

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2007***

KIMBERLY REYNOLDS, TREASURER



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ridgedale Local School District, Marion County, prepared by Julian & Grube, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 14, 2007

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

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Julian & Grube, Inc.
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, its major fund, and the aggregate remaining fund information of Ridgedale Local School District, Marion County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Ridgedale Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ridgedale Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As disclosed in Note 3, Ridgedale Local School District has restated its Governmental Net Assets at July 1, 2006 to properly reflect its accumulated depreciation of its capital assets.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, its major fund, and the aggregate remaining fund information of Ridgedale Local School District, as of June 30, 2007, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Ridgedale Local School District
Independent Auditor's Report
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2007, on our consideration of Ridgedale Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Julian & Grube, Inc.
November 12, 2007

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The management's discussion and analysis of the Ridgedale Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities increased \$166,590 which represents a 5.30% increase from 2006.
- General revenues accounted for \$6,112,966 in revenue or 71.77% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,404,248 or 28.23% of total revenues of \$8,517,214.
- The District had \$8,350,624 in expenses related to governmental activities; \$2,404,248 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,112,966 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$7,673,914 in revenues and other financing sources and \$7,100,198 in expenditures. During fiscal year 2007, the general fund's fund balance increased \$573,716 from \$873,882 to \$1,447,598.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-52 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. The net assets of the District have been restated as detailed in Note 3.A of the notes to the basic financial statements.

The table below provides a summary of the District's net assets for 2007 and 2006.

	Net Assets	
	Governmental Activities 2007	(Restated) Governmental Activities 2006
<u>Assets</u>		
Current and other assets	\$ 3,967,008	\$ 3,618,120
Capital assets, net	<u>2,155,138</u>	<u>2,552,855</u>
Total assets	<u>6,122,146</u>	<u>6,170,975</u>
<u>Liabilities</u>		
Current liabilities	2,038,319	2,227,968
Long-term liabilities	<u>772,762</u>	<u>798,532</u>
Total liabilities	<u>2,811,081</u>	<u>3,026,500</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	1,812,288	2,189,145
Restricted	471,931	507,253
Unrestricted	<u>1,026,846</u>	<u>448,077</u>
Total net assets	<u>\$ 3,311,065</u>	<u>\$ 3,144,475</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$3,311,065.

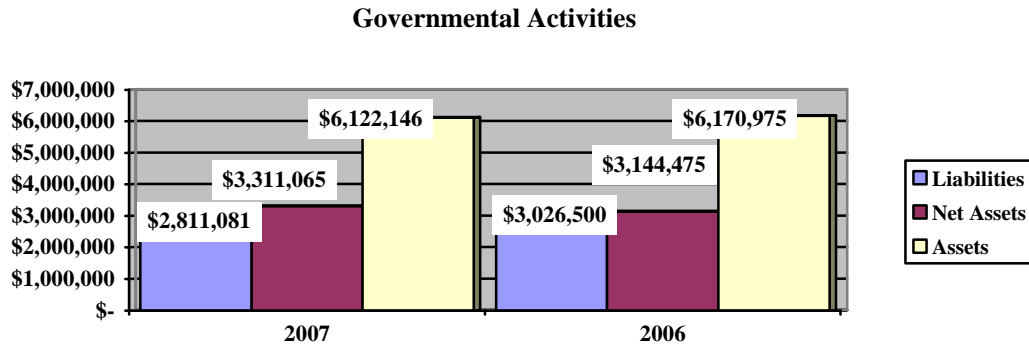
At year-end, capital assets represented 35.20% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$1,812,288. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$471,931, represents resources that are subject to external restriction on how they may be used.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The graph below illustrates the governmental activities assets, liabilities and net assets at June 30, 2007 and 2006:



The table below shows the change in net assets for fiscal year 2007 and 2006. Certain 2006 balances have been restated as described in Note 3.A. of the notes to the basic financial statements.

	Change in Net Assets	
	Governmental Activities 2007	(Restated) Governmental Activities 2006
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,562,354	\$ 1,715,283
Operating grants and contributions	818,762	461,323
Capital grants and contributions	23,132	6,000
General revenues:		
Property taxes	2,171,705	2,221,410
Grants and entitlements	3,853,916	3,599,854
Investment earnings	65,695	28,386
Other	21,650	4,775
Total revenues	<u>8,517,214</u>	<u>8,037,031</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

	Change in Net Assets	
	Governmental	(Restated) Governmental
	Activities	Activities
	<u>2007</u>	<u>2006</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 3,159,417	\$ 2,945,170
Special	533,812	579,248
Vocational	203,003	221,350
Other	1,075,954	841,527
Support services:		
Pupil	240,124	214,601
Instructional staff	258,883	331,752
Board of education	6,515	12,737
Administration	714,344	715,699
Fiscal	206,021	200,939
Operations and maintenance	652,701	692,319
Pupil transportation	534,509	553,385
Central	31,865	18,646
Operation of non-instructional services:		
Food service operations	342,335	281,907
Other non-instructional services	-	1,066
Extracurricular activities	371,728	290,893
Interest and fiscal charges	<u>19,413</u>	<u>17,268</u>
Total expenses	<u>8,350,624</u>	<u>7,918,507</u>
Change in net assets	166,590	118,524
Net assets at beginning of year (restated)	<u>3,144,475</u>	<u>3,025,951</u>
Net assets at end of year	<u><u>\$ 3,311,065</u></u>	<u><u>\$ 3,144,475</u></u>

Governmental Activities

Net assets of the District's governmental activities increased \$166,590. Total governmental expenses of \$8,350,624 were offset by program revenues of \$2,404,248 and general revenues of \$6,112,966. Program revenues supported 28.79% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 70.75% of total governmental revenue.

