

RIDGEWOOD LOCAL SCHOOL DISTRICT
ANNUAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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



**Auditor of State
Betty Montgomery**

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

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

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

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

BETTY MONTGOMERY
Auditor of State

January 12, 2006

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**RIDGEWOOD LOCAL SCHOOL DISTRICT
COSHOCTON COUNTY**

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COSHOCTON COUNTY**

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ridgewood Local School District, Coshocton County as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ridgewood Local School District, Coshocton County as of June 30, 2005, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity generally accepted accounting principles accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 16, 2005, on our consideration of Ridgewood Local School District's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
November 16, 2005

Ridgewood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

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

Financial Highlights

Key Financial Highlights for 2005 are as follows:

- q General Revenues accounted for \$10.1 million in revenue or 85% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1.8 million or 15% of total revenues of \$11.9 million.
- q Total program expenses were \$11.7 million.
- q In total, net assets increased \$200,067 from 2004.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

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

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

Ridgewood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

In the Statement of Net Assets and the Statement of Activities, the School District activities are listed as Governmental:

- q Governmental Activities - All of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

The government-wide financial statements begin on page 12.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

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

The governmental fund financial statements begin on page 14.

Ridgewood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

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

The proprietary fund financial statements begin on page 20.

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

The fiduciary fund financial statements begin on page 23.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25.

Ridgewood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2005 compared to 2004:

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Current and Other Assets	\$ 6,947,480	\$ 6,359,317
Capital Assets	19,643,314	20,446,237
Total Assets	26,590,794	26,805,554
Liabilities		
Long-Term Liabilities	4,615,086	4,854,055
Other Liabilities	3,540,286	3,716,144
Total Liabilities	8,155,372	8,570,199
Net Assets		
Invested in Capital Assets Net of Debt	15,729,240	16,388,299
Restricted	1,325,038	1,102,571
Unrestricted (Deficit)	1,381,144	744,485
Total Net Assets	\$ 18,435,422	\$ 18,235,355

Total assets decreased by \$214,760. An \$802,923 decrease in total capital assets reflects depreciation exceeding additional purchases. Total liabilities decreased by \$414,827. This decrease was due to no contracts payable, due to completion of all construction projects.

Ridgewood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2005 as compared to fiscal year 2004.

(Table 2)
Governmental Activities

	Governmental Activities	Governmental Activities
	2005	2004
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 762,191	\$ 760,168
Operating Grants	1,077,311	686,641
<i>General Revenue:</i>		
Property Taxes	2,856,592	2,718,397
Grants and Entitlements	7,174,991	7,388,108
Other	120,472	105,583
<i>Total Revenues</i>	11,991,557	11,658,897
Program Expenses		
Instruction	6,749,193	7,486,125
Support Services	3,873,069	3,661,113
Food Service Operations	589,485	593,003
Operation of Non-Instructional Services	10,045	34,094
Extracurricular Activities	343,306	336,744
Interest and Fiscal Charges	226,392	233,224
<i>Total Expenses</i>	11,791,490	12,344,303
Increase (Decrease) in Net Assets	\$ 200,067	\$ (685,406)

Ridgewood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental funds had total revenues of \$11.9 million and expenditures of \$11.7

(Table 3)
Governmental Activities

	2005		2004	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 6,749,193	\$ (6,025,635)	\$ 7,486,125	\$ (6,808,834)
Support Services:				
Pupil and Instructional Staff	914,815	(657,690)	659,466	(467,887)
Board of Education, Administration, Fiscal and Business	1,148,492	(1,066,864)	1,132,793	(1,061,801)
Operation and Maintenance of Plant and Central	1,006,037	(1,004,214)	1,156,984	(1,154,385)
Pupil Transportation	803,725	(800,228)	711,870	(710,907)
Food Service Operations	589,485	4,505	593,003	(284,516)
Uniform Supplies	10,045	(10,045)	34,094	(1,238)
Extracurricular Activities	343,306	(165,425)	336,744	(174,702)
Interest and Fiscal Charges	226,392	(226,392)	233,224	(233,224)
Total Expenses	\$ 11,791,490	\$ (9,951,988)	\$ 12,344,303	\$ (10,897,494)

Instruction and Student Support Services comprise 75% of governmental program expenses. Interest/Fiscal charges were less than 2%. Interest expense was primarily attributable to the outstanding debts. Pupil transportation and the operation/maintenance of facilities accounts for 15% of governmental program expenses.

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

General Fund Budgeting Highlights

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

For the general fund, budget basis revenue was \$9.8 million, under original budget estimates of \$9.3 million. Of this \$.5 million increase, most was attributable to increased intergovernmental revenues and tuition and fees.

