

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2003***

DAN GRISCOM, TREASURER



**Auditor of State
Betty Montgomery**

Board of Education
Ridgedale Local School District
Morral, Ohio

We have reviewed the Independent Auditor's Report of the Ridgedale Local School District, Marion County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2002 through June 30, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 6, 2004

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

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TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Independent Auditor’s Report

Board of Education
Ridgedale Local School District
3105 Hillman-Ford Road
Morral, Ohio 43337

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Ridgedale Local School District, Marion County, (the “District”), as of and for the fiscal year ended June 30, 2003, which collectively comprise the District’s basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District’s management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Ridgedale Local School District, Marion County, as of June 30, 2003, and the respective change 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.

Board of Education
Ridgedale Local School District

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering 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 the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Trimble, Julian & Grube, Inc.
April 26, 2004

Ridgedale Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The discussion and analysis of Ridgedale Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2003 are as follows:

In total, net assets decreased \$719,141, or 14 percent, representing a fairly substantial decrease from the prior fiscal year. For the most part, this decrease can be attributed to relatively flat operating revenues and increases in regular instruction, administration, and pupil transportation expenses.

General revenues were \$5,695,236, or 77 percent of all revenues, reflecting the School District's significant dependence on property taxes and unrestricted state entitlements.

In the spring of 2003, the Board of Education and Administration saw a cash deficit looming in fiscal year 2004, and took significant steps in May 2003 to narrow the gap between revenues and expenditures. The School District immediately implemented budget cuts and held several public discussions to consider a November 2003 income tax issue for operating expenses.

The November 2003 levy issue was soundly defeated. The School District then placed an 8.5 mill, 5-year emergency operating levy on the March 2004 ballot. This issue also failed, but by a closer margin than in November 2003. As a result, the Board of Education, in both fiscal years 2003 and 2004, has approved more than \$1 million in budget cuts. The Board of Education has not yet taken action to place an emergency property tax levy on the ballot for the August 2004 special election.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Ridgedale Local School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in a single column.

Ridgedale Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District performed financially during fiscal year 2003. These statements include all assets and liabilities using the accrual basis of accounting, similar to the method used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and others.

In the statement of net assets and the statement of activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major fund. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General Fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

Ridgedale Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

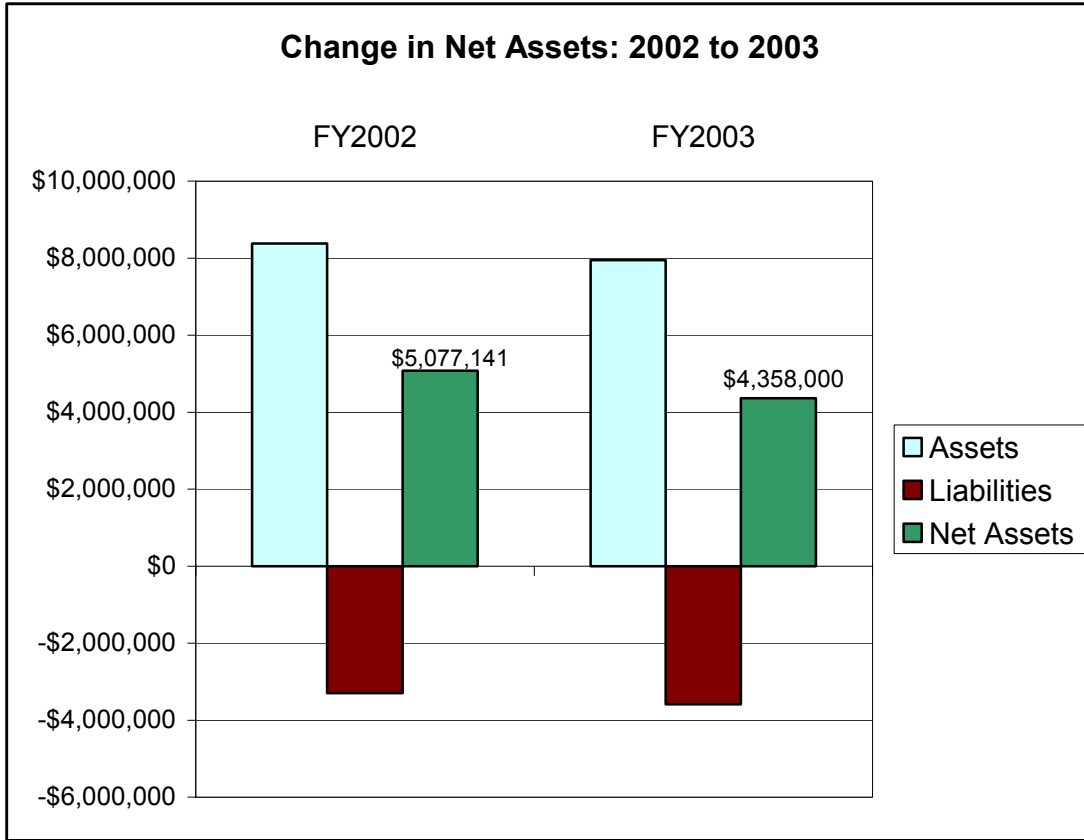
The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2003 compared to fiscal year 2002:

Table 1
Net Assets

	Governmental Activities	
	2003	2002
<u>Assets:</u>		
Current and Other Assets	\$3,708,919	\$4,015,880
Capital Assets, Net	4,238,097	4,360,361
Total Assets	7,947,016	8,376,241
<u>Liabilities:</u>		
Current and Other Liabilities	2,578,334	2,162,574
Long-Term Liabilities	1,010,682	1,136,526
Total Liabilities	3,589,016	3,299,100
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	3,698,487	3,677,705
Restricted	377,014	325,959
Unrestricted	282,499	1,073,477
Total Net Assets	\$4,358,000	\$5,077,141

Ridgedale Local School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2003
 Unaudited



Total assets decreased \$429,225, or 5 percent. The decrease is primarily due to expenses exceeding revenues resulting in a decrease in cash as cash reserves were spent. On the other hand, there was a large increase in intergovernmental receivables. This increase was due to federal grants for fiscal year 2003 not being received until fiscal year 2004.