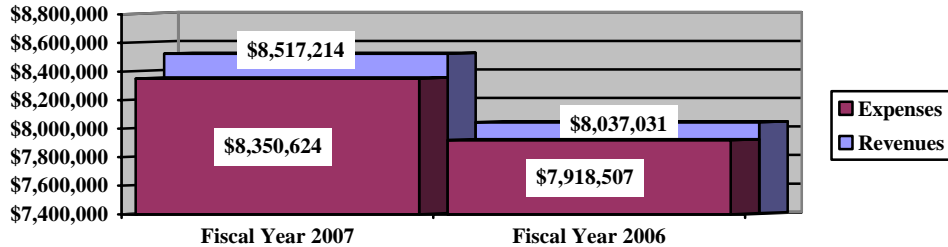
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,972,186 or 59.54% of total governmental expenses for fiscal year 2007.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2007 and 2006.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
Program expenses				
Instruction:				
Regular	\$ 3,159,417	\$ 1,889,661	\$ 2,945,170	\$ 1,563,245
Special	533,812	133,061	579,248	464,269
Vocational	203,003	161,078	221,350	217,350
Other	1,075,954	1,075,954	841,527	841,527
Support services:				
Pupil	240,124	129,448	214,601	83,920
Instructional staff	258,883	201,932	331,752	298,894
Board of education	6,515	6,515	12,737	12,737
Administration	714,344	704,545	715,699	703,181
Fiscal	206,021	206,021	200,939	200,939
Operations and maintenance	652,701	651,550	692,319	690,557
Pupil transportation	534,509	498,954	553,385	553,385
Central	31,865	21,926	18,646	14,007
Food service operations	342,335	54,351	281,907	(1,995)
Operations of non-instructional services	-	-	1,066	985
Extracurricular activities	371,728	191,967	290,893	75,632
Interest and fiscal charges	19,413	19,413	17,268	17,268
Total expenses	<u>\$ 8,350,624</u>	<u>\$ 5,946,376</u>	<u>\$ 7,918,507</u>	<u>\$ 5,735,901</u>

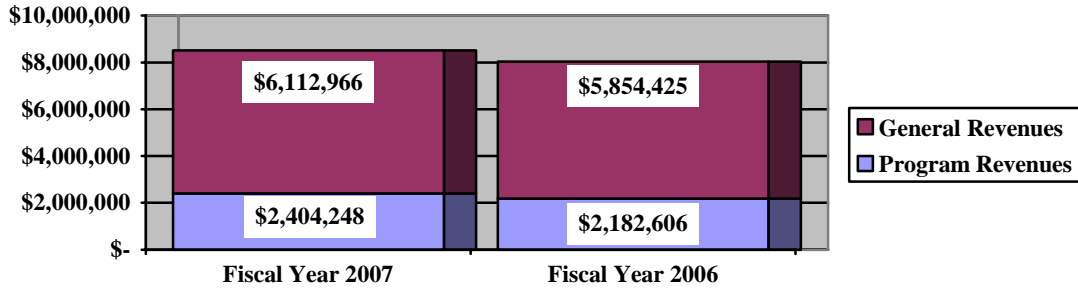
The dependence upon tax and other general revenues for governmental activities is apparent, 65.56% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 71.21%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal year 2007 and 2006.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,673,666, which is higher than last year's total of \$1,180,368. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance <u>June 30, 2007</u>	Fund Balance <u>June 30, 2006</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 1,447,598	\$ 873,882	\$ 573,716	65.65 %
Other Governmental	<u>226,068</u>	<u>306,486</u>	<u>(80,418)</u>	(26.24) %
Total	<u>\$ 1,673,666</u>	<u>\$ 1,180,368</u>	<u>\$ 493,298</u>	41.79 %

General Fund

The District's general fund balance increased \$573,716. The increase in fund balance can be attributed to several items related to revenues increasing by 1.69% and expenditures decreasing by 0.83%. Revenues exceeded expenditures for fiscal year 2007 by \$474,367. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2007 <u>Amount</u>	2006 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 2,455,043	\$ 2,305,726	\$ 149,317	6.48 %
Tuition	1,085,366	1,175,302	(89,936)	(7.65) %
Earnings on investments	65,344	26,313	39,031	148.33 %
Intergovernmental	3,699,940	3,599,854	100,086	2.78 %
Other revenues	<u>268,872</u>	<u>341,380</u>	<u>(72,508)</u>	(21.24) %
Total	<u>\$ 7,574,565</u>	<u>\$ 7,448,575</u>	<u>\$ 125,990</u>	1.69 %

Earnings on investments increased 148.33% as a result of increasing interest rates. Tuition revenue decreased 7.65% due to a decline in open enrollment participation.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
Instruction	\$ 4,430,418	\$ 4,290,843	\$ 139,575	3.25 %
Support services	2,333,604	2,397,804	(64,200)	(2.68) %
Extracurricular activities	121,743	120,010	1,733	1.44 %
Capital outlay	87,080	169,993	(82,913)	(48.77) %
Debt service	<u>127,353</u>	<u>180,778</u>	<u>(53,425)</u>	(29.55) %
Total	<u>\$ 7,100,198</u>	<u>\$ 7,159,428</u>	<u>\$ (59,230)</u>	(0.83) %

The decrease in capital outlay was a result of fewer capital purchases from the general fund during 2007. Debt service payments declined due to lower amounts owed on scheduled debt payments.

General Fund Budgeting Highlights

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

During the course of fiscal year 2007, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$6,892,376 and final budgeted revenues and other financing sources were \$7,022,062. Actual revenues and other financing sources for fiscal year 2007 was \$7,583,241. This represents a \$561,179 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$6,778,771 were increased to \$7,169,369 in the final appropriations. The actual budget basis expenditures for fiscal year 2007 totaled \$7,084,554, which was \$84,815 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the District had \$2,155,138 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. The capital assets of the District have been restated as detailed in Note 3.A of the notes to the basic financial statements. This entire amount is reported in governmental activities. The following table shows fiscal year 2007 balances compared to 2006:

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

	Governmental Activities	
	2007	Restated 2006
Land	\$ 50,442	\$ 50,442
Land improvements	182,424	202,662
Building and improvements	1,584,086	1,649,135
Furniture and equipment	60,365	445,948
Vehicles	277,821	204,668
Total	\$ 2,155,138	\$ 2,552,855

The overall decrease in capital assets of \$397,717 is due to depreciation expense of \$135,886 and disposals (net of accumulated depreciation) of \$449,119 exceeding capital outlays of \$187,288 in the fiscal year. See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2007, the District had \$342,850 in capital lease obligations outstanding. Of this total, \$93,213 is due within one year and \$249,637 is due in greater than one year. The following table summarizes the capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2007	2006
Capital lease obligations	\$ 342,850	\$ 363,710
Total	\$ 342,850	\$ 363,710

At June 30, 2007, the District's overall legal debt margin was \$7,365,723, and an unvoted debt margin of \$81,841.