Final appropriations of \$10.3 million were \$.3 million lower than the \$10.6 million in the original budget. The largest part of the decrease was due to instruction.

Ridgewood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had nearly \$19.6 million invested in land, buildings, equipment. Table 4 shows fiscal year 2005 balances compared with 2004.

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

	Governmental Activities	
	2005	2004
Land	\$ 194,966	\$ 194,966
Buildings and Improvements	18,051,166	18,670,584
Furniture and Equipment	1,201,943	1,421,158
Vehicles	155,034	159,529
Educational Media	40,205	0
	\$ 19,643,314	\$ 20,446,237

The \$802,923 decrease in capital assets reflects depreciation exceeding additional purchases.

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2005, this amounted to \$183,936 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements. For the textbooks, the School District disbursed \$147,594 with the remainder scheduled to be carried forward into the 2006 fiscal year.

Debt

At June 30, 2005, the School District had \$3,620,000 in bonds outstanding with \$125,000 due within one year. During fiscal year 2005, \$125,000 of general obligation bonds were retired. Table 5 summarizes bonds outstanding.

Ridgewood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities 2005	Governmental Activities 2004
General Obligation Bonds:		
May 1999 Bond Issue		
5.85% due 12/1/2024	\$ 1,175,000	\$ 1,210,000
November 1999 Bond Issue		
5.85% due 12/1/2022	2,450,000	2,540,000
	\$ 3,625,000	\$ 3,750,000

Current Issues

Ridgewood School District is primarily state funded. The School District anticipates that state funding will remain about the same for fiscal year 2006 as what was received in 2005 and it is still uncertain what its enrollment will be for future years. Electronic schools are becoming more popular as an alternative to traditional public education. The School District has a historical trend of a net loss of students through open enrollment. As programs and course offerings are reduced, the School District may lose more students through these alternative forms of education.

Recent Levy History

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

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

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

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

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

Ridgewood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

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

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

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

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

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

Contacting the School District's Financial Management

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

Ridgewood Local School District

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 4,092,972
Receivables:	
Taxes	2,592,498
Accounts	12,000
Intergovernmental	150,972
Prepaid Items	99,038
Nondepreciable Capital Assets	194,966
Depreciable Capital Assets (Net)	<u>19,448,348</u>
<i>Total Assets</i>	<u>26,590,794</u>
Liabilities	
Accounts Payable	72,545
Accrued Wages and Benefits	811,131
Vacation Benefits Payable	10,886
Intergovernmental Payable	268,752
Unearned Revenue	2,279,772
Claims Payable	89,100
Matured Compensated Absences	8,100
Long Term Liabilities:	
Due Within One Year	165,519
Due In More Than One Year	<u>4,449,567</u>
<i>Total Liabilities</i>	<u>8,155,372</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	15,729,240
Restricted for:	
Capital Projects	247,079
Debt Service	268,583
Other Purposes	767,056
Budget Stabilization	42,320
Unrestricted	<u>1,381,144</u>
<i>Total Net Assets</i>	<u>\$ 18,435,422</u>

See accompanying notes to the financial statements.

Ridgewood Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 5,592,664	\$ 292,792	\$ 101,382	\$ (5,198,490)
Special	995,170	0	328,418	(666,752)
Vocational	156,463	0	966	(155,497)
Other	4,896	0	0	(4,896)
Support services:				
Pupils	438,734	0	13,076	(425,658)
Instructional Staff	476,081	0	244,049	(232,032)
Board of Education	24,464	0	0	(24,464)
Administration	831,360	0	81,628	(749,732)
Fiscal	292,668	0	0	(292,668)
Operation and Maintenance of Plant	1,006,037	0	1,823	(1,004,214)
Pupil Transportation	803,725	0	3,497	(800,228)
Operation of Non-Instructional Services	10,045	0	0	(10,045)
Food Service Operations	589,485	291,720	302,270	4,505
Extracurricular Activities	343,306	177,679	202	(165,425)
Interest and Fiscal Charges	226,392	0	0	(226,392)
<i>Total Governmental Activities</i>	<u>11,791,490</u>	<u>762,191</u>	<u>1,077,311</u>	<u>(9,951,988)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				2,503,100
Debt Service				353,488
Capital Outlay				4
Grants and Entitlements not Restricted to Specific Programs				7,174,991
Investment Earnings				60,562
Miscellaneous				59,910
Total General Revenues				10,152,055
Change in Net Assets				200,067
Net Assets Beginning of Year				<u>18,235,355</u>
Net Assets End of Year				<u>\$ 18,435,422</u>

See accompanying notes to the financial statements.