Total liabilities increased \$289,916, or 9 percent. In general, most individual liability accounts remained consistent with the prior year; however, there was an increase in deferred revenue as a result of a larger receivable being reported in fiscal year 2003 for property taxes.

Total net assets decreased \$719,141, or 14 percent; however, unrestricted net assets decreased 74 percent. Again, this is primarily the result of spending cash reserves.

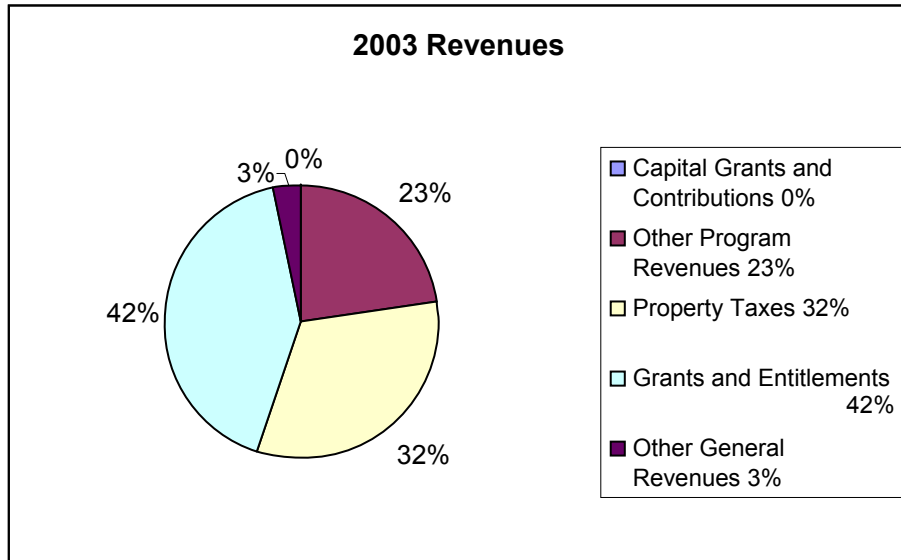
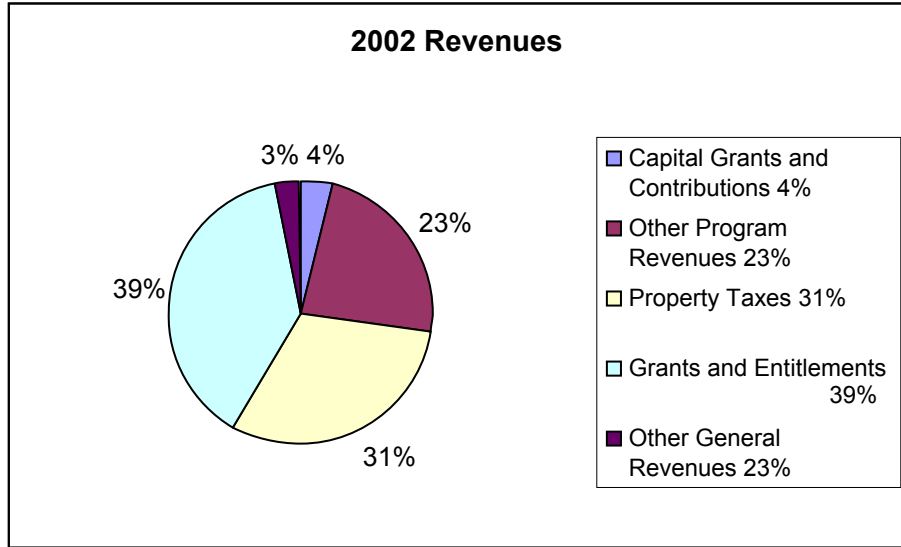
Ridgedale Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 2 reflects the changes in net assets from the prior fiscal year.

Table 2
Change in Net Assets

	Governmental Activities	
	2003	2002
<u>Revenues</u>		
Program Revenues:		
Charges for Services	\$1,099,630	\$1,187,524
Operating Grants and Contributions	563,946	551,016
Capital Grants and Contributions	26,151	295,715
Total Program Revenues	<u>1,689,727</u>	<u>2,034,255</u>
General Revenues:		
Property Taxes	2,364,598	2,301,688
Grants and Entitlements	3,078,412	2,879,392
Interest	25,644	52,480
Gifts and Donations	250	1,721
Miscellaneous	226,332	178,253
Total General Revenues	<u>5,695,236</u>	<u>5,413,534</u>
Total Revenues	<u>7,384,963</u>	<u>7,447,789</u>
<u>Expenses</u>		
Instruction:		
Regular	3,671,680	3,491,812
Special	382,963	425,223
Vocational	305,805	248,942
Support Services:		
Pupils	141,274	170,934
Instructional Staff	408,754	401,351
Board of Education	10,668	9,539
Administration	1,048,504	913,083
Fiscal	214,895	207,097
Business	2,342	3,159
Operation and Maintenance of Plant	684,531	734,848
Pupil Transportation	534,105	520,905
Non-Instructional Services	297,356	349,981
Extracurricular Activities	356,240	288,276
Interest and Fiscal Charges	44,987	46,054
Total Expenses	<u>8,104,104</u>	<u>7,811,204</u>
Decrease in Net Assets	<u>(\$719,141)</u>	<u>(\$363,415)</u>