See Note 9 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Current Financial Related Activities

Funding Challenges

The Ridgedale Local School District (the "District") is facing financial challenges. The Marion County economy remains in decline and state funding is uncertain. The District is primarily a residential/farming community. Residential growth is very low and agricultural land is increasing in value as projected with the 2007 revaluation. The District expects minimal growth in residential students. Student open enrollment has provided substantial revenue and has helped to maintain the fiscal stability of the District for the past several years. The District anticipates a carryover in fiscal year 2008 and breaking even in fiscal year 2009. Due to the expiration in 2008 of an existing emergency levy, a renewal was passed in 2007.

Since fiscal year 2000, expenditures have exceeded revenues in the District. This trend has caused the continual depletion of carryover monies from previous years. The District has taken corrective action. The District has implemented more than \$1 million in Board-approved budget cuts, the majority being in staffing. Participation fees have been implemented and the Morral Elementary School was closed in 2004. A consolidation of buildings took place and now the District consists of two buildings on one campus. This resulted in a savings of \$200,000 per year. These cuts have allowed fiscal years 2006 and 2007 not to be in a deficit spending but deficit spending will start to occur in fiscal year 2009. The Board and Administration has determined that the current levy amounts and the budget cuts cannot solve the upcoming deficit. A new tax levy must be passed. The last successful operating levy was passed in 1992.

Budget Summary

The fiscal year 2007 budget was very modest with minimal capital expenditures, and reductions in spending for instructional materials. As a result, in fiscal year 2007, the District was unable to spend enough in supplies and textbooks to meet the set-aside requirement. Standard operating costs, particularly health benefits, continue to rise at a rate exceeding revenue growth. The District is continuing to look for and has taken steps to control cost in many areas.

The District has taken steps to make the Food Service program self-sustaining. In previous years the District needed to transfer funds to this program so it would not have a negative balance. Staff reductions and operational changes, including POS systems, were made which resulting in a positive impact on the fund.

Contacting the District's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government	Component Unit
	Governmental Activities	Ridgedale Community School
Assets:		
Equity in pooled cash and cash equivalents. . . .	\$ 1,739,759	\$ 261,690
Cash with fiscal agent.	942	-
Receivables:		
Taxes	2,103,501	-
Accounts	4,299	-
Intergovernmental	58,737	3,727
Prepayments.	44,877	-
Materials and supplies inventory	14,893	-
Capital assets:		
Land	50,442	-
Depreciable capital assets, net	2,104,696	-
Capital assets, net.	<u>2,155,138</u>	<u>-</u>
Total assets.	<u>6,122,146</u>	<u>265,417</u>
Liabilities:		
Accounts payable.	159,410	738
Accrued wages and benefits	506,711	-
Pension obligation payable.	148,124	-
Intergovernmental payable	38,186	-
Unearned revenue	1,185,888	-
Long-term liabilities:		
Due within one year.	160,622	-
Due in more than one year	612,140	-
Total liabilities	<u>2,811,081</u>	<u>738</u>
Net Assets:		
Invested in capital assets, net of related debt.	1,812,288	-
Restricted for:		
Capital projects	85,090	-
Locally funded programs	27,019	-
State funded programs.	10,411	2,987
Federally funded programs	3,900	3,710
Student activities.	75,116	-
Set-asides	270,275	-
Other purposes.	120	-
Unrestricted	<u>1,026,846</u>	<u>257,982</u>
Total net assets	<u>\$ 3,311,065</u>	<u>\$ 264,679</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	<u>Component Unit</u>
					<u>Governmental Activities</u>	<u>Ridgedale Community School</u>
Governmental activities:						
Instruction:						
Regular	\$ 3,159,417	\$ 1,207,731	\$ 52,809	\$ 9,216	\$ (1,889,661)	\$ -
Special	533,812	-	400,751	-	(133,061)	-
Vocational	203,003	-	41,925	-	(161,078)	-
Other	1,075,954	-	-	-	(1,075,954)	-
Support services:						
Pupil.	240,124	-	110,676	-	(129,448)	-
Instructional staff	258,883	-	50,951	6,000	(201,932)	-
Board of education	6,515	-	-	-	(6,515)	-
Administration.	714,344	5,039	4,760	-	(704,545)	-
Fiscal.	206,021	-	-	-	(206,021)	-
Operations and maintenance	652,701	350	801	-	(651,550)	-
Pupil transportation.	534,509	11,437	16,202	7,916	(498,954)	-
Central	31,865	-	9,939	-	(21,926)	-
Food service operations	342,335	164,532	123,452	-	(54,351)	-
Extracurricular activities.	371,728	173,265	6,496	-	(191,967)	-
Interest and fiscal charges	19,413	-	-	-	(19,413)	-
Total governmental activities	<u>8,350,624</u>	<u>1,562,354</u>	<u>818,762</u>	<u>23,132</u>	<u>(5,946,376)</u>	<u>-</u>
Component Unit:						
Ridgedale Community School	<u>251,851</u>	<u>-</u>	<u>22,431</u>	<u>-</u>	<u>-</u>	<u>(229,420)</u>
Totals	<u>\$ 8,602,475</u>	<u>\$ 1,562,354</u>	<u>\$ 841,193</u>	<u>\$ 23,132</u>	<u>(5,946,376)</u>	<u>(229,420)</u>
General Revenues:						
Property taxes levied for:						
General purposes					2,171,705	-
Grants and entitlements not restricted to specific programs.					3,853,916	230,542
Investment earnings					65,695	6,890
Miscellaneous					21,650	-
Total general revenues					<u>6,112,966</u>	<u>237,432</u>
Change in net assets.					166,590	8,012
Net assets at beginning of year (restated)					<u>3,144,475</u>	<u>256,667</u>
Net assets at end of year					<u>\$ 3,311,065</u>	<u>\$ 264,679</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,219,145	\$ 250,219	\$ 1,469,364
Cash with fiscal agent	-	942	942
Receivables:			
Taxes	2,103,501	-	2,103,501
Accounts	3,776	523	4,299
Intergovernmental	-	58,737	58,737
Interfund loans	18,437	-	18,437
Due from other funds	10,076	-	10,076
Prepayments	44,877	-	44,877
Materials and supplies inventory	14,131	762	14,893
Restricted assets:			
Equity in pooled cash and cash equivalents	270,395	-	270,395
Total assets	<u>\$ 3,684,338</u>	<u>\$ 311,183</u>	<u>\$ 3,995,521</u>
Liabilities:			
Accounts payable	\$ 142,782	\$ 16,628	\$ 159,410
Accrued wages and benefits	486,211	20,500	506,711
Compensated absences payable	28,437	-	28,437
Pension obligation payable	136,373	11,751	148,124
Intergovernmental payable	37,503	683	38,186
Interfund payable	-	18,437	18,437
Due to other funds	-	10,076	10,076
Deferred revenue	219,546	7,040	226,586
Unearned revenue	1,185,888	-	1,185,888
Total liabilities	<u>2,236,740</u>	<u>85,115</u>	<u>2,321,855</u>
Fund Balances:			
Reserved for encumbrances	27,546	12,082	39,628
Reserved for materials and supplies inventory	14,131	762	14,893
Reserved for prepayments	44,877	-	44,877
Reserved for property tax unavailable for appropriation	698,067	-	698,067
Reserved for school bus purchase	120	-	120
Reserved for textbooks/instructional materials	270,275	-	270,275
Unreserved, undesignated, reported in:			
General fund	392,582	-	392,582
Special revenue funds	-	128,134	128,134
Capital projects funds	-	85,090	85,090
Total fund balances	<u>1,447,598</u>	<u>226,068</u>	<u>1,673,666</u>
Total liabilities and fund balances	<u>\$ 3,684,338</u>	<u>\$ 311,183</u>	<u>\$ 3,995,521</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

