

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2004***

DAN GRISCOM, TREASURER



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Ridgedale Local School District, Marion County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2003 to June 30, 2004. 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

February 14, 2005

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

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TRIMBLE, JULIAN & GRUBE, INC.

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Independent Auditor’s Report

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

We have audited the accompanying financial statements of the governmental activities, 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, 2004, which collectively comprise the District’s basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District’s management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2004, and the respective changes in financial position 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.

As disclosed in Note 3, the District restated net assets to properly account for capital leases and capital assets as reported in prior years.

Board of Education
Ridgedale Local School District
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

A handwritten signature in cursive script that reads "Trimble, Julian & Grube, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

Trimble, Julian & Grube, Inc.
January 18, 2005

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The management's discussion and analysis of the Ridgedale Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities decreased \$307,660 which represents a 7.13% decrease from 2003.
- General revenues accounted for \$5,833,177 in revenue or 74.37% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,010,195 or 25.63% of total revenues of \$7,843,372.
- The District had \$8,151,032 in expenses related to governmental activities; \$2,010,195 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$5,833,177 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$7,592,950 in revenues and other financing sources and \$7,781,097 in expenditures. During fiscal year 2004, the general fund's fund balance decreased \$188,147 from \$667,162 to \$479,015.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-45 of this report.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2004 and 2003.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

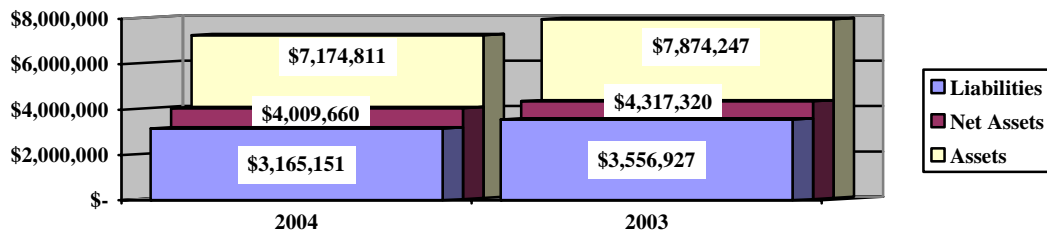
	Net Assets	
	Governmental Activities 2004	Restated Governmental Activities 2003
<u>Assets</u>		
Current and other assets	\$ 3,105,774	\$ 3,708,919
Capital assets	<u>4,069,037</u>	<u>4,165,328</u>
Total assets	<u>7,174,811</u>	<u>7,874,247</u>
<u>Liabilities</u>		
Current liabilities	2,196,527	2,578,334
Long-term liabilities	<u>968,624</u>	<u>978,593</u>
Total liabilities	<u>3,165,151</u>	<u>3,556,927</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	3,589,490	3,657,807
Restricted	279,972	377,014
Unrestricted	<u>140,198</u>	<u>282,499</u>
Total net assets	<u>\$ 4,009,660</u>	<u>\$ 4,317,320</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$4,009,660. Of this total, \$140,198 is unrestricted in use.

At year-end, capital assets represented 56.71% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$3,589,490. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$279,972, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$140,198 may be used to meet the District's ongoing obligations to the students and creditors.

Governmental Activities



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The table below shows the change in net assets for fiscal year 2004 and 2003.

	Change in Net Assets		
	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Program revenues:			
Charges for services and sales	\$ 1,603,684	\$ 1,099,630	45.84 %
Operating grants and contributions	367,036	563,946	(34.92) %
Capital grants and contributions	39,475	26,151	50.95 %
General revenues:			
Property taxes	2,402,136	2,364,598	1.59 %
Grants and entitlements	3,333,664	3,078,412	8.29 %
Investment earnings	15,232	25,644	(40.60) %
Other	<u>82,145</u>	<u>226,582</u>	(63.75) %
Total revenues	<u>7,843,372</u>	<u>7,384,963</u>	6.21 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Change in Net Assets