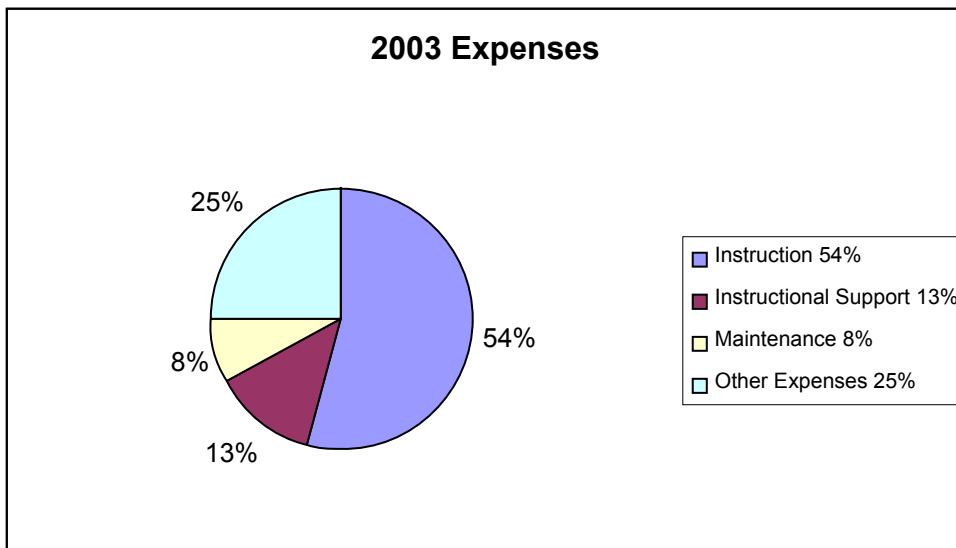
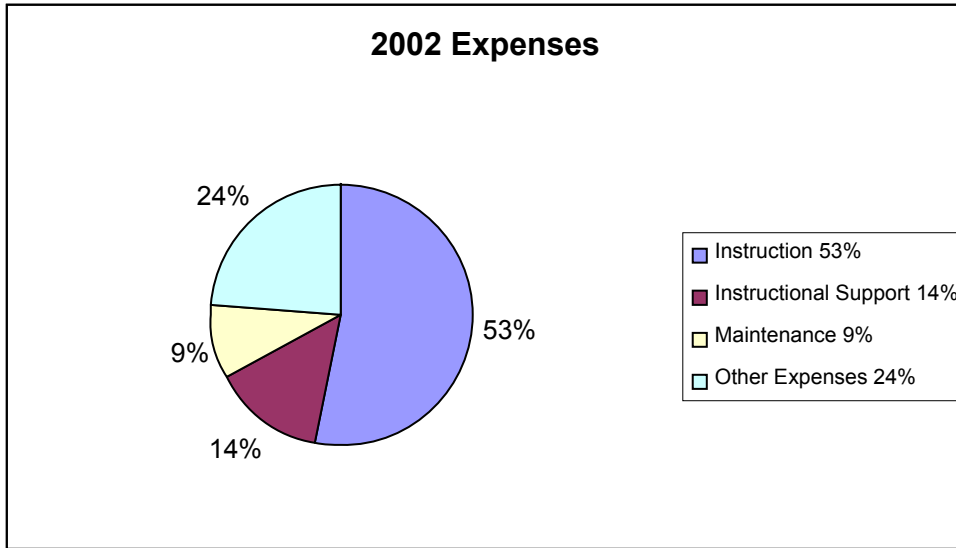
Ridgedale Local School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2003
 Unaudited



For fiscal year 2003, program revenues accounted for 23 percent of total revenues and are primarily represented by restricted intergovernmental revenues, charges for tuition and fees and extracurricular activities, and food service sales. Capital grants and contributions decreased by \$269,564 in fiscal year 2003. Most of this decrease was due to a \$220,000 donation received in fiscal year 2002 toward an athletic facility. There were no similar donations in fiscal year 2003.

General revenues were 77 percent of total revenues and are made up of property taxes, grants and entitlements, and other general revenues as pictured in above graph.

Ridgedale Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited



For fiscal year 2003, the major program expenses for governmental activities are for instruction, which accounted for 54 percent of all governmental expenses. Other programs that support the instructional process, including pupils, instructional staff, and pupil transportation accounted for 13 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, 8 percent. Therefore, over 75 percent of the School District's expenses are related to the primary functions of delivering education and providing facilities for that education. These costs are funded almost entirely from property taxes and unrestricted grants and entitlements.

For fiscal year 2003, there was an almost 15 percent increase in administration costs. A significant portion of this increase, almost 9 percent, can be attributed to an increase in amounts paid to the North Central Ohio Educational Service Center.

Ridgedale Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2003	2002	2003	2002
Instruction:				
Regular	\$3,671,680	\$3,491,812	\$2,849,110	\$2,588,035
Special	382,963	425,223	66,125	173,760
Vocational	305,805	248,942	253,239	175,990
Support Services:				
Pupils	141,274	170,934	132,387	101,751
Instructional Staff	408,754	401,351	408,754	401,351
Board of Education	10,668	9,539	10,668	9,539
Administration	1,048,504	913,083	1,048,504	913,083
Fiscal	214,895	207,097	214,895	207,097
Business	2,342	3,159	2,342	3,159
Operation and Maintenance of Plant	684,531	734,848	684,531	721,312
Pupil Transportation	534,105	520,905	507,954	485,231
Non-Instructional Services	297,356	349,981	18,283	34,491
Extracurricular Activities	356,240	288,276	172,598	(83,904)
Interest and Fiscal Charges	44,987	46,054	44,987	46,054
Total Expenses	<u>\$8,104,104</u>	<u>\$7,811,204</u>	<u>\$6,414,377</u>	<u>\$5,776,949</u>

The School District's dependence on local taxes and unrestricted state entitlements for governmental activities is apparent. Approximately 73 percent of instruction activities are supported through taxes and other general revenues. The dependence on general revenues for instruction was up slightly from the prior fiscal year. Overall dependence on general revenues was 79 percent, an increase of 5 percent from the prior fiscal year. This overwhelming dependence on property taxes and unrestricted state entitlements, primarily state foundation resources, supports the fact that community support of Ridgedale Local School District's students is critical.

Ridgedale Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$7,397,898 and expenditures of \$8,315,568 resulting in a net decrease in fund balance of \$917,670. The General Fund has had a decrease in fund balance for the past two fiscal years and that decrease has gone from (\$553,906) in fiscal year 2002 to (\$801,736) in fiscal year 2003, a 45 percent decrease in fund balance over a one year period. This demonstrates the School District's continuing challenge of meeting the costs of operations.

General Fund Budgeting Highlights

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

During fiscal year 2003, the School District amended its General Fund budget as needed. Final budgeted revenues, in the amount of \$6,477,078, were slightly higher than the original estimate of \$6,379,826. Final budgeted expenditures, in the amount of \$7,671,883, were \$528,797 higher than the original budgeted amount of \$7,143,086. This 7 percent increase was mostly due to appropriation adjustments the new Treasurer (in spring 2003) found necessary to cover areas that were under-budgeted, particularly in the areas of salaries, benefits, and purchased services. Actual expenditures for the fiscal year were very comparable to final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the School District had \$4,238,097 invested in capital assets (net of accumulated depreciation) for governmental activities. No major capital assets were added in fiscal year 2003. For further information regarding the School District's capital assets, see Note 9 to the basic financial statements.