Ridgewood Local School District

Balance Sheet

Governmental Funds

June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 2,344,920	\$ 1,360,400	\$ 3,705,320
Equity in Pooled Cash and Cash Equivalents, Restricted	42,320	0	42,320
Receivables:			
Taxes	2,212,023	380,475	2,592,498
Accounts	12,000	0	12,000
Interfund	61,050	0	61,050
Intergovernmental	0	150,972	150,972
Prepaid Items	85,674	13,364	99,038
<i>Total Assets</i>	<u>\$ 4,757,987</u>	<u>\$ 1,905,211</u>	<u>\$ 6,663,198</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 59,881	\$ 12,664	\$ 72,545
Accrued Wages and Benefits	721,056	90,075	811,131
Interfund Payable	0	61,050	61,050
Intergovernmental Payable	237,550	31,202	268,752
Deferred Revenue	2,068,482	473,483	2,541,965
Matured Compensated Absences	0	8,100	8,100
<i>Total Liabilities</i>	3,086,969	676,574	3,763,543
Fund Balances			
Reserved for Encumbrances	493,540	89,594	583,134
Reserved for BWC Refunds	42,320	0	42,320
Reserved for Tax Revenue Unavailable for Appropriation	143,541	24,428	167,969
Unreserved:			
Designated for Budget Stabilization	54,777	0	54,777
Undesignated, Reported in:			
General Fund	936,840	0	936,840
Special Revenue Funds	0	639,128	639,128
Debt Service Fund	0	228,458	228,458
Capital Projects Funds	0	247,029	247,029
<i>Total Fund Balances</i>	<u>1,671,018</u>	<u>1,228,637</u>	<u>2,899,655</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 4,757,987</u>	<u>\$ 1,905,211</u>	<u>\$ 6,663,198</u>

See accompanying notes to the financial statements.

Ridgewood Local School District
Reconciliation of Total Governmental Fund Balances to
Net Assets Governmental Activities
June 30, 2005

Total Governmental Fund Balances		\$ 2,899,655
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		19,643,314
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	117,436	
Delinquent Property Taxes	144,757	262,193
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		256,232
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
General Obligation Bonds	3,625,000	
Compensated Absences	701,012	
Vacation Benefits Payable	10,886	
Capital Lease Payable	289,074	(4,625,972)
Net Assets of Governmental Activities		\$ 18,435,422

See accompanying notes to the financial statements.

Ridgewood Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 2,435,075	\$ 401,062	\$ 2,836,137
Intergovernmental	7,126,491	1,023,070	8,149,561
Investment Income	47,329	14,898	62,227
Tuition and Fees	289,194	0	289,194
Extracurricular Activities	0	129,047	129,047
Charges for Services	0	343,950	343,950
Miscellaneous	58,365	1,545	59,910
<i>Total Revenues</i>	9,956,454	1,913,572	11,870,026
Expenditures:			
Current:			
Instruction:			
Regular	4,695,713	85,308	4,781,021
Special	656,245	337,295	993,540
Vocational	172,226	2,056	174,282
Other	4,896	0	4,896
Support Services:			
Pupils	416,951	12,212	429,163
Instructional Staff	252,823	209,749	462,572
Board of Education	24,457	0	24,457
Administration	736,972	77,730	814,702
Fiscal	288,169	9,875	298,044
Operation and Maintenance of Plant	1,062,478	40,887	1,103,365
Pupil Transportation	727,792	2,122	729,914
Food Service Operations	0	566,359	566,359
Extracurricular Activities	158,789	185,011	343,800
Debt Service:			
Principal Retirement	18,864	125,000	143,864
Interest and Fiscal Charges	14,466	211,926	226,392
<i>Total Expenditures</i>	9,230,841	1,865,530	11,096,371
<i>Excess of Revenues Over (Under) Expenditures</i>	725,613	48,042	773,655
Other Financing Sources (Uses):			
Transfers In	0	15,000	15,000
Transfers Out	(15,000)	0	(15,000)
<i>Total Financing Sources and (Uses)</i>	(15,000)	15,000	0
<i>Net Change in Fund Balance</i>	710,613	63,042	773,655
<i>Fund Balance (Deficit) at Beginning of Year, restated (see Note 3)</i>	960,405	1,165,595	2,126,000
<i>Fund Balance (Deficit) at End of Year</i>	\$ 1,671,018	\$ 1,228,637	\$ 2,899,655

See accompanying notes to the financial statements.