	Governmental Activities <u>2004</u>	Restated Governmental Activities <u>2003</u>	<u>Percentage Change</u>
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	\$ 3,309,511	\$ 3,671,680	(9.86) %
Special	411,616	382,963	7.48 %
Vocational	286,588	305,805	(6.28) %
Other	495,533	-	100.00 %
Support services:			
Pupil	166,024	141,274	17.52 %
Instructional staff	470,398	408,754	15.08 %
Board of education	13,098	10,668	22.78 %
Administration	861,701	1,048,504	(17.82) %
Fiscal	218,569	214,895	1.71 %
Business	27,024	2,342	1,053.89 %
Operations and maintenance	669,166	684,531	(2.24) %
Pupil transportation	618,116	534,105	15.73 %
Central	14,791	-	100.00 %
Food service operations	278,264	295,098	(5.70) %
Operations of non-instructional services	13,553	2,258	500.22 %
Extracurricular activities	286,005	356,240	(19.72) %
Interest and fiscal charges	<u>11,075</u>	<u>44,987</u>	(75.38) %
Total expenses	<u>8,151,032</u>	<u>8,104,104</u>	0.58 %
Change in net assets	(307,660)	(719,141)	(57.22) %
Net assets at beginning of year (restated)	<u>4,317,320</u>	<u>5,036,461</u>	(14.28) %

Governmental Activities

Net assets of the District's governmental activities decreased \$307,660. Total governmental expenses of \$8,151,032 were offset by program revenues of \$2,010,195 and general revenues of \$5,833,177. Program revenues supported 24.66% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 73.13% of total governmental revenue.

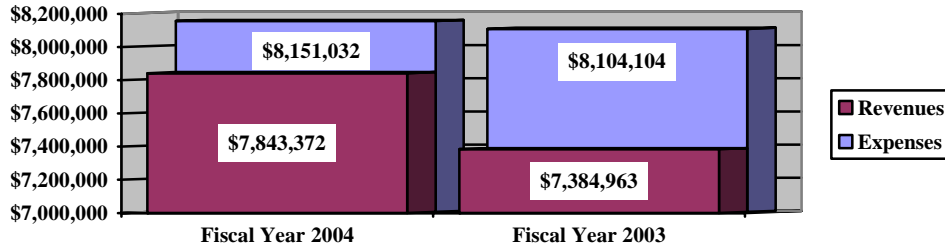
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,503,248 or 55.25% of total governmental expenses for fiscal year 2004.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004 and 2003.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

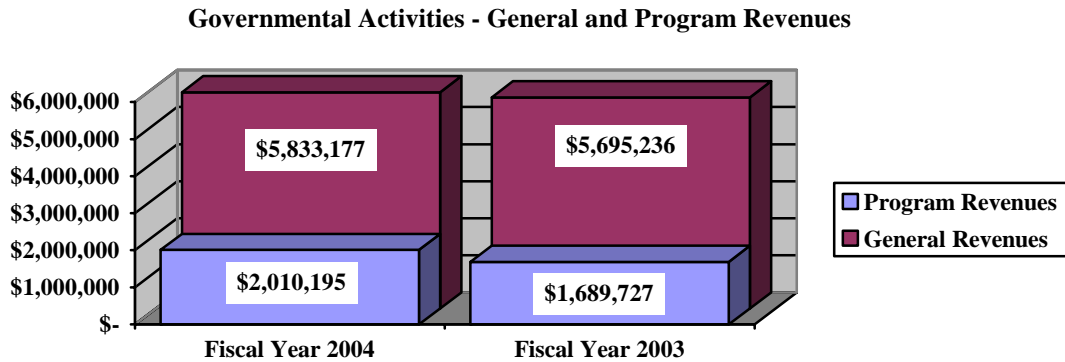
	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
Program expenses				
Instruction:				
Regular	\$ 3,309,511	\$ 2,033,387	\$ 3,671,680	\$ 2,849,110
Special	411,616	331,274	382,963	66,125
Vocational	286,588	286,588	305,805	253,239
Other	495,533	495,533	-	-
Support services:				
Pupil	166,024	76,936	141,274	132,387
Instructional staff	470,398	445,369	408,754	408,754
Board of education	13,098	13,098	10,668	10,668
Administration	861,701	849,855	1,048,504	1,048,504
Fiscal	218,569	218,569	214,895	214,895
Business	27,024	27,024	2,342	2,342
Operations and maintenance	669,166	666,555	684,531	684,531
Pupil transportation	618,116	617,930	534,105	507,954
Central	14,791	(14,684)	-	-
Food service operations	278,264	12,544	295,098	16,025
Operations of non-instructional services	13,553	11,906	2,258	2,258
Extracurricular activities	286,005	57,878	356,240	172,598
Interest and fiscal charges	11,075	11,075	44,987	44,987
Total expenses	<u>\$ 8,151,032</u>	<u>\$ 6,140,837</u>	<u>\$ 8,104,104</u>	<u>\$ 6,414,377</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 69.88% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 75.34%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal year 2004 and 2003.