Debt

As of June 30, 2003, the School District had no remaining debt, other than capital leases for busses and modular classrooms. The last payment of a ten-year energy conservation loan was paid in December 2002. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, see Note 15 to the basic financial statements.

Ridgedale Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Current Issues

Funding

The Ridgedale Local School District is facing significant financial challenges. The Marion County economy remains in decline and uncertainty prevails in state funding. The School District is a residential/farming community currently experiencing very minor residential growth. The School District expects minimal growth, or perhaps a loss, in students. Student open enrollment has been a revenue boost for the School District and helped enable the School District to remain fiscally solvent for several years. However, that fiscal solvency is rapidly coming to an end without voter support of a new levy issue.

Several years ago, the School District was in relatively good financial standing. However, since fiscal year 2000, the School District has been spending more than it has received. This trend has caused continual use of carryover monies, and the Board of Education and Administration are now faced with challenges to keep the School District solvent. In 1992, the School District passed a five-year emergency levy to generate \$575,034 annually and the voters have renewed this levy twice, in 1997 and in 2002. This levy has provided an essential source of funds. However, the School District is in dire need to pass an additional levy to stay afloat.

As previously mentioned, the School District placed a 1 percent income tax for operations on the November 2003 ballot, but the issue was soundly defeated. The School District then placed an 8.5 mill, 5-year emergency operating levy on the March 2004 ballot. This issue also failed, but by a closer margin than in November 2003. As a result, the Board of Education, in fiscal year 2004, has approved more than \$1 million in budget cuts. The Board of Education has not yet taken action to place an emergency property tax levy on the ballot for the August 2004 special election.

The School District has historically had very little industry. However, two companies, U.S. Yachiyo and Marion Industries, built plants within the School District in 1999. Both companies have ten-year tax abatements from 2000 to 2009. On a positive note, U.S. Yachiyo provides the School District a \$47,000 annual "donation," and the School District receives 50 percent of all municipal income tax paid to the City of Marion by these employees. From the income tax agreement with the City of Marion, the School District received \$2,988 for tax year 2000; \$37,881 for tax year 2001; \$57,050 for tax year 2002; and \$56,053 for tax year 2003. The School District has seen overall increases in these monies as the companies have grown and expanded.

The Food Service fund has presented challenges to the School District. Costs have exceeded revenues for several years. During fiscal year 2002, lunch prices were increased; however, that increase was not sufficient to cover the spending deficit. The General Fund transferred \$35,000 to the Food Service fund in June 2002. In fiscal year 2003, lunch prices were adjusted again to try and remedy the problem. Nevertheless, the General Fund had to again transfer \$38,000 to the Food Service fund in June 2003. In fiscal year 2004, the Food Service fund appears to be in a much healthier position. Staff reductions and operational changes were made and there has been a positive impact on the overall cash position of the fund. At this time the School District projects that the General Fund will not have to transfer money to the Food Service fund in June 2004.

Ridgedale Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Budget

Fiscal year 2003 reflects minimal capital related expenditures as well as basic spending necessary for instructional materials. In the current climate of slower and uncertain revenue growth, obligating only known resources is essential. Approximately 77 percent of the General Fund budget is expended for employee wages and fringe benefits. These costs, including health benefits, continue to rise at a rate exceeding recent revenue growth. From fiscal year 2002 to fiscal year 2003, total wages and benefits costs increased over 6 percent while General Fund revenues only increased 2 percent. The challenge will be to address these revenues and expenditures and still provide a quality education.

Facilities

Due to declining enrollment and the impending budget deficit, the Board of Education voted in January 2004 to close Morral Elementary School, effective at the end of the 2003-04 school year. Students currently attending Morral Elementary will attend the other elementary school, Ridgedale Elementary, beginning in the fall of 2004. This consolidation of buildings is estimated to save the School District over \$200,000 annually.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Daniel C. Griscom, Treasurer, Ridgedale Local School District, 3103 Hillman Ford Road, Morral, Ohio 43337.

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Ridgedale Local School District
Statement of Net Assets
June 30, 2003

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$895,540
Cash and Cash Equivalents with Fiscal Agent	59
Accounts Receivable	63,493
Intergovernmental Receivable	212,699
Prepaid Items	47,815
Inventory Held for Resale	6,550
Materials and Supplies Inventory	32,867
Property Taxes Receivable	2,449,896
Nondepreciable Capital Assets	50,442
Depreciable Capital Assets, Net	4,187,655
Total Assets	7,947,016
 <u>Liabilities:</u>	
Accounts Payable	16,230
Accrued Wages and Benefits Payable	674,055
Intergovernmental Payable	225,590
Matured Compensated Absences Payable	21,945
Deferred Revenue	1,640,514
Long-Term Liabilities:	
Due Within One Year	179,908
Due in More Than One Year	830,774
Total Liabilities	3,589,016
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	3,698,487
Restricted For:	
Capital Projects	113,675
Other Purposes	263,339
Unrestricted	282,499
Total Net Assets	\$4,358,000

See Accompanying Notes to Basic Financial Statements

Ridgedale Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$3,671,680	\$706,191	\$116,379	\$0
Special	382,963	0	316,838	0
Vocational	305,805	0	52,566	0
Support Services:				
Pupils	141,274	0	8,887	0
Instructional Staff	408,754	0	0	0
Board of Education	10,668	0	0	0
Administration	1,048,504	0	0	0
Fiscal	214,895	0	0	0
Business	2,342	0	0	0
Operation and Maintenance of Plant	684,531	0	0	0
Pupil Transportation	534,105	0	0	26,151
Non-Instructional Services	297,356	217,477	61,596	0
Extracurricular Activities	356,240	175,962	7,680	0
Interest and Fiscal Charges	44,987	0	0	0
Total Governmental Activities	<u>\$8,104,104</u>	<u>\$1,099,630</u>	<u>\$563,946</u>	<u>\$26,151</u>