Ridgewood Local School District
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$	773,655
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital additions in the current period.

Capital Asset Additions	85,341	
Current Year Depreciation	<u>(886,572)</u>	(801,231)

Net effect of transactions involving sale of capital assets are not reflected in the funds.		(1,692)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Grants	101,076	
Delinquent Property Taxes	<u>20,455</u>	121,531

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Bond Principal	125,000	
Capital Leases	<u>18,864</u>	143,864

Some expenses reported in the statement of net activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.

Decrease in compensated absences	60,315	
Decrease in vacation benefits payable	<u>23,904</u>	84,219

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.

		<u>(120,279)</u>
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Change in Net Assets of Governmental Activities	\$	<u><u>200,067</u></u>
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See accompanying notes to the financial statements.

Ridgewood Local School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 2,377,123	\$ 2,357,434	\$ 2,415,177	\$ 57,743
Intergovernmental	6,732,118	7,114,403	7,126,491	12,088
Investment Income	28,088	42,000	47,329	5,329
Tuition and Fees	164,507	276,255	277,194	939
Miscellaneous	24,809	13,896	41,803	27,907
<i>Total Revenues</i>	<u>9,326,645</u>	<u>9,803,988</u>	<u>9,907,994</u>	<u>104,006</u>
Expenditures:				
Current				
Instruction	6,338,155	6,044,939	5,855,489	189,450
Support Services				
Pupils	477,677	472,958	437,080	35,878
Instructional Staff	302,109	294,828	279,496	15,332
Board of Education	27,020	30,934	30,433	501
Administration	843,740	833,016	783,610	49,406
Fiscal	359,882	330,574	325,092	5,482
Operation and Maintenance of Plant	1,286,660	1,409,791	1,254,090	155,701
Pupil Transportation	826,641	801,761	757,121	44,640
Extracurricular Activities	168,562	165,478	152,949	12,529
<i>Total Expenditures</i>	<u>10,630,446</u>	<u>10,384,279</u>	<u>9,875,360</u>	<u>508,919</u>
Excess of Revenues Over (Under) Expenditures	(1,303,801)	(580,291)	32,634	612,925
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	7,422	12,506	12,506	0
Refund of Prior Year Expenditures	11,603	19,551	19,551	0
Refund of Prior Year Receipts	(2,423)	(2,195)	(2,195)	0
Advances In	29,733	50,100	50,100	0
Advances Out	(67,404)	(61,050)	(61,050)	0
Transfers In	12,418	20,925	20,925	0
Transfers Out	(39,664)	(86,875)	(35,925)	50,950
<i>Total Other Financing Sources (Uses)</i>	<u>(48,315)</u>	<u>(47,038)</u>	<u>3,912</u>	<u>50,950</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(1,352,116)	(627,329)	36,546	663,875
<i>Fund Balance (Deficit) at Beginning of Year</i>	1,797,280	1,797,280	1,797,280	0
Prior Year Encumbrances Appropriated	338,268	338,268	338,268	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 783,432</u>	<u>\$ 1,508,219</u>	<u>\$ 2,172,094</u>	<u>\$ 663,875</u>

See accompanying notes to the financial statements.

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Ridgewood Local School District

Statement of Net Assets

Proprietary Funds

June 30, 2005

	Governmental Activities Internal Service Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 345,332
Liabilities	
Claims Payable	89,100
Net Assets	
Unrestricted	\$ 256,232

See accompanying notes to the financial statements.

Ridgewood Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2005

	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues:	
Charges for Services	<u>\$ 1,642,690</u>
Operating Expenses:	
Purchased Services	277,841
Materials and Supplies	42
Claims	<u>1,485,086</u>
<i>Total Operating Expenses</i>	<u>1,762,969</u>
<i>Change in Net Assets</i>	(120,279)
<i>Net Assets (Deficit) Beginning of Year</i>	<u>376,511</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>\$ 256,232</u></u>

See accompanying notes to the financial statements.

Ridgewood Local School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2005

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities:	
Cash Received for Charges for Services	\$ 1,642,690
Cash Paid for Administration Fees	(277,883)
Cash Paid for Claims	(1,496,064)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<i>(131,257)</i>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<i>(131,257)</i>
<i>Cash and Cash Equivalents at Beginning of Year</i>	<i>476,589</i>
<i>Cash and Cash Equivalents at End of Year</i>	<i>\$ 345,332</i>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	\$ (120,279)
Adjustments:	
Increase (Decrease) in Liabilities	
Claims Payable	(10,978)
<i>Total Adjustments</i>	<i>(10,978)</i>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<i>\$ (131,257)</i>

See accompanying notes to the financial statements.

