charges	16,672	-	16,672
Total expenditures	<u>7,394,950</u>	<u>929,364</u>	<u>8,324,314</u>
Net change in fund balances	528,463	(45,499)	482,964
Fund balances at beginning of year	<u>1,447,598</u>	<u>226,068</u>	<u>1,673,666</u>
Fund balances at end of year.	<u>\$ 1,976,061</u>	<u>\$ 180,569</u>	<u>\$ 2,156,630</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds	\$	482,964
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceed capital outlay in the current period.		
Capital asset additions	\$ 11,094	
Current year depreciation	<u>(140,366)</u>	
Total		(129,272)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(34,616)	
Intergovernmental revenue	(7,040)	
Other revenue	<u>15,794</u>	
Total		(25,862)
 Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		93,213
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(78,811)</u>
Change in net assets of governmental activities	\$	<u><u>342,232</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 2,188,588	\$ 2,270,556	\$ 2,540,395	\$ 269,839
Tuition	1,144,874	1,187,752	1,280,964	93,212
Transportation fees	482	500	-	(500)
Earnings on investments	64,099	66,500	78,359	11,859
Extracurricular	40,484	42,000	38,436	(3,564)
Other local revenues	128,633	133,450	111,433	(22,017)
Intergovernmental - State	3,449,819	3,579,023	3,794,392	215,369
Total revenues	<u>7,016,979</u>	<u>7,279,781</u>	<u>7,843,979</u>	<u>564,198</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,979,781	3,067,327	3,019,754	47,573
Special	447,216	507,966	486,000	21,966
Vocational	191,449	224,561	162,843	61,718
Other	869,465	1,059,435	1,173,393	(113,958)
Support services:				
Pupil	150,494	195,893	147,227	48,666
Instructional staff	220,417	173,690	158,409	15,281
Board of education	5,792	44,752	48,301	(3,549)
Administration	731,524	732,580	662,533	70,047
Fiscal	216,445	205,659	231,826	(26,167)
Operations and maintenance	599,760	611,336	608,587	2,749
Pupil transportation	571,455	575,977	633,831	(57,854)
Central	21,000	39,000	21,114	17,886
Extracurricular activities	131,487	96,077	132,755	(36,678)
Total expenditures	<u>7,136,285</u>	<u>7,534,253</u>	<u>7,486,573</u>	<u>47,680</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(119,306)</u>	<u>(254,472)</u>	<u>357,406</u>	<u>611,878</u>
Other financing sources (uses):				
Refund of prior year expenditure	19,881	20,626	24,498	3,872
Advances in	17,772	18,437	18,437	-
Advances (out)	(20,000)	-	-	-
Sale of assets	16,868	17,500	17,550	50
Total other financing sources (uses)	<u>34,521</u>	<u>56,563</u>	<u>60,485</u>	<u>3,922</u>
Net change in fund balance	(84,785)	(197,909)	417,891	615,800
Fund balance at beginning of year	1,428,176	1,428,176	1,428,176	-
Prior year encumbrances appropriated	71,440	71,440	71,440	-
Fund balance at end of year	<u>\$ 1,414,831</u>	<u>\$ 1,301,707</u>	<u>\$ 1,917,507</u>	<u>\$ 615,800</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 62,848	\$ 34,006
Total assets.	62,848	\$ 34,006
Liabilities:		
Accounts payable.	-	\$ 1,227
Due to students	-	32,779
Total liabilities	-	\$ 34,006
Net Assets:		
Held in trust for scholarships	41,371	
Endowments	21,477	
Total net assets	\$ 62,848	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 857
Gifts and contributions.	1,244
	2,101
Deductions:	
Scholarships awarded	4,889
Change in net assets	(2,788)
Net assets at beginning of year	65,636
Net assets at end of year.	\$ 62,848