General Revenues:

Property Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Interest
Gifts and Donations
Miscellaneous
Total General Revenues

Change in Net Assets

Net Assets Beginning of Year
Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Changes in Net Assets
Governmental
Activities

	(\$2,849,110)
	(66,125)
	(253,239)
	(132,387)
	(408,754)
	(10,668)
	(1,048,504)
	(214,895)
	(2,342)
	(684,531)
	(507,954)
	(18,283)
	(172,598)
	(44,987)
	<u>(6,414,377)</u>

	2,364,598
	3,078,412
	25,644
	250
	226,332
	<u>5,695,236</u>

	(719,141)
	5,077,141
	<u>\$4,358,000</u>

Ridgedale Local School District
Balance Sheet
Governmental Funds
June 30, 2003

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$507,896	\$328,910	\$836,806
Cash and Cash Equivalents			
with Fiscal Agent	0	59	59
Accounts Receivable	60,294	3,199	63,493
Interfund Receivable	228,598	27,269	255,867
Intergovernmental Receivable	1,196	211,503	212,699
Prepaid Items	47,815	0	47,815
Inventory Held for Resale	0	6,550	6,550
Materials and Supplies Inventory	31,429	1,438	32,867
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	58,734	0	58,734
Property Taxes Receivable	2,449,896	0	2,449,896
Total Assets	<u>\$3,385,858</u>	<u>\$578,928</u>	<u>\$3,964,786</u>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities</u>			
Accounts Payable	\$14,217	\$2,013	\$16,230
Interfund Payable	27,269	228,598	255,867
Accrued Wages and Benefits Payable	651,673	22,382	674,055
Intergovernmental Payable	157,593	3,774	161,367
Matured Compensated Absences Payable	21,945	0	21,945
Deferred Revenue	1,845,999	144,384	1,990,383
Total Liabilities	<u>2,718,696</u>	<u>401,151</u>	<u>3,119,847</u>
<u>Fund Balances:</u>			
Reserved for Property Taxes	663,284	0	663,284
Reserved for Textbooks	13,669	0	13,669
Reserved for Capital Improvements	15,837	0	15,837
Reserved for Budget Stabilization	29,228	0	29,228
Reserved for Encumbrances	6,716	914	7,630
Unreserved, Reported in:			
General Fund (Deficit)	(61,572)	0	(61,572)
Special Revenue Funds	0	63,188	63,188
Capital Projects Funds	0	113,675	113,675
Total Fund Balances	<u>667,162</u>	<u>177,777</u>	<u>844,939</u>
Total Liabilities and Fund Balances	<u>\$3,385,858</u>	<u>\$578,928</u>	<u>\$3,964,786</u>

See Accompanying Notes to the Basic Financial Statements

Ridgedale Local School District
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 June 30, 2003

Total Governmental Fund Balances		\$844,939
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,238,097
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	1,410	
Intergovernmental Receivable	202,361	
Property Taxes Receivable	146,098	
		349,869
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, not reported in the funds.		(64,223)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated Absences Payable	(471,072)	
Capital Leases Payable	(539,610)	
		(1,010,682)
Net Assets of Governmental Activities		\$4,358,000

See Accompanying Notes to the Basic Financial Statements

Ridgedale Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$2,346,131	\$0	\$2,346,131
Intergovernmental	3,304,154	222,049	3,526,203
Interest	22,058	3,586	25,644
Tuition and Fees	624,469	0	624,469
Extracurricular Activities	122	258,480	258,602
Charges for Services	0	217,928	217,928
Gifts and Donations	250	19,977	20,227
Miscellaneous	375,741	2,953	378,694
Total Revenues	<u>6,672,925</u>	<u>724,973</u>	<u>7,397,898</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	3,470,668	187,269	3,657,937
Special	375,967	93,689	469,656
Vocational	303,026	0	303,026
Support Services:			
Pupils	132,245	78,554	210,799
Instructional Staff	390,012	16,536	406,548
Board of Education	10,668	0	10,668
Administration	1,003,124	38,860	1,041,984
Fiscal	231,424	961	232,385
Business	2,717	0	2,717
Operation and Maintenance of Plant	712,626	3,948	716,574
Pupil Transportation	432,717	552	433,269
Non-Instructional Services	3,411	295,098	298,509
Extracurricular Activities	152,207	190,709	342,916
Debt Service:			
Principal Retirement	143,046	0	143,046
Interest and Fiscal Charges	45,534	0	45,534
Total Expenditures	<u>7,409,392</u>	<u>906,176</u>	<u>8,315,568</u>
Excess of Revenues			
Under Expenditures	<u>(736,467)</u>	<u>(181,203)</u>	<u>(917,670)</u>
<u>Other Financing Sources (Uses):</u>			
Transfers In	0	65,269	65,269
Transfers Out	(65,269)	0	(65,269)
Total Other Financing Sources (Uses)	<u>(65,269)</u>	<u>65,269</u>	<u>0</u>
Net Change in Fund Balances	(801,736)	(115,934)	(917,670)
Fund Balances at Beginning of Year	1,468,898	293,711	1,762,609
Fund Balances at End of Year	<u>\$667,162</u>	<u>\$177,777</u>	<u>\$844,939</u>

See Accompanying Notes to the Basic Financial Statements

Ridgedale Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2003

Net Change in Fund Balances - Total Governmental Funds (\$917,670)

Amounts reported for governmental activities on the statement of activities are different because of the following:

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

Capital Outlay	80,828	
Depreciation	<u>(203,092)</u>	(122,264)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	18,467	
Intergovernmental	122,329	
Tuition and Fees	(867)	
Charges for Services	(451)	
Extracurricular Activities	(51)	
Miscellaneous	<u>56,436</u>	195,863

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 143,046

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets. 547

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payables, representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	(1,461)	
Compensated Absences Payable	<u>(17,202)</u>	<u>(18,663)</u>

Change in Net Assets of Governmental Activities (\$719,141)