Ridgewood Local School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 42,183
Liabilities	
Accounts Payable	\$ 190
Due to Students	41,993
<i>Total Liabilities</i>	<u>\$ 42,183</u>

See accompanying notes to the financial statements.

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Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 1 - Description of The School District

Ridgewood Local School District (the "School District") was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on, or as of, June 30, 2005, was 1,508. The School District employs 105 certified and 92 non-certified employees.

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. For the year ended June 30, 2005, the School District has implemented GASB Statement No. 40 "*Deposit and Investment Risk Disclosures*." There was no effect on fund balances as a result of this implementation. The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

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

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

B. Fund Accounting

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

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

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

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

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

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants, Contributions and Interest" program revenue account.

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

E. Cash and Cash Equivalents

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

During fiscal year 2005, investments were limited to STAROhio, (the State Treasurer's Investment Pool). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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.

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Investments in STAROhio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$47,329 which includes \$9,620 assigned from other School District funds.

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

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are imposed by creditors, contributors, grantors, or laws of other governments or by enabling legislation. Restricted assets may include unexpended revenues restricted for the purchase of school buses, and amounts required to be set aside by the School District for the purchase of textbooks or for the acquisition or construction of capital assets. Restricted assets may also include amounts set aside as reserve for budget stabilization, which is now optional as determined by the School District. The School District did not spend all restricted assets in accordance with specific restrictions during the fiscal year. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

G. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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

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

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

H. Interfund Balances On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

I. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

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

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

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

J. Accrued Liabilities and Long-term Obligations

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

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

K. Net Assets

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

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

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

L. Fund Balance Reserves and Designations

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

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

Designated fund balance represents planned actions for monies set-aside by the School District for budget stabilization and for purchase of school buses.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

N. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The proprietary funds received no capital contributions during the current fiscal year.

O. Interfund Activity

Transfers between governmental activities on the government-wide statements are eliminated.

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

P. 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 2005.

Q. Estimates

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

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

R. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control was at the fund level. Budgetary modifications changing total fund appropriations may only be made by resolution of the Board of Education.

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005.

Appropriations A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Note 3 – Restatement of Fund Balance

Based on guidance issued in GASB Technical Bulletin No. 2004-2 “Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers”, it was determined that unpaid pension expenditures due at year-end should be recorded as a fund liability on the balance sheet. As a result, fund balances have been restated as follows:

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

	General	Other Governmental	Total
Fund Balance June 30, 2004	\$ 1,063,844	\$ 1,194,765	\$ 2,258,609
Addition of intergovernmental payables	(103,439)	(29,170)	(132,609)
Restated Fund Balance July 1, 2004	\$ 960,405	\$ 1,165,595	\$ 2,126,000

Note 4 – Fund Deficits

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

	Deficit	
	Fund Balance	Net Assets
Nonmajor Governmental Funds:		
Uniform Supply	\$ 8,657	\$ 8,657
Title VI-B	154	0
Title II-A	147	0
Title I	0	8,943

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

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

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

Ridgewood Local School District
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For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balance

	General
GAAP Basis	\$ 710,613
Net Adjustment for Revenue Accruals	4,522
Advance In	50,100
Advance Out	(61,050)
Net Adjustment for Expenditure Accruals	(114,219)
Adjustment for Encumbrances	(553,420)
Budget Basis	\$ 36,546

Note 6- Deposits and Investments

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$3,545,797 and the bank balance was \$3,698,343. Of the bank balance:

1. \$200,000 of the bank balance was covered by depository insurance; and
2. \$3,498,343 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Investments

Investments are reported at fair value. As of June 30, 2005, the School District had the following investments:

	Fair Value	Investment Maturities (in months) 0-6
STAROhio	589,358	589,358
Totals	\$ 589,358	\$ 589,358

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

Credit Risk: The School District's investments at June 30, 2005 consist of STAROhio which is rated AAA by Standard & Poor's.

Concentration of Credit Risk: The School District places no limit on the amount the district may invest in any one issuer. Investments of the School District are diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity; a specific issue or a specific class of securities, strategies to achieve this are determined and revised periodically. More than 5 percent of the School District's investments are in STAROhio. This investment is 100% of the School District's total investments for the amounts listed above.