Total governmental fund balances		\$	1,673,666
<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.			2,155,138
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	219,546	
Intergovernmental revenue		7,040	
Total			226,586
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(401,475)	
Capital leases payable		(342,850)	
Total			(744,325)
Net assets of governmental activities		\$	<u><u>3,311,065</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 2,455,043	\$ -	\$ 2,455,043
Tuition.	1,085,366	-	1,085,366
Transportation fees	400	-	400
Earnings on investments.	65,344	351	65,695
Charges for services	-	143,824	143,824
Extracurricular.	42,693	197,520	240,213
Classroom materials and fees	-	20,358	20,358
Other local revenues.	71,803	33,269	105,072
Payments in lieu of taxes	153,976	32,873	186,849
Intergovernmental - State.	3,697,511	54,930	3,752,441
Intergovernmental - Federal	2,429	396,389	398,818
Total revenues.	<u>7,574,565</u>	<u>879,514</u>	<u>8,454,079</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,789,240	138,985	2,928,225
Special.	395,163	119,547	514,710
Vocational.	170,061	6,788	176,849
Other.	1,075,954	-	1,075,954
Support services:			
Pupil.	127,906	112,218	240,124
Instructional staff	202,829	56,333	259,162
Board of education	6,515	-	6,515
Administration.	664,741	9,032	673,773
Fiscal	197,318	-	197,318
Operations and maintenance.	611,935	914	612,849
Pupil transportation	502,770	17,384	520,154
Central.	19,590	12,275	31,865
Food service operations.	-	318,713	318,713
Extracurricular activities	121,743	147,876	269,619
Facilities acquisition and construction	-	60,367	60,367
Capital outlay.	87,080	-	87,080
Debt service:			
Principal retirement	107,940	-	107,940
Interest and fiscal charges	19,413	-	19,413
Total expenditures	<u>7,100,198</u>	<u>1,000,432</u>	<u>8,100,630</u>
Excess (deficiency) of revenues over (under) expenditures	474,367	(120,918)	353,449
Other financing sources:			
Sale of capital assets.	12,269	40,500	52,769
Capital lease transaction	87,080	-	87,080
Total other financing sources	<u>99,349</u>	<u>40,500</u>	<u>139,849</u>
Net change in fund balances	573,716	(80,418)	493,298
Fund balances at beginning of year	<u>873,882</u>	<u>306,486</u>	<u>1,180,368</u>
Fund balances at end of year.	<u>\$ 1,447,598</u>	<u>\$ 226,068</u>	<u>\$ 1,673,666</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds	\$	493,298
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.</p>		
Capital asset additions	\$ 187,288	
Current year depreciation	<u>(135,886)</u>	
Total		51,402
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.</p>		
		(449,119)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Taxes	55,398	
Intergovernmental revenue	<u>7,040</u>	
Total		62,438
<p>Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.</p>		
		107,940
<p>Proceeds of capital leases are recorded as an other financing source in the funds; however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.</p>		
		(87,080)
<p>Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		<u>(12,289)</u>
Change in net assets of governmental activities	\$	<u>166,590</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 2,235,347	\$ 2,277,408	\$ 2,459,044	\$ 181,636
Tuition	1,082,847	1,103,222	1,191,210	87,988
Transportation fees	364	370	400	30
Earnings on investments	59,400	60,517	65,344	4,827
Extracurricular	38,809	39,539	42,693	3,154
Other local revenues	202,518	206,329	222,785	16,456
Intergovernmental - State	3,264,937	3,326,369	3,591,667	265,298
Intergovernmental - Federal	2,208	2,250	2,429	179
Total revenues	<u>6,886,430</u>	<u>7,016,004</u>	<u>7,575,572</u>	<u>559,568</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,914,540	2,829,097	2,824,204	4,893
Special	357,602	426,770	424,650	2,120
Vocational	195,183	197,728	185,003	12,725
Other	774,334	1,076,438	1,075,954	484
Support services:				
Pupil	127,768	125,523	121,264	4,259
Instructional staff	103,597	223,247	218,578	4,669
Board of education	5,350	17,730	17,641	89
Administration	769,144	697,883	679,393	18,490
Fiscal	215,228	202,105	198,902	3,203
Operations and maintenance	585,143	608,164	590,381	17,783
Pupil transportation	584,285	593,940	587,350	6,590
Central	18,511	26,200	19,590	6,610
Extracurricular activities	128,086	126,107	123,207	2,900
Total expenditures	<u>6,778,771</u>	<u>7,150,932</u>	<u>7,066,117</u>	<u>84,815</u>
Excess (deficiency) of revenues over (under) expenditures	<u>107,659</u>	<u>(134,928)</u>	<u>509,455</u>	<u>644,383</u>
Other financing sources (uses):				
Refund of prior year receipts	-	-	1,128	1,128
Advances (out)	-	(18,437)	(18,437)	-
Sale of assets	5,946	6,058	6,541	483
Total other financing sources (uses)	<u>5,946</u>	<u>(12,379)</u>	<u>(10,768)</u>	<u>1,611</u>
Net change in fund balance	113,605	(147,307)	498,687	645,994
Fund balance at beginning of year	881,126	881,126	881,126	-
Prior year encumbrances appropriated	48,363	48,363	48,363	-
Fund balance at end of year	<u>\$ 1,043,094</u>	<u>\$ 782,182</u>	<u>\$ 1,428,176</u>	<u>\$ 645,994</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 65,636	\$ 39,387
Receivables:		
Accounts	-	79
Total assets.	65,636	\$ 39,466
Liabilities:		
Accounts payable.	-	\$ 734
Due to students	-	38,732
Total liabilities	-	\$ 39,466
Net Assets:		
Held in trust for scholarships	44,159	
Endowments	21,477	
Total net assets	\$ 65,636	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 3,888
Gifts and contributions.	9,100
	12,988
Total additions.	12,988
Deductions:	
Scholarships awarded	2,000
	10,988
Change in net assets	10,988
Net assets at beginning of year	54,648
Net assets at end of year.	\$ 65,636