See Accompanying Notes to the Basic Financial Statements

Ridgedale Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Over (Under)
<u>Revenues:</u>				
Property Taxes	\$1,944,026	\$2,009,890	\$2,364,621	\$354,731
Intergovernmental	3,472,176	3,646,078	3,303,900	(342,178)
Interest	50,000	19,947	19,947	0
Tuition and Fees	725,874	624,520	624,520	0
Gifts and Donations	2,000	250	250	0
Miscellaneous	185,750	176,393	176,393	0
Total Revenues	<u>6,379,826</u>	<u>6,477,078</u>	<u>6,489,631</u>	<u>12,553</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,338,960	3,461,785	3,417,759	44,026
Special	316,735	371,535	365,448	6,087
Vocational	263,985	297,985	291,954	6,031
Other	28,000	58,000	53,789	4,211
Support Services:				
Pupils	142,065	140,065	132,169	7,896
Instructional Staff	401,799	412,799	390,177	22,622
Board of Education	9,517	11,217	10,389	828
Administration	926,011	1,024,911	987,940	36,971
Fiscal	219,170	252,520	233,096	19,424
Business	5,940	3,940	0	3,940
Operation and Maintenance of Plant	727,614	854,700	770,054	84,646
Pupil Transportation	579,687	588,427	567,501	20,926
Extracurricular Activities	152,778	163,174	149,130	14,044
Debt Service:				
Principal Retirement	30,000	30,000	30,000	0
Interest and Fiscal Charges	825	825	825	0
Total Expenditures	<u>7,143,086</u>	<u>7,671,883</u>	<u>7,400,231</u>	<u>271,652</u>
Excess of Revenues				
Under Expenditures	<u>(763,260)</u>	<u>(1,194,805)</u>	<u>(910,600)</u>	<u>284,205</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	1,000	0	0	0
Refund of Prior Year Expenditures	200	16,090	16,090	0
Other Financing Sources	0	50,700	50,700	0
Advances In	0	99	99	0
Advances Out	0	0	(19,800)	(19,800)
Transfers Out	(20,000)	(38,000)	(38,000)	0
Total Other Financing Sources (Uses)	<u>(18,800)</u>	<u>28,889</u>	<u>9,089</u>	<u>(19,800)</u>
Change in Fund Balance	(782,060)	(1,165,916)	(901,511)	264,405
Fund Balance at Beginning of Year	1,379,898	1,379,898	1,379,898	0
Prior Year Encumbrances Appropriated	38,205	38,205	38,205	0
Fund Balance at End of Year	<u>\$636,043</u>	<u>\$252,187</u>	<u>\$516,592</u>	<u>\$264,405</u>

See Accompanying Notes to the Basic Financial Statements

Ridgedale Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$37,934	\$32,951
<u>Liabilities:</u>		
Due to Students	0	\$32,951
<u>Net Assets:</u>		
Held in Trust for Scholarships	16,457	
Endowments	21,477	
Total Net Assets	\$37,934	

See Accompanying Notes to the Basic Financial Statements

Ridgedale Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2003

	Private Purpose Trust
<u>Additions:</u>	
Interest	\$566
Gifts and Donations	1,000
Total Additions	1,566
<u>Deductions:</u>	
Other	287
Change in Net Assets	1,279
Net Assets at Beginning of Year	36,655
Net Assets at End of Year	\$37,934

See Accompanying Notes to the Basic Financial Statements

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1957. The School District serves an area of approximately one hundred twenty-five square miles. It is located in Crawford, Marion, and Wyandot Counties. The School District is the 493rd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by fifty classified employees, seventy-four certified teaching personnel, and six administrative employees who provide services to 1,022 students and other community members. The School District currently operates two elementary schools, a junior high/high school, and an administration building.

Reporting Entity

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

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

The School District participates in five jointly governed organizations and two insurance pools. These organizations are the Tri-Rivers Educational Computer Association (TRECA), Tri-Rivers Joint Vocational School, North Central Ohio Special Education Regional Resource Center, Northwestern Ohio Educational Research Council, Inc., North Central Regional Professional Development Center, Ohio School Plan, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 20 and 21 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of Ridgedale Local School District have been prepared in conformity with generally accepted accounting principles (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. Following are the more significant of the School District’s accounting policies.

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the School District 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 General Fund is the School District's only major governmental fund:

Note 2 - Summary of Significant Accounting Policies (continued)

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 to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund 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 School District's agency fund accounts for various student-managed activities.

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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 fund financial statements for governmental funds.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

Note 2 - Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the 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 both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, student fees, and charges for services.

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

Note 2 - Summary of Significant Accounting Policies (continued)

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

E. Budgetary Process

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 plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the function and object level within the General Fund, and fund level in all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds, other than the General Fund, are made by the School District Treasurer.

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 School District other than cash with fiscal agent is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Cash and cash equivalents held for the School District by the North Central Ohio Educational Service Center are reflected as "Cash and Cash Equivalents with Fiscal Agent".

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2003 was \$22,058, which includes \$1,323 assigned from other School District funds.

Note 2 - Summary of Significant Accounting Policies (continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. 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 food.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by State statute to be set aside to create a reserve for textbooks, capital improvements, and budget stabilization.

J. Capital Assets

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

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

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	15 - 75 years
Building and Building Improvements	15 - 100 years
Furniture, Fixtures, and Equipment	5 - 75 years
School Buses	10 years
Vehicles other than School Buses	10 - 15 years

Note 2 - Summary of Significant Accounting Policies (continued)

K. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as “Interfund Receivables/Payables”. Interfund balances within governmental activities are eliminated on the statement of net assets.

L. 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 School District will compensate the employees for the benefits through paid time off or some other means. The School 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 School 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 School District’s termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

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 “Matured Compensated Absences Payable” in the fund from which the employees who have accumulated unpaid leave are paid.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on 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, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans and capital leases are recognized as a liability on the fund financial statements when due.

Note 2 - Summary of Significant Accounting Policies (continued)

N. Net Assets

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

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Fund Balance Reserves

The School District reserves those portions of fund balance 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 which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, textbooks, capital improvements, budget stabilization, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

P. Interfund Transactions

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

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 financial statements.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. There were no extraordinary or special items in 2003.

Note 2 - Summary of Significant Accounting Policies (continued)

R. Estimates

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

Note 3 - Change in Accounting Principles

For fiscal year 2003, the School District has implemented GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences". GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the School District uses for its legally adopted budget when significant budgetary perspective differences result in the School District not being able to present budgetary comparisons for the General Fund and each major special revenue fund. The implementation of this statement did not have any effect on the School District's financial statements for fiscal year 2003.