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1957. The District serves an area of approximately one hundred twenty-five square miles. It is located in Crawford, Marion, and Wyandot Counties. The District is the 531st largest in the State of Ohio (among 896 local and community schools) in terms of enrollment. It is staffed by 44 classified employees, 72 certified teaching personnel and 6 administrative employees who provide services to 840 students and other community members. The District currently operates two buildings on one campus.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The following component unit and organizations are described due to their relationship to the District:

Ridgedale Community School

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

JOINTLY GOVERNED ORGANIZATIONS

Tri-Rivers Educational Computer Association

The District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public Districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. The Governing Board of TRECA consists of one representative from each county elected by majority vote of all charter member Districts, one representative from the city Districts, and the superintendent from Tri-Rivers Joint Vocational School. Financial information can be obtained from the Tri-Rivers Educational Computer Association, 100 Executive Drive, Marion, Ohio 43302.

Tri-Rivers Career Center

The Tri-Rivers Career Center (the "Center") is a distinct political subdivision of the State of Ohio. The Center operates under the direction of a Board consisting of one representative from each of the participating school district's Board of Education, and one representative from the Delaware Union Educational Service Center. The Center Board of Education possesses its own budgeting and taxing authority. Financial information is available from Terril Cimino, Treasurer, at 2222 Marion-Mt. Gilead Road, Marion, Ohio 43302.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Northwestern Ohio Educational Research Council, Inc.

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

North Central Regional Professional Development Center

The North Central Regional Professional Development Center (the "Center") is a jointly governed organization among the school districts in Crawford, Huron, Knox, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The Center was formed to create and sustain self-renewing learning communities to transform education in Ohio so that all learners can achieve their full potential. The Center is governed by a twenty-one member Board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Lorraine Earnest, Mid-Ohio Educational Service Center, 890 West Fourth Street, Suite 100, Mansfield, Ohio 44906.

INSURANCE PURCHASING POOLS

Ohio School Plan

The District participates in the Ohio School Plan (the "Plan"), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. serves as the sales and marketing representative which established agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency Inc., 246 East Sycamore Street, Columbus, Ohio 43205.

Ohio School Board Association Workers' Compensation Group Rating Plan

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

The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

PROPRIETARY FUND

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 5).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue on the governmental fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2008 is as follows:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2008.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2008. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$78,359, which includes \$10,448 assigned from other funds.

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

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

I. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least five years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

J. Accrued Liabilities and Long-Term Obligations

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

K. Fund Balance Reserves

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

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include monies restricted by State statute for textbooks/instructional materials and school bus purchases.

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

M. Prepayments

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

N. Estimates

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

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook/instructional materials reserve and a school bus purchase reserve. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 15.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

P. Interfund Activity

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 12) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 16,012
Uniform school supplies	504
EMIS	28
Vocational education enhancement	20

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may 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;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the 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.

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

A. Cash on Hand

At June 30, 2008, the District had \$3,416 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents."

B. Cash with Fiscal Agent

At June 30, 2008, the District had \$535 in cash held by North Central Ohio Educational Service Center, which is included in the financial statements as "cash with fiscal agent". The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants. The balance held by the fiscal agent is not included in the amount of "Deposits with Financial Institutions" reported below.

C. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$16,803. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, zero of the District's bank balance of \$69,325 was exposed to custodial risk as discussed below, while \$69,325 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

D. Investments

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	<u>\$ 2,311,006</u>	<u>\$ 2,311,006</u>

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

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 2,311,006</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 16,803
Investments	2,311,006
Cash with fiscal agent	535
Cash on hand	<u>3,416</u>
Total	<u>\$ 2,331,760</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,234,906
Private-purpose trust funds	62,848
Agency funds	<u>34,006</u>
Total	<u>\$ 2,331,760</u>