The District's Funds

The District's governmental funds reported a combined fund balance of \$795,517, which is lower than last year's total of \$844,939. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance June 30, 2004	Fund Balance June 30, 2003	Increase (Decrease)	Percentage Change
General	\$ 479,015	\$ 667,162	\$ (188,147)	(28.20) %
Other Governmental	<u>316,502</u>	<u>177,777</u>	<u>138,725</u>	78.03 %
Total	<u>\$ 795,517</u>	<u>\$ 844,939</u>	<u>\$ (49,422)</u>	(5.85) %

General Fund

The District's general fund balance decreased \$188,147. The decrease in fund balance can be attributed to several items related to increasing revenues and increased expenditures. Expenditures exceed revenues for fiscal year 2004 by \$743,898. On March 3, 2004 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2004 Amount	2003 Amount	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 2,414,238	\$ 2,346,131	\$ 68,107	2.90 %
Tuition	1,120,571	624,469	496,102	79.44 %
Earnings on investments	11,882	22,058	(10,176)	(46.13) %
Intergovernmental	3,393,051	3,304,154	88,897	2.69 %
Other revenues	<u>97,457</u>	<u>376,113</u>	<u>(278,656)</u>	(74.09) %
Total	<u>\$ 7,037,199</u>	<u>\$ 6,672,925</u>	<u>\$ 364,274</u>	5.46 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

	2004 <u>Amount</u>	2003 <u>Amount</u>	Increase (Decrease)	Percentage Change
<u>Expenditures</u>				
Instruction	\$ 4,221,380	\$ 4,149,661	\$ 71,719	1.73 %
Support services	2,728,313	2,915,533	(187,220)	(6.42) %
Non-instructional services	-	3,411	(3,411)	(100.00) %
Extracurricular activities	132,285	152,207	(19,922)	(13.09) %
Capital outlay	104,319	-	104,319	100.00 %
Debt service	<u>594,800</u>	<u>188,580</u>	<u>406,220</u>	215.41 %
Total	<u>\$ 7,781,097</u>	<u>\$ 7,409,392</u>	<u>\$ 371,705</u>	5.02 %

General Fund Budgeting Highlights

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

During the course of fiscal year 2004, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$7,061,617 and final budgeted revenues and other financing sources were \$7,117,874. Actual revenues and other financing sources for fiscal year 2004 was \$7,187,758. This represents a \$69,884 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$7,622,855 were decreased to \$7,486,921 in the final appropriations. The actual budget basis expenditures for fiscal year 2004 totaled \$7,528,990, which was \$42,069 more than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the District had \$4,069,037 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2004 balances compared to 2003:

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

	<u>Governmental Activities</u>	
	<u>2004</u>	Restated <u>2003</u>
Land	\$ 50,442	\$ 50,442
Land improvements	223,457	237,021
Building and improvements	2,929,652	2,998,856
Furniture and equipment	429,339	338,694
Vehicles	<u>436,147</u>	<u>540,315</u>
Total	<u>\$ 4,069,037</u>	<u>\$ 4,165,328</u>