Note 4 - Accountability

At June 30, 2003, the Title VI-B, Title I, Drug Free, and Title VI-R special revenue funds had deficit fund balances of \$72,838, \$62,062, \$3,188, and \$5,889, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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 as follows:

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

Ridgedale Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 5 - Budgetary Basis of Accounting (continued)

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Net Change in Fund Balance	
GAAP Basis	(\$801,736)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2002, Received in Cash FY 2003	761,510
Accrued FY 2003, Not Yet Received in Cash	(874,185)
Expenditure Accruals:	
Accrued FY 2002, Paid in Cash FY 2003	(790,935)
Accrued FY 2003, Not Yet Paid in Cash	845,428
Cash Adjustments:	
Unrecorded Activity FY 2002	18
Unrecorded Activity FY 2003	(73)
Prepaid Items	16,397
Materials and Supplies Inventory	(15,538)
Advances In	99
Advances Out	(19,800)
Transfer Out	27,269
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(49,965)
Budget Basis	(\$901,511)

Note 6 - Deposits and Investments

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

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

Inactive deposits are public deposits 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.

Note 6 - Deposits and Investments (continued)

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

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

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

1. United States Treasury bills, bonds, notes, 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 obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in the highest rated classification by at least two nationally recognized rating agencies.

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

Ridgedale Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 6 - Deposits and Investments (continued)

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$1,055 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

At fiscal year end, the School District had \$59 in cash and cash equivalents held by the North Central Ohio Educational Service Center which is included as "Cash and Cash Equivalents with Fiscal Agent". The Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 3.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was \$965,370 and the bank balance was \$1,131,516. Of the bank balance, \$300,000 was covered by federal depository insurance and \$831,516 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The classification of cash and cash equivalents on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents on the financial statements and the classification of deposits according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits
GASB Statement No. 9	\$966,484
Cash on Hand	(1,055)
Cash and Cash Equivalents with Educational Service Center	(59)
GASB Statement No. 3	\$965,370

Ridgedale Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 7 - Receivables

Receivables at June 30, 2003, consisted of accounts (student fees and billings for user charged services), interfund, intergovernmental, and property taxes. 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. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	\$1,196
Other Governmental Funds	
Food Service	25,854
Miscellaneous Grants	11,797
Title VI-B	74,278
Title I	63,179
Title VI	4,650
Drug Free	3,187
Title II-A	26,828
Title II-D	1,730
Total Other Governmental Funds	<u>211,503</u>
Total Intergovernmental Receivables	<u><u>\$212,699</u></u>

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien on December 31, 2001, were levied after April 1, 2002, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Ridgedale Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 8 - Property Taxes (continued)

Tangible personal property tax revenues received in calendar year 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Crawford, Marion, and Wyandot Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2003, and for which there was 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 reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$663,284 in the General Fund. The amount available as an advance at June 30, 2002, was \$681,774 in the General Fund.

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

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$67,145,480	79.55%	\$67,270,290	78.14%
Industrial/Commercial	4,726,740	5.60	5,482,560	6.37
Public Utility	8,556,090	10.14	8,513,320	9.89
Tangible Personal	3,980,010	4.71	4,817,530	5.60
Total Assessed Value	<u>\$84,408,320</u>	<u>100.00%</u>	<u>\$86,083,700</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$47.52		\$47.39	

Ridgedale Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance at 6/30/02	Additions	Reductions	Balance at 6/30/03
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$50,442	\$0	\$0	\$50,442
Depreciable Capital Assets				
Land Improvements	659,754	0	0	659,754
Buildings and Building Improvements	4,313,616	40,890	0	4,354,506
Furniture, Fixtures, and Equipment	536,480	39,938	0	576,418
Vehicles	1,047,500	0	0	1,047,500
Total Depreciable Capital Assets	6,557,350	80,828	0	6,638,178
Less Accumulated Depreciation				
Land Improvements	(409,169)	(13,564)	0	(422,733)
Buildings and Building Improvements	(1,213,677)	(69,204)	0	(1,282,881)
Furniture, Fixtures, and Equipment	(221,567)	(16,157)	0	(237,724)
Vehicles	(403,018)	(104,167)	0	(507,185)
Total Accumulated Depreciation	(2,247,431)	(203,092)	0	(2,450,523)
Depreciable Capital Assets, Net	4,309,919	(122,264)	0	4,187,655
Governmental Activities Capital Assets, Net	\$4,360,361	(\$122,264)	\$0	\$4,238,097

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$35,750
Special	1,568
Vocational	2,295
Support Services:	
Administration	2,358
Fiscal	292
Operation and Maintenance of Plant	39,351
Pupil Transportation	103,265
Non-Instructional Services	2,089
Extracurricular Activities	16,124
Total Depreciation Expense	\$203,092

Note 10 - Interfund Assets/Liabilities

At June 30, 2003, the General Fund had an interfund receivable and other governmental funds had an interfund payable, in the amount of \$228,598, resulting from the provision of cash flow resources until the receipt of grant monies by the special revenue funds. Other governmental funds had an interfund receivable and the General Fund had an interfund payable, in the amount of \$27,269, for grant monies recorded in the General Fund prior to the establishment of an appropriate special revenue fund.

Note 11 - Risk Management

The School 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 2003, the School District contracted for the following insurance coverage:

Coverage provided by the Ohio School Plan is as follows:

General Liability	
Each Occurrence	\$1,000,000
Aggregate	3,000,000
Auto Liability	1,000,000
Uninsured Motorists	1,000,000

Coverage provided by Twin City Fire Insurance Company is as follows:

Excess Liability	
Each Occurrence	1,000,000
Aggregate	3,000,000
Excess Auto Liability	1,000,000

Coverage provided by Peerless Insurance Company is as follows:

Building and Contents	18,438,379
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Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2003, the School 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.

Note 11 - Risk Management (continued)

For fiscal year 2003, the School District participated in the Ohio School Board's Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. Each participant must apply annually. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the Plan.

Note 12 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of 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 fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. 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 balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of 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 DCP 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.