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1957. The District serves an area of approximately one hundred twenty-five square miles. It is located in Crawford, Marion, and Wyandot Counties. The District is the 522nd largest in the State of Ohio (among 876 local and community schools) in terms of enrollment. It is staffed by 40 classified employees, 63 certified teaching personnel, and 6 administrative employees who provide services to 884 students and other community members. The District currently operates two buildings on one campus.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Ridgedale Community School

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

JOINTLY GOVERNED ORGANIZATIONS

Tri-Rivers Educational Computer Association

The District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Career Center. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

Tri-Rivers Career Center

The Tri-Rivers Career Center (the "Career Center") is a distinct political subdivision of the State of Ohio which provides vocational education. The Career Center operates under the direction of a Board consisting of one representative from each of the ten participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Terril Martin, who serves as Treasurer, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

North Central Ohio Special Education Regional Resource Center

The North Central Ohio Special Education Regional Resource Center (the "SERRC") is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a forty-seven member board including the superintendent from the forty-two participating educational entities, one representative from a non-public school, one representative from Knox County Educational Service Center, one representative from Ashland University, and two parents of children with disabilities. The degree of control exercised by any participating educational entity is limited to its representative on the Board. Financial information can be obtained from Patricia Lyons, Knox County Educational Service Center, 106 East High Street, Mt. Vernon, Ohio 43050.

Northwestern Ohio Educational Research Council, Inc.

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

North Central Regional Professional Development Center

The North Central Regional Professional Development Center (the "Center") is a jointly governed organization among the school districts in Crawford, Huron, Knox, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The organization was formed to create and sustain self-renewing learning communities to transform education in Ohio so that all learners can achieve their full potential. The Center is governed by a twenty-one member Board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Lorraine Earnest, Mid-Ohio Educational Service Center, 1495 West Longview Avenue, Suite 202, Mansfield, Ohio 44906.

INSURANCE PURCHASING POOLS

Ohio School Plan

For fiscal year 2007, the District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool (refer to Note 11.B. for more detail).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

PROPRIETARY FUND

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

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

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the Certificate of Estimated Resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The Certificate of Estimated Resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level for all funds. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

F. Cash and Investments

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

The District has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal 2007. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2007.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$65,344, which includes \$13,640 assigned from other funds.

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

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

G. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used under the consumption method. Inventory consists of administrative supplies and donated and purchased foods.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

H. Capital Assets

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

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

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. During 2007, the District had an appraisal and restated the useful lives of their capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables", receivables and payables resulting from short-term interfund loans between funds are classified as "due to/from other funds."

These amounts are eliminated in the governmental type activities columns of the statement of net assets.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees after ten years of service.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

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

M. Net Assets

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

N. Prepayments

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

O. Estimates

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

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook/instructional materials reserve and a school bus purchase reserve. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 16.