Note 7– Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a subsequent fiscal year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1, and are collected with real property taxes. Assessed values for real property are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 100% of true value (with certain exceptions) and on real property at 35% of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25% of true value for capital assets and 23% of true value for inventory. The assessed values upon which the fiscal year 2005 taxes were collected are:

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

	<u>2005 Assessed Value</u>		<u>2004 Assessed Value</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 99,407,360	89.17%	\$ 98,290,120	89.34%
Public Utility Personal	1,296,920	1.17%	1,297,350	1.18%
Tangible Personal Property	<u>10,774,030</u>	<u>9.66%</u>	<u>10,432,532</u>	<u>9.48%</u>
	<u>\$ 111,478,310</u>	<u>100.00%</u>	<u>\$ 110,020,002</u>	<u>100.00%</u>

Tax Rate per \$1,000 of Assessed Valuation \$ 43.00

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid 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, with the remainder payable by September 20. The Coshocton, Guernsey, and Tuscarawas County Auditors are responsible for assessing and remitting these property taxes to the School District. The County Auditors periodically advance to the School District their portion of the taxes collected. The amount available to the School District as an advance at June 30, 2005 is available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2005. Although total property tax collections for the next fiscal year are measurable, only the amount available and measurable are recorded as revenue. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount measurable and available to the School District at June 30, 2005, was \$167,969.

Note 8 Interfund Transfers

Transfers made during fiscal year 2005 were \$15,000 to the athletics fund from the general fund. The transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

Note 9 - Interfund Balances

On the fund financial statements, the general fund reported an interfund receivable at June 30, 2005 of \$61,050. This receivable is made up of the following: the Ohio reads fund had an interfund payable of \$1,050, the reading intervention fund had \$8,000, Title II-A had \$2,000 and the uniform supply fund had an interfund payable of \$50,000.

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2005, all interfund loans outstanding are anticipated to be repaid in fiscal year 2006.

Note 10 – Receivables

Receivables at June 30, 2005 consisted of taxes, accounts and intergovernmental entitlements and grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<i>Nonmajor Governmental Funds</i>	
Ohio Read	\$ 1,050
Reading Intervention 1-4	19,135
Title VI-B	36,250
Title I	44,119
Title II-A	43,613
Title II-D	6,308
Drug Free	<u>497</u>
Total Nonmajor Governmental Funds	<u>150,972</u>
Total Intergovernmental Receivables	<u><u>\$ 150,972</u></u>

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 11 - Capital Assets

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

	Balance 06/30/04	Additions	Reductions	Balance 06/30/05
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 194,966	\$ 0	\$ 0	\$ 194,966
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,054,262	0	0	2,054,262
Buildings and Improvements	21,407,236	0	0	21,407,236
Furniture and Equipment	3,155,531	23,539	(5,255)	3,173,815
Vehicles	1,091,839	19,490	0	1,111,329
Textbooks	904,504	42,312	0	946,816
Total Capital Assets, being depreciated	28,613,372	85,341	(5,255)	28,693,458
Less Accumulated Depreciation:				
Land Improvements	(627,152)	(127,344)	0	(754,496)
Buildings and Improvements	(4,163,762)	(492,074)	0	(4,655,836)
Furniture and Equipment	(1,734,373)	(241,062)	3,563	(1,971,872)
Vehicles	(932,310)	(23,985)	0	(956,295)
Textbooks	(904,504)	(2,107)	0	(906,611)
Total Accumulated Depreciation	(8,362,101)	(886,572)	3,563	(9,245,110)
Total Capital Assets being depreciated, net	20,251,271	(801,231)	(1,692)	19,448,348
Governmental Capital Assets, net	\$ 20,446,237	\$ (801,231)	\$ (1,692)	\$ 19,643,314

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 782,479
Support Services:	
Instructional Staff	5,288
Administration	18,911
Operation and Maintenance of Plant	882
Pupil Transportation	56,194
Food Service	22,818
Total Depreciation	\$ 886,572

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 12 – Risk Management

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

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

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

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

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

The School District has established a limited risk management program for hospital/medical benefits. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2005, a total expense of \$1,485,086 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of \$35,000. The liability for unpaid claims cost of \$89,100 reported in the fund at June 30, 2005 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions.

Changes in the fund's claims liability amount in 2004 and 2005 were:

		<u>Balance</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
2004	\$	131,200	1,124,149	1,155,271	\$ 100,078
2005	\$	100,078	1,485,086	1,496,064	\$ 89,100

Note 13 – Compensated Absences

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

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

Note 14 - Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$207,189, \$205,811, and \$205,332, respectively; 50% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$104,580 represents the unpaid contribution for fiscal year 2005, and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$592,094, \$623,731, and \$619,212, respectively; 84% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$2,263 made by the School District and \$3,591 made by the plan members. \$98,848 represents the unpaid contribution for fiscal year 2005, and is recorded as a liability within the respective funds.