Note 12 - Defined Benefit Pension Plans (continued)

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2003, 2002, and 2001 was \$451,908, \$323,992, and \$302,976, respectively; 82 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001. Contributions for the DCP and CP for the fiscal year ended June 30, 2003, were \$687 made by the School District and \$1,131 made by plan members.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2003 was 14 percent of annual covered payroll; 8.17 percent 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 School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$79,365, \$51,701, and \$38,242, respectively; 48 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2003, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified 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 obligation 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.

Note 13 - Postemployment Benefits (continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$34,815.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.8 billion at June 30, 2003. For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000, and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. 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 2003, the minimum pay was established at \$14,500. For the School District, the amount to fund health care benefits, including the surcharge, was \$73,673 for fiscal year 2003.

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 annual health care expenses. Expenses for health care at June 30, 2003, were \$204,930,737, and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 14 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred thirty-five days for all school personnel, with the exception of the superintendent and treasurer who accumulate up to a maximum of two hundred sixty days. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of thirty to sixty days depending on the employee's length of service.

Ridgedale Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 14 - Other Employee Benefits (continued)

B. Health Care Benefits

The School District offers health insurance to most employees through United Healthcare of Ohio. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on marital and family status.

Dental insurance is offered through Coresource and life insurance is offered through National Term Life Insurance Company. Dental and life insurance are paid entirely by the Board.

Note 15 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Balance at 6/30/02	Additions	Reductions	Balance at 6/30/03	Amounts Due Within One Year
Governmental Activities					
Energy Conservation Loan FY 1993 5.50%	\$30,000	\$0	\$30,000	\$0	\$0
Other Long-Term Obligations					
Compensated Absences Payable	453,870	81,828	64,626	471,072	57,328
Capital Leases Payable	652,656	0	113,046	539,610	122,580
Total Other Long-Term Obligations	1,106,526	81,828	177,672	1,010,682	179,908
Total Governmental Activities Long-Term Obligations	\$1,136,526	\$81,828	\$207,672	\$1,010,682	\$179,908

Energy Conservation Loan - On September 1, 1992, the School District obtained a loan, in the amount of \$331,000, to provide energy conservation measures for the School District. The loan was obtained under the authority of Ohio Revised Code Section 133.06 for a ten year period, with final maturity in fiscal year 2003. The loan was fully retired in fiscal year 2003.

Compensated absences and capital leases will be paid from the General Fund.

The School District's overall debt margin was \$7,747,533 with an unvoted debt margin of \$86,084 at June 30, 2003.

Ridgedale Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 16 - Capital Leases - Lessee Disclosure

The School District has entered into capital leases for vehicles and modular classrooms. Each lease meets 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. Principal payments in 2003 were \$113,046 in the governmental funds.

	Governmental Activities
Property under Capital Lease	\$1,015,394
Less Accumulated Depreciation	(476,760)
Total June 30, 2003	\$538,634

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003:

Year	Governmental Activities
2004	\$158,326
2005	134,537
2006	99,133
2007	83,807
2008	67,138
2009-2012	107,873
Total	650,814
Less Amount Representing Interest	(111,204)
Present Value of Net Minimum Lease Payments	\$539,610

Note 17 - Set Asides

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for 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. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2003, only the unspent portion of certain workers' compensation refunds continues to be set aside.

Ridgedale Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 17 - Set Asides (continued)

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2003.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2002	\$0	\$0	\$29,228
Current Year Set Aside Requirement	135,570	135,570	0
Qualifying Expenditures	(121,901)	(119,733)	0
Balance June 30, 2003	\$13,669	\$15,837	\$29,228

The total reserve balance for the set asides at the end of the fiscal year was \$58,734.

Note 18 - Interfund Transfers

During fiscal year 2003, the General Fund made transfers to other governmental funds, in the amount of \$65,269; \$38,000 to support the operation of the food services activities and \$27,269 for grant resources originally recorded in the General Fund until the establishment of an appropriate special revenue fund.

Note 19 - Donor Restricted Endowments

The School District's private purpose trust funds consist of donor restricted endowments and realized and unrealized appreciation on investments. Endowments, in the amount of \$21,477, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$16,457 and is reflected as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide scholarships each year.

Note 20 - Jointly Governed Organizations

A. Tri-Rivers Educational Computer Association

The School 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 Joint Vocational School. During the fiscal year 2003, the School District paid \$19,480 to TRECA for various services. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

Note 20 - Jointly Governed Organizations (continued)

B. Tri-Rivers Joint Vocational School

The Tri-Rivers Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS 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.

C. North Central Ohio Special Education Regional Resource Center

The North Central Ohio Special Education Regional Resource Center (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.

D. Northwestern Ohio Educational Research Council, Inc.

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

E. North Central Regional Professional Development Center

The North Central Regional Professional Development Center (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 Eileen Lemaster, Mid-Ohio Educational Service Center, 1495 West Longview Avenue, Suite 202, Mansfield, Ohio 44906.

Note 21 - Insurance Pools

A. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

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

The School 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.

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 22 - State School Funding Decision

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

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

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

Note 23 - Contingencies

A. Grants

The School District 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 of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

The School District is party to legal proceedings seeking damages or injunctive relief generally incidental to its operation and pending projects. The School District's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material adverse affect, if any, on the financial condition of the School District.

TRIMBLE, JULIAN & GRUBE, INC.

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Basic 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 basic financial statements of the governmental activities, its major fund and the aggregate remaining fund information of the Ridgedale Local School District, Marion County, (the “District”) as of and for the fiscal year ended June 30, 2003, and have issued our report thereon dated April 26, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the District’s financial statements of the governmental activities, its major fund and the aggregate remaining fund information are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated April 26, 2004.

Board of Education
Ridgedale Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the District and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of District in a separate letter dated April 26, 2004.

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

Trimble, Julian & Grube, Inc.
April 26, 2004

**RIDGEDALE LOCAL SCHOOL DISTRICT
MARION COUNTY, OHIO
JUNE 30, 2003**

STATUS OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
2002-RLSD-001	Ohio Revised Code Section 5705.39 in part requires that the total appropriations from each fund should not exceed estimated resources.	Yes	N/A



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Betty Montgomery**

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800-282-0370

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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
MAY 18, 2004**