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Restatement of Net Assets

During fiscal year 2007, the District had an appraisal of their capital assets. The Districts capital assets are restated at July 1, 2006 for errors and omissions and the change in useful lives of the capital assets. The change had the following effect on the net assets at July 1, 2006:

	Governmental Activities
Net assets, June 30, 2006	\$ 4,364,782
Adjustment for capital assets	<u>(1,220,307)</u>
Restated net assets, July 1, 2006	<u>\$ 3,144,475</u>

B. Deficit Fund Balances

Fund balances at June 30, 2007 included the following individual fund deficits:

	Deficit
<u>Nonmajor Funds</u>	
Food Service	\$ 63
EMIS	18
Ohio Reads	7
Vocational Education Enhancement	12
Title VI-B	1,518
Title I	1,878

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

C. Noncompliance

The District had noncompliance with Ohio Revised Code Sections 5705.39 and 5705.36 where appropriations exceeded estimated resources throughout and at fiscal year end.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

At June 30, 2007, the District had \$3,416 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

B. Cash with Fiscal Agent

At June 30, 2007, the District had \$942 in cash held by North Central Ohio Educational Service Center, which is included in the financial statements as "Cash with Fiscal Agent". The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants. The balance held by the fiscal agent is not included in the amount of "Deposits with Financial Institutions" reported below.

C. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$604,344. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$713,405 of the District's bank balance of \$813,405 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation.

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

D. Investments

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	Investment <u>Maturity</u> 6 months or <u>less</u>
STAR Ohio	<u>\$ 1,237,022</u>	<u>\$ 1,237,022</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,237,022	100.00

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 604,344
Investments	1,237,022
Cash with fiscal agent	942
Cash on hand	3,416
Total	\$ 1,845,724

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 1,740,701
Private-purpose trust funds	65,636
Agency funds	39,387
Total	\$ 1,845,724

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2007 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 18,437

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2007 are reported on the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund balances for the year ended June 30, 2007, consisted of the following due to/from other funds, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 10,076

The primary purpose of due to/from other funds is to cover a negative cash balance in a respective fund. The general fund is liable for covering a cash deficit. Due to/from other funds are eliminated between governmental funds for reporting in the statement of net assets. All amounts are to be repaid within one year.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien January 1, 2006, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. For 2006, tangible personal property was assessed at 18.75% for property including inventory. This percentage was reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2007-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Wyandot, Crawford and Marion Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2007 was \$698,067 in the general fund. This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2006 was \$702,068 in the general fund.

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 72,541,380	82.58	\$ 74,328,750	85.99
Public utility personal	9,492,340	10.81	9,202,760	10.64
Tangible personal property	<u>5,805,562</u>	<u>6.61</u>	<u>2,912,030</u>	<u>3.37</u>
Total	<u>\$ 87,839,282</u>	<u>100.00</u>	<u>\$ 86,443,540</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 47.39		\$ 47.60	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Taxes	\$ 2,103,501
Accounts	4,299
Intergovernmental	<u>58,737</u>
Total	<u>\$ 2,166,537</u>

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

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to an appraisal of the Districts capital assets as follows (see Note 3.A.):

	<u>Balance 06/30/06</u>	<u>Adjustments</u>	<u>Restated Balance 07/01/06</u>
Governmental Activities			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 50,442	\$ -	\$ 50,442
<i>Total capital assets, not being depreciated</i>	<u>50,442</u>	<u>-</u>	<u>50,442</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	666,539	-	666,539
Buildings and improvements	4,276,306	(5,218)	4,271,088
Furniture and equipment	739,707	-	739,707
Vehicles	1,056,225	(1,926)	1,054,299
Total capital assets, being depreciated	<u>6,738,777</u>	<u>(7,144)</u>	<u>6,731,633</u>
<i>Less: accumulated depreciation:</i>	<u>(3,016,057)</u>	<u>(1,213,163)</u>	<u>(4,229,220)</u>
Governmental activities capital assets, net	<u>\$ 3,773,162</u>	<u>\$ (1,220,307)</u>	<u>\$ 2,552,855</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 8 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Restated Balance <u>07/01/06</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/07</u>
<i>Governmental Activities</i>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 50,442	\$ -	\$ -	\$ 50,442
Total capital assets, not being depreciated	<u>50,442</u>	<u>-</u>	<u>-</u>	<u>50,442</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	666,539	-	(78,173)	588,366
Buildings and improvements	4,271,088	37,354	(183,440)	4,125,002
Furniture and equipment	739,707	19,459	(551,733)	207,433
Vehicles	<u>1,054,299</u>	<u>130,475</u>	<u>(50,475)</u>	<u>1,134,299</u>
Total capital assets, being depreciated	<u>6,731,633</u>	<u>187,288</u>	<u>(863,821)</u>	<u>6,055,100</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(463,877)	(10,411)	68,346	(405,942)
Buildings and improvements	(2,621,953)	(60,206)	141,243	(2,540,916)
Furniture and equipment	(293,759)	(7,947)	154,638	(147,068)
Vehicles	<u>(849,631)</u>	<u>(57,322)</u>	<u>50,475</u>	<u>(856,478)</u>
Total accumulated depreciation	<u>(4,229,220)</u>	<u>(135,886)</u>	<u>414,702</u>	<u>(3,950,404)</u>
Governmental activities capital assets, net	<u>\$ 2,552,855</u>	<u>\$ 51,402</u>	<u>\$ (449,119)</u>	<u>\$ 2,155,138</u>

C. Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 35,787
Special	2,555
Vocational	3,902
<u>Support Services:</u>	
Administration	3,822
Fiscal	584
Operations and maintenance	4,127
Pupil transportation	65,034
Extracurricular activities	15,234
Food service operations	<u>4,841</u>
Total depreciation expense	<u>\$ 135,886</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2007, the following activity occurred in governmental activities long-term obligations:

	Balance			Balance	Amounts
	<u>06/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/07</u>	<u>Due in</u>
					<u>One Year</u>
Governmental Activities:					
Capital leases payable	\$ 363,710	\$ 87,080	\$ (107,940)	\$ 342,850	\$ 93,213
Compensated absences	<u>434,822</u>	<u>69,526</u>	<u>(74,436)</u>	<u>429,912</u>	<u>67,409</u>
Total long-term obligations, governmental activities	<u>\$ 798,532</u>	<u>\$ 156,606</u>	<u>\$ (182,376)</u>	<u>\$ 772,762</u>	<u>\$ 160,622</u>

Compensated absences will be paid from the fund which the employees' salaries are paid, which is primarily the general fund and the following nonmajor governmental funds: Food Service and IDEA.