C. Social Security System

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

Note 15 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$41,923 during the 2005 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, the health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

eligibility and retirement status. Premiums are reduced by 50% for those retirees whose household income falls below federal poverty levels.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2005, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$86,024.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS had approximately 62,000 participants currently receiving health care benefits.

Note 16 – Contingencies

A. Grants

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

B. Litigation

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

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 17 - Long - Term Obligations

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

	Outstanding 6/30/04	Additions	Reductions	Outstanding 6/30/05	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
May 1999 Bond Issue 5.85% due 12/1/2024	\$ 1,210,000	\$ 0	\$ 35,000	\$ 1,175,000	\$ 35,000
November 1999 Bond Issue 5.85% due 12/1/2022	2,540,000	0	90,000	2,450,000	90,000
	<u>3,750,000</u>	<u>0</u>	<u>125,000</u>	<u>3,625,000</u>	<u>125,000</u>
Capital Leases	307,938	0	18,864	289,074	19,443
Compensated Absences	<u>796,117</u>	<u>0</u>	<u>95,105</u>	<u>701,012</u>	<u>21,076</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 4,854,055</u>	<u>\$ 0</u>	<u>\$ 238,969</u>	<u>\$ 4,615,086</u>	<u>\$ 165,519</u>

Proceeds of the bond issues were expensed on building renovations.

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

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005 are as follows:

Fiscal Year Ending June 30,	Bond Levy (May 99)		Total
	Principal	Interest	
2006	\$ 35,000	\$ 67,094	\$ 102,094
2007	35,000	65,344	100,344
2008	40,000	63,469	103,469
2009	40,000	61,444	101,444
2010-2014	230,000	272,889	502,889
2015-2019	305,000	194,850	499,850
2020-2024	400,000	90,000	490,000
2025-2029	90,000	2,700	92,700
Total	<u>\$ 1,175,000</u>	<u>\$ 817,790</u>	<u>\$ 1,992,790</u>

Fiscal Year Ending June 30,	Bond Levy (Nov 99)		Total
	Principal	Interest	
2006	\$ 90,000	\$ 138,588	\$ 228,588
2007	90,000	134,087	224,087
2008	95,000	129,463	224,463
2009	95,000	124,653	219,653
2010-2014	555,000	540,865	1,095,865
2015-2019	750,000	350,400	1,100,400
2020-2023	775,000	96,450	871,450
Total	<u>\$ 2,450,000</u>	<u>\$ 1,514,506</u>	<u>\$ 3,964,506</u>

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

Note 18 – Capitalized Leases

Capital lease obligations relate to copier equipment and an administrative building lease purchase agreement, which is leased under long-term agreements. The leases meet the criteria of capital leases as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases". Capital assets acquired by lease have been capitalized in the amount of \$335,731 equal to the present value of the future minimum lease payments at the time of acquisition. Capital lease payments in the general fund have been reclassified and are reflected as debt service in the basic financial statements for the general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005.

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Fiscal Year Ending June 30,	Equipment Lease		Total
	Principal	Interest	
2006	\$ 7,443	\$ 1,276	\$ 8,719
2007	8,071	648	8,719
2008	3,560	73	3,633
Total	<u>\$ 19,074</u>	<u>\$ 1,997</u>	<u>\$ 21,071</u>

Fiscal Year Ending June 30,	Building Lease		Total
	Principal	Interest	
2006	\$ 12,000	\$ 11,797	\$ 23,797
2007	12,000	11,255	23,255
2008	12,000	10,712	22,712
2009	12,000	10,170	22,170
2010-2014	60,000	42,714	102,714
2015-2019	56,000	29,267	85,267
2020-2024	67,000	19,232	86,232
2025-2027	39,000	2,147	41,147
Total	<u>270,000</u>	<u>137,294</u>	<u>407,294</u>

Note 19 – Deferred Revenue

Deferred revenue at June 30, 2005 consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 2,279,772	\$ 2,424,529
Grants Receivable	0	117,436
Deferred Revenue	<u>\$ 2,279,772</u>	<u>\$ 2,541,965</u>

Note 20 – Jointly Governed Organizations

The OME-RESA is a jointly governed organization comprised of 49 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports OME-RESA based upon a per pupil charge dependent upon the software package utilized. The OME-RESA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. OME-RESA is governed by a board of directors chosen from the

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

general membership of the OME-RESA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Jefferson County Educational Service Center, which serves as fiscal agent, located at Steubenville, Ohio. During the year ended June 30, 2005, the School District paid approximately \$47,028 to OME-RESA for basic service charges.

Note 21 – Statutory Reserves

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

Effective April 10, 2001, Senate Bill 345, eliminated the requirement that the School Districts' establish and maintain a budget stabilization reserve. The monies which do not represent the Bureau of Workers Compensation refunds may be left in the budget reserve set-aside, or returned to the general fund and used at the discretion of the of the School District's Board of Education.

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

	BWC Refund	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set-Aside Cash Balance as of June 30, 2004	\$ 42,320	\$ 0	\$ 0	\$ 42,320
Set-Aside Carryover Balance as of June 30, 2004	0	0	(180,355)	(180,355)
Current Year Set-Aside Requirement	0	183,936	183,936	367,872
Qualifying Disbursements	0	(198,790)	(147,594)	(346,384)
 Total	 \$ 42,320	 \$ (14,854)	 \$ (144,013)	 \$ (116,547)
 Cash Balance Carried Forward FY 2006	 \$ 42,320	 \$ 0	 \$ (144,013)	
 Amount to Restrict for Set-Asides	 \$ 42,320			

The School District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. These extra amounts may only be used to reduce the set-aside requirement of future years for the purchase of textbooks and/or instructional materials. Negatives are therefore not presented as being carried forward to the next fiscal year for the other set-asides. The total reserve balance for the set-asides at the end of the fiscal year was \$42,320.

Note 22 – State School Funding Decision

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

Ridgewood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

The Supreme Court relinquished jurisdiction over the case and directed “the Ohio General Assembly to enact a school funding scheme that is thorough and efficient”.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ridgewood Local School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance

As part of obtaining reasonable assurance about whether Ridgewood Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standard*. We noted certain immaterial instances of noncompliance, which we have reported to management of Ridgewood Local School District in a separate letter dated November 16, 2005.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
November 16, 2005

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

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

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

Compliance

We have audited the compliance of Ridgewood Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. Ridgewood Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Ridgewood Local School District management. Our responsibility is to express an opinion on Ridgewood Local School District's compliance based on our audit.

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

In our opinion, the Ridgewood Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
November 16, 2005

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

1. Summary of Auditor's Results

(d)(1)(I)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section. 510?	NO
(d)(1)(vii)	Major Programs:	Nutrition Cluster; CFDA #10.550 10.553 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs:	Type A: >\$300,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

NONE

3. Findings and Questioned Costs for Federal Awards

NONE

**RIDGEWOOD LOCAL SCHOOL DISTRICT
COSHOCKTON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>						
Pass through Ohio Department of Education						
Nutrition Cluster						
National School Breakfast Program	n/a	10.553	\$ 57,032	\$ -	\$ 57,032	\$ -
National School Lunch Program	n/a	10.555	184,454	-	184,454	-
Food Distribution Program	n/a	10.550	-	73,187	-	73,187
Total Nutrition Cluster			241,486	73,187	241,486	73,187
Total U.S. Department of Agriculture			241,486	73,187	241,486	73,187
<u>U.S. DEPARTMENT OF EDUCATION:</u>						
Pass through Ohio Department of Education						
Title I Educationally Deprived Children	046474C1S104 046474C1S105	84.010	6,142	-	43,665	-
			239,173	-	221,886	-
			245,315	-	265,551	-
Special Education Cluster:						
Title VI-B Special Education Assistance for handicapped Children	046474BSF04 046474BSF04	84.027	11,948	-	29,721	-
Preschool Grants for Children	046474PG3105	84.173	14,718	-	13,852	-
			310,449	-	299,010	-
Drug Free School Program	046474DRS104 046474DRS105	84.186	-	-	301	-
			8,171	-	8,364	-
			8,171	-	8,665	-
Innovative Education Program Strategies	046474C2S104 046474C2S105	84.298	-	-	443	-
			7,319	-	7,193	-
			7,319	-	7,636	-
Technology Literacy Challenge	046474TJS104 046474TJS105	84.318	-	-	100	-
			1,320	-	853	-
			1,320	-	953	-
Improving Teacher Quality State Grant	046474TRS104 046474TRS105	84.367	3,268	-	8,998	-
			61,302	-	59,675	-
			64,570	-	68,673	-
Total U.S. Department of Education			637,144	-	650,488	-
Total Federal Awards Expenditures			878,630	73,187	891,974	73,187

See notes to Schedule of Federal Awards Expenditures.

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

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTES B – CHILD NUTRITION CLUSTER

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

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



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

RIDGEWOOD LOCAL SCHOOL DISTRICT

COSHOCTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 9, 2006**