The overall decrease in capital assets of \$96,291 is due to depreciation expense of \$214,683 exceeding capital outlays of \$118,392 in the fiscal year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

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

Debt Administration

At June 30, 2004, the District had \$479,547 in capital lease obligations outstanding. Of this total, \$122,320 is due within one year and \$357,227 is due within greater than one year. The following table summarizes the capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2004	Restated Governmental Activities 2003
Capital lease obligations	\$ 479,547	\$ 507,521
Total	\$ 479,547	\$ 507,521

At June 30, 2004, the District's overall legal debt margin was \$7,892,896, and an unvoted debt margin of \$87,699.

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

Current Financial Related Activities

Funding Challenges

The Ridgedale Local School District is facing significant financial challenges. The Marion County economy remains in decline, and uncertainty prevails in state funding. The District is primarily a residential/farming community currently experiencing minor residential growth and a decrease in agricultural land value. The District expects minimal growth, or perhaps a loss, in residential students. Student open enrollment has provided a substantial revenue stream for the District, and it has helped enable the District to remain fiscally solvent for the past several years. However, the District anticipates a deficit cash balance in fiscal year 2006 unless the voters pass a new tax issue in calendar year 2005.

In the mid to late 1990s, the District was in relatively good financial standing. However, since fiscal year 2000, expenditures have exceeded revenues. This trend has caused the continual depletion of carryover monies. The District has taken corrective action. In fiscal years 2003 and 2004, the District implemented more than \$1 million in Board-approved budget cuts, largely in staff, and instituted user fees for extracurricular activities. As part of the budget cuts, the District closed Morral Elementary School in the summer of 2004, and moved those students (kindergarten through second grade) to Ridgedale Elementary School. The school closing resulted in an estimated savings of \$200,000 per year. However, the Board and Administration has determined that the current levy amounts and the budget cuts cannot by themselves resolve the upcoming deficit, and a new tax issue must be passed to maintain solvency.

Between November 2003 and November 2004, the District made four attempts to pass a new operating levy. Unfortunately, each levy attempt met with defeat. In 2005 the Board and Administration are continuing the efforts to pass a levy. In January 2005, the Board approved the first resolution needed to place a 5-year emergency levy on the May 3, 2005 ballot. The levy, estimated at 7.97 mills, will generate approximately \$690,000 per year for five years, beginning January 2006.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

The last successful operating levy was passed in 1992, when the District passed a five-year emergency levy to generate \$575,034 annually. The voters then renewed this levy twice, in 1997 and in 2002, and it will be up for renewal again in 2007.

Budget Summary

The fiscal year 2004 budget was modest in size, reflecting a reduced level of staffing, minimal capital related expenditures, and only a basic level of spending for instructional materials. As a result, in fiscal year 2004 the District was unable to spend enough in supplies and textbooks to meet the set-aside requirement. Standard operating costs, particularly health benefits, continue to rise at a rate exceeding revenue growth. The District has taken steps to control costs in many areas, including health insurance, and the District has reviewed and renegotiated many purchased service contracts. For example, in November 2003 the District refinanced school bus leases at a lower interest rate, producing approximately \$20,000 in savings.

In fiscal year 2004, the financial position for the Food Service fund has improved substantially. The Food Service fund presented challenges to the District in past years, when costs exceeded revenues. In fiscal year 2003, the District transferred \$38,000 to the Food Service fund so it would not have a negative balance. In fiscal year 2004, the Food service fund was self-sustaining. Staff reductions and operational changes were made, resulting in a positive impact on the fund.

Contacting the District's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 617,445
Receivables:	
Taxes	2,192,547
Accounts	106,450
Intergovernmental	112,593
Prepayments.	54,819
Materials and supplies inventory	21,920
Capital assets:	
Land	50,442
Depreciable capital assets, net	4,018,595
Capital assets, net.	<u>4,069,037</u>
 Total assets.	 <u>7,174,811</u>
Liabilities:	
Accounts payable.	28,431
Accrued wages and benefits	616,849
Pension obligation payable.	175