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$7,365,723 and an unvoted debt margin of \$81,841.

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of vehicles have been capitalized in the amount of \$979,544 (of this total, \$130,475 was acquired in fiscal year 2007 and \$849,069 was acquired prior to fiscal year 2007). Accumulated depreciation as of June 30, 2007 was \$737,212 leaving a current book value of \$242,332. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2007 totaled \$82,636 paid by the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 75,448
2009	56,509
2010	53,059
2011	48,940
2012	<u>27,877</u>
Total minimum lease payments	261,833
Less amount representing interest	<u>(26,897)</u>
Total	<u>\$ 234,936</u>

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

Copier equipment in the amount of \$143,216 has not been capitalized since the assets individually do not meet the District's capitalization threshold. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2007 totaled \$25,304 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2007:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 34,437
2009	34,437
2010	34,437
2011	<u>20,088</u>
Total minimum lease payments	123,399
Less amount representing interest	<u>(15,485)</u>
Total	<u>\$ 107,914</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2007, the District contracted with Verne Hart Insurance Agency for liability, property and fleet insurance. Coverage's provided by Verne Hart Insurance Agency are as follows:

<u>Description</u>	<u>Amount</u>
Building and Contents	
Replacement cost	\$18,991,188
Deductible	1000
Liability	
School Board Errors and Omissions Liability	
Each wrongful act limit	4,000,000
Annual aggregate limit	5,000,000
Deductible	None
General Liability	
Per occurrence combined single limit	5,000,000
Annual aggregate limit	6,000,000
Medical payments limit	15,000
Employee Benefits Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	3,000,000
Stop Gap	
Each accident	1,000,000
Disease each employee	1,000,000
Disease policy limit	1,000,000
Automotive Liability	
Liability	
Per occurrence combined single limit	5,000,000
Medical payments limit	5,000
Uninsured/underinsured motorists coverage	1,000,000
Auto Physical Damage (actual cash value)	
Comprehensive deductible	1,000
Collision deductible	1,000

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 - RISK MANAGEMENT - (Continued)

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

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$82,835, \$83,262, and \$85,492, 38.16 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$51,227 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System of Ohio

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 12 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$372,519, \$394,892, and \$419,815; 84.22 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$58,782 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$358 made by the District and \$348 made by plan members.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$28,655 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$42,857 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

**RIDGEDALE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ 498,687
Net adjustment for revenue accruals	(1,007)
Net adjustment for expenditure accruals	(105,521)
Net adjustment for other sources/uses	110,117
Adjustment for encumbrances	<u>71,440</u>
GAAP basis	<u>\$ 573,716</u>

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$2,640 per year. A portion of the refund may be recovered from additional state entitlement payments.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 16 - STATUTORY RESERVES

The District is required by State statute to annually set-aside, in the general fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years. Excess qualifying disbursement over the set-aside cash balance and set-aside requirement cannot be carried forward to the next fiscal year for capital acquisition. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>	Budget <u>Stabilization</u>
Set-aside cash balance as of June 30, 2006	\$ 238,831	\$ -	\$ 29,228
Current year set-aside requirement	137,642	137,642	-
Qualifying disbursements	<u>(106,198)</u>	<u>(225,864)</u>	<u>(29,228)</u>
Total	<u>\$ 270,275</u>	<u>\$ (88,222)</u>	<u>\$ -</u>
Cash balance carried forward to FY 2008	<u>\$ 270,275</u>	<u>\$ -</u>	<u>\$ -</u>

A schedule of the restricted assets at June 30, 2007 follows:

Amount restricted for instructional materials	\$ 270,275
Amount restricted for bus purchase	<u>120</u>
Total restricted assets	<u>\$ 270,395</u>

During 2007, amounts reserved for budget stabilization were approved by the Board to be expended by the District. Also, the District received monies restricted for school bus purchases. The amount of \$120 for school bus reserve is in the general fund on the governmental fund balance sheet at June 30, 2007.

NOTE 17 - RIDGEDALE COMMUNITY SCHOOL

A. Significant Accounting Policies

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 17 - RIDGEDALE COMMUNITY SCHOOL - (Continued)

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

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

Budgetary Process - Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the School's contract with its Sponsor, except House Bill 364, which took effect April 8, 2003, added Ohio Revised Code Section 3314.03(11)(d), which states that community schools must comply with Ohio Revised Code Section 5705.391. This requires each community school to submit to the Ohio Department of Education (ODE) a five year forecast no later than October 31, of each year. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

Cash and Cash Equivalents - Cash held by the Community School is reflected as "Cash and Cash Equivalents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During year 2007, the Community School had no investments.

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

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

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

The School participates in the EMIS, Ohio K-12 Network, Core Curriculum, Ohio Reads, IDEA Part B, Title I, Title V, Safe and Drug Free Schools, and Title II-A grants. Of the grants awarded, \$3,727 was receivable at June 30, 2007.

**RIDGEDALE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 17 - RIDGEDALE COMMUNITY SCHOOL - (Continued)

This amount is presented as an intergovernmental receivable on the financial statements. All intergovernmental receivables are considered collectible in full due to the current year guarantee of Federal funds.

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

Net Assets - Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitation imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School had unrestricted net assets of \$257,982 at June 30, 2007.

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

B. Deposits

At June 30, 2007, the carrying amount of all School deposits was \$261,690. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$61,690 of the School's bank balance of \$261,690 was uncollateralized, while \$200,000 was covered by Federal Deposit Insurance Corporation.

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

C. Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2007, the School was named on the sponsor's policy for property and general liability insurance.