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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 year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 5 - PROPERTY TAXES - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Wyandot, Crawford and Marion Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2008 was \$739,511 in the general fund. This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$698,067 in the general fund.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second		2008 First	
	Half Collections		Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 74,328,750	85.99	\$ 86,175,300	88.28
Public utility personal	9,202,760	10.64	9,758,790	10.00
Tangible personal property	<u>2,912,030</u>	<u>3.37</u>	<u>1,677,870</u>	<u>1.72</u>
Total	<u>\$ 86,443,540</u>	<u>100.00</u>	<u>\$ 97,611,960</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$47.60		\$47.60	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 2,682,686
Accounts	1,879
Intergovernmental	<u>32,926</u>
Total	<u>\$ 2,717,491</u>

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

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/08</u>
Governmental activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 50,442	\$ -	\$ -	\$ 50,442
Total capital assets, not being depreciated	<u>50,442</u>	<u>-</u>	<u>-</u>	<u>50,442</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	588,366	-	-	588,366
Buildings and improvements	4,125,002	11,094	-	4,136,096
Furniture and equipment	207,433	-	-	207,433
Vehicles	1,134,299	-	-	1,134,299
Total capital assets, being depreciated	<u>6,055,100</u>	<u>11,094</u>	<u>-</u>	<u>6,066,194</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(405,942)	(10,411)	-	(416,353)
Buildings and improvements	(2,540,916)	(56,898)	-	(2,597,814)
Furniture and equipment	(147,068)	(7,580)	-	(154,648)
Vehicles	(856,478)	(65,477)	-	(921,955)
Total accumulated depreciation	<u>(3,950,404)</u>	<u>(140,366)</u>	<u>-</u>	<u>(4,090,770)</u>
Governmental activities capital assets, net	<u>\$ 2,155,138</u>	<u>\$ (129,272)</u>	<u>\$ -</u>	<u>\$ 2,025,866</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 33,454
Special	2,137
Vocational	3,624

Support services:

Administration	2,528
Fiscal	584
Operations and maintenance	5,234
Pupil transportation	73,188
Extracurricular activities	14,755
Food service operations	<u>4,862</u>
Total depreciation expense	<u>\$ 140,366</u>

NOTE 8 - LONG-TERM OBLIGATIONS

A. During fiscal year 2008, the following activity occurred in governmental activities long-term obligations:

	Balance			Balance	Amounts
	<u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/08</u>	<u>Due in</u>
					<u>One Year</u>
Governmental activities:					
Capital leases payable	\$ 342,850	\$ -	\$ (93,213)	\$ 249,637	\$ 79,073
Compensated absences	<u>429,912</u>	<u>126,683</u>	<u>(76,309)</u>	<u>480,286</u>	<u>31,360</u>
Total long-term obligations, governmental activities	<u>\$ 772,762</u>	<u>\$ 126,683</u>	<u>\$ (169,522)</u>	<u>\$ 729,923</u>	<u>\$ 110,433</u>

Compensated absences will be paid from the fund which the employees' salaries are paid, which is primarily the general fund.

See Note 9.A. and 9.B. for details on the District's capital leases.

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$8,567,481 and an unvoted debt margin of \$95,194.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of vehicles have been capitalized in the amount of \$979,544. Accumulated depreciation as of June 30, 2008 was \$790,368 leaving a current book value of \$189,176. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2008 totaled \$65,945 paid by the general fund.

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 56,509
2010	53,059
2011	48,940
2012	<u>27,877</u>
Total minimum lease payments	186,385
Less: amount representing interest	<u>(17,394)</u>
Total	<u>\$ 168,991</u>

- B. The District has entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Copier equipment in the amount of \$143,216 has not been capitalized since the assets individually do not meet the District's capitalization threshold. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2008 totaled \$27,268 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2008:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 34,437
2010	34,437
2011	<u>20,088</u>
Total minimum lease payments	88,962
Less: amount representing interest	<u>(8,316)</u>
Total	<u>\$ 80,646</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2008, the District contracted with Verne Hart Insurance Agency for liability, property and fleet insurance. Coverage's provided by Verne Hart Insurance Agency are as follows:

<u>Description</u>	<u>Amount</u>
Building and Contents Replacement cost	\$21,829,216
Deductible	1,000
Liability	
School Board Errors and Omissions Liability	
Each wrongful act limit	4,000,000
Annual aggregate limit	5,000,000
Deductible	None
General Liability	
Per occurrence combined single limit	5,000,000
Annual aggregate limit	6,000,000
Medical payments limit	15,000
Employee Benefits Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	3,000,000
Stop Gap	
Each accident	1,000,000
Disease each employee	1,000,000
Disease policy limit	1,000,000
Automotive Liability	
Liability	
Per occurrence combined single limit	5,000,000
Medical payments limit	500
Uninsured/underinsured motorists coverage	3,000,000
Auto Physical Damage (actual cash value)	
Comprehensive deductible	1,000
Collision deductible	1,000

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 10 - RISK MANAGEMENT - (Continued)

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

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$77,393, \$77,561 and \$77,124, respectively; 40.75 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 11 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon 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.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$397,841, \$372,519 and \$394,892, respectively; 84.53 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$26 made by the District and \$39 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$53,085, \$42,857 and \$40,005, respectively; 40.75 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$5,576, \$5,274 and \$6,138, respectively; 40.75 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$30,603, \$28,655 and \$30,376, respectively; 84.53 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures, and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and
- (d) Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ 417,891
Net adjustment for revenue accruals	79,434
Net adjustment for expenditure accruals	9,797
Net adjustment for other sources(uses)	(60,485)
Adjustment for encumbrances	<u>81,826</u>
GAAP basis	<u>\$ 528,463</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 14 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

NOTE 15 - STATUTORY RESERVES

The District is required by State statute to annually set-aside, in the general fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years. Excess qualifying disbursement over the set-aside cash balance and set-aside requirement cannot be carried forward to the next fiscal year for capital acquisition. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2007	\$ 270,275	\$ -
Current year set-aside requirement	131,011	131,011
Qualifying disbursements	<u>(92,667)</u>	<u>(164,234)</u>
 Total	 <u>\$ 308,619</u>	 <u>\$ (33,223)</u>
 Balance carried forward to FY 2009	 <u>\$ 308,619</u>	 <u>\$ -</u>

The District received monies restricted for school bus purchases. The amount of \$4,790 for school bus reserve is in the general fund on the governmental fund balance sheet at June 30, 2008.

A schedule of the restricted assets at June 30, 2008 follows:

Amount restricted for textbooks/instructional materials	\$ 308,619
Amount restricted for bus purchase	<u>4,790</u>
Total restricted assets	<u>\$ 313,409</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 16 - RIDGEDALE COMMUNITY SCHOOL

A. Significant Accounting Policies

The basic financial statements (BFS) of the Ridgedale Community School (the "School") has 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 has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The School's significant accounting policies are described below.

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

Measurement Focus and Basis of Accounting - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the 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.

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, except House Bill 364, which took effect April 8, 2003, added Ohio Revised Code Section 3314.03(11)(d), which states that community schools must comply with Ohio Revised Code Section 5705.391. This requires each community school to submit to the Ohio Department of Education (ODE) a five year forecast no later than October 31, of each year. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

Cash and Cash Equivalents - Cash held by the Community School is reflected as "cash and cash equivalents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During year 2008, the Community School had no investments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 16 - RIDGEDALE COMMUNITY SCHOOL - (Continued)

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

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

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

The School participates in the EMIS, Ohio K-12 Network, Core Curriculum, Ohio Reads, IDEA Part B, Title I, Title V, Safe and Drug Free Schools, and Title II-A grants. Of the grants awarded, \$14,504 was receivable at June 30, 2008.

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.

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

Net Assets - Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitation imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School had unrestricted net assets of \$310,301 at June 30, 2008.

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.

B. Deposits

At June 30, 2008, the carrying amount of all School deposits was \$314,773. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$177,723 of the School's bank balance of \$377,723 was uncollateralized, while \$200,000 was covered by the Federal Deposit Insurance Corporation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 16 - RIDGEDALE COMMUNITY SCHOOL - (Continued)

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

C. Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2008, the School was named on the sponsor's policy for property and general liability insurance.