**RIDGEDALE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 17 - RIDGEDALE COMMUNITY SCHOOL - (Continued)

D. Service Contracts

Tri-Rivers Educational Computer Association - The School entered into an agreement on August 6, 2006, for the 2006-07 school years with the Tri-Rivers Educational Computer Association (TRECA) for planning, instructional, administrative and technical services required for the operation of the School. Under this contract, TRECA is required to provide the following services:

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

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

1. Annual Fee - The School shall pay \$15,000 for the 2006-2007 school year for services acquired from TRECA. The School made this required payment during fiscal year 2007.
2. Tier One Enrollment - The School shall pay \$500 per student per academic year, prorated for the portion of the academic year for which a student is enrolled in the School and educated by TRECA for those students receiving Tier One Enhancement Services. Students who are provided with a modified curriculum, but who are not placed in TRECA's online special education resource room shall be regarded as receiving Tier One Enhancement Services.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 17 - RIDGEDALE COMMUNITY SCHOOL - (Continued)

3. Tier Two Enrollment - The School shall pay between \$1,500 and \$21,000 per student per academic year, prorated for the portion of the academic year for which a student is enrolled in the School and educated by TRECA for those students receiving Tier Two Enhancement Services. Students who are placed in TRECA's online special education resource room for all or any part of their education shall be regarded as receiving Tier Two Enhancement Services. The fee paid for Tier Two Enhancement Services is based on the severity of the Disabled Student's handicap as outlined in the TRECA Enhancement Services exhibit to the Comprehensive Services Agreement between the School and TRECA.

The following payments were made in fiscal year 2007 from the School to TRECA:

Professional and technical services	<u>\$ 39,324</u>
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Ridgedale Local School District - The Community School Sponsorship Contract between the School and Ridgedale Local School District (the "Sponsor") outlined the specific payments to be made by the School to Ridgedale Local School District during fiscal year 2007. In addition, the Community School Sponsorship Contract stated that the two parties agreed to pay other mutually agreed upon amounts, including fees for any services provided to the School by Ridgedale Local School District. The following payments were made in fiscal year 2007 from the School to Ridgedale Local School District:

Professional and technical services	\$ 200,891
Fiscal office supplies	<u>8</u>
Total	<u>\$ 200,899</u>

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

E. Purchased Services

For the fiscal year ended June 30, 2007, purchased services expenses were as follows:

Professional and technical services	\$ 221,762
Travel, mileage and meetings	1,780
Miscellaneous	<u>3,378</u>
Total	<u>\$ 226,920</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 17 - RIDGEDALE COMMUNITY SCHOOL - (Continued)

F. Contingencies

Grants - The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2007.

State Foundation Funding - The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The School was reviewed once during its initial year of operation and zero errors were found in enrollment, withdrawals and attendance. The School does not anticipate any significant adjustments to state funding for fiscal year 2007 as a result of the reviews which have yet to be completed.

G. Litigation

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



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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, its major fund, and the aggregate remaining fund information of Ridgedale Local School District, Marion County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Ridgedale Local School District's basic financial statements and have issued our report thereon dated November 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ridgedale Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ridgedale Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Ridgedale Local School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

Board of Education
Ridgedale Local School District

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Ridgedale Local School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Ridgedale Local School District's financial statements that is more than inconsequential will not be prevented or detected by Ridgedale Local School District's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as 2007-RLSD-001 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ridgedale Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2007-RLSD-002 and 2007-RLSD-003.

We noted certain matters that we reported to management of Ridgedale Local School District in a separate letter dated November 12, 2007.

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

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



Julian & Grube, Inc.
November 12, 2007

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2007**

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2007-RLSD-001

The District had a material prior period restatement to its governmental activities net assets due to the understatement of depreciation expense in prior years in the amount of \$1,213,163. The District contracted and received an independent appraisal report for their capital assets for fiscal year 2007. The District's accumulated depreciation was understated for buildings and improvements and vehicles.

We recommend the District implement a policy and related procedures to record capital asset additions, disposals and depreciation expense accurately and in a timely manner and in accordance with generally accepted accounting principles.

Client Response: The District will review its capital asset additions, disposals and depreciation expense annually for proper inclusion in the financial statements.

Finding Number	2007-RLSD-002
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Ohio Revised Code Section 5705.39 requires that the total appropriation from each fund should not exceed total estimated resources.

The District had appropriations exceeding the total estimated resources at December 31, 2006 and for the fiscal year ended June 30, 2007 in the following funds:

June 30, 2007

<u>Nonmajor Funds</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Summer Intervention	\$ -	\$ 709	\$ 709
Miscellaneous State Grants	26,992	28,727	1,735
IDEA	174,155	186,377	12,222
Title I	50,081	64,470	14,389
Title V	320	2,317	1,997
Drug Free Schools Grant	2,249	2,577	328
Improving Teacher Quality	33,959	38,324	4,365
Miscellaneous Federal Grant	414	882	468

December 31, 2006

<u>Nonmajor Funds</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Food Service	290,527	368,701	78,174
Miscellaneous State Grants	1,000	2,000	1,000

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2007**

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2007-RLSD-002

With appropriations exceeding estimated resources, the District may spend more funds than in the Treasury or in the process of collection and may cause fund deficits.

We recommend that the District comply with the Ohio Revised Code by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

Client Response: The District is attempting to monitor its budget more closely and to submit additional amendments for estimated resources or reduce its appropriations as necessary.

Finding Number	2007-RLSD-003
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Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

The District had appropriations exceeding estimated resources throughout the fiscal year and at fiscal year end. Thus, the District did not request enough amended certificates throughout the fiscal year or at fiscal year end upon notice of increased or decreased resources in order to equal or exceed appropriations.

The District is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources.

We recommend that the District review its available resources versus its appropriations throughout the year and file amended certificates when necessary. This will facilitate the District's appropriation process.

Client Response: The District is attempting to monitor its budget more closely and to submit additional amendments for estimated resources or reduce its appropriations as necessary.



Mary Taylor, CPA
Auditor of State

RIDGEDALE LOCAL SCHOOL DISTRICT

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 27, 2007**