D. Service Contracts

Tri-Rivers Educational Computer Association - The School entered into an agreement on August 6, 2007, for the 2007-08 school years with the Tri-Rivers Educational Computer Association (TRECA) for planning, instructional, administrative and technical services required for the operation of the School. Under this contract, TRECA is required to provide the following services:

1. Via online delivery, its standardized digital curriculum, as described at the website of the TRECA Digital Academy.
2. Cooperate with the School in conducting assessments and in developing a draft evaluation team report as part of any required initial evaluation of a Suspected Disabled Student or reevaluation of a Suspected Disabled or Disabled Student.
3. Provide for the participation of the teacher(s) of the Disabled Student, in person or by telephone, in 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 16 - RIDGEDALE COMMUNITY SCHOOL - (Continued)

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

1. Annual Fee - The School shall pay \$15,000 for the 2007-2008 school year for services acquired from TRECA. The School made this required payment during fiscal year 2008.
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 2008 from the School to TRECA:

Professional and technical services	<u>\$ 41,030</u>
-------------------------------------	------------------

Ridgedale Local School District - The Community School Sponsorship Contract between the School and Ridgedale Local School District (the "Sponsor") outlined the specific payments to be made by the School to Ridgedale Local School District during fiscal year 2008. 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 2008 from the School to Ridgedale Local School District:

Professional and technical services	\$ 119,476
Fiscal office supplies	<u>17</u>
Total	<u>\$ 119,493</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. This payment was \$51,000 in fiscal year 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 16 - RIDGEDALE COMMUNITY SCHOOL - (Continued)

E. Contingencies

Grants - The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2008.

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. As a result of the review after fiscal year-end, the School owed the Ohio Department of Education \$3,182. This amount is reflected as an intergovernmental payable on the statement of net assets.

G. Litigation

A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al.*, Case #: 3:04CV197 was filed in the U.S. District Court, Southern District of Ohio, Western Division, in October, 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is currently pending, and the effect of this suit, if any, on the School cannot presently be determined.



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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, its major fund, and the aggregate remaining fund information of Ridgedale Local School District, Marion County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise Ridgedale Local School District's basic financial statements and have issued our report thereon dated January 16, 2009. 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 Ridgedale Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ridgedale Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Ridgedale Local School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Ridgedale Local School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Ridgedale Local School District's financial statements that is more than inconsequential will not be prevented or detected by Ridgedale Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Ridgedale Local School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Education
Ridgedale Local School District

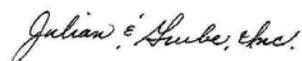
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ridgedale 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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2008-RLSD-001.

Ridgedale Local School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Ridgedale Local School District's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of Ridgedale Local School District in a separate letter dated January 16, 2009.

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



Julian & Grube, Inc.
January 16, 2009

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008**

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2008-RLSD-001

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

We noted that 21% of the District's expenditures maintained an invoice which was dated prior to the Treasurer's certificate, thus causing those expenditures not to be certified in a timely manner.

Without timely certification, the District increases the risk that purchases may be made for an improper public purpose, expend more funds than are appropriated, or that are available in the treasury or in the process of collection. Thus a negative fund balance may result. This may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. A policy and procedure statement adopted by the Board and distributed at least annually may be beneficial. The District should consider using "Then" and "Now" certificates where applicable.

Client Response: The District will attempt to utilize the fiscal officer certificate system as required by the Ohio Revised Code.

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

**STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2007-RLSD-001	The District had a material prior period restatement to its governmental activities net assets due to the understatement of depreciation expense in prior years.	Yes	N/A
2007-RLSD-002	Ohio Revised Code Section 5705.39 requires that the total appropriation from each fund should not exceed total estimated resources.	Yes	N/A
2007-RLSD-003	Ohio Revised Code Section 5705.36 requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.	Yes	N/A



Mary Taylor, CPA
Auditor of State

RIDGEDALE LOCAL SCHOOL 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
MARCH 12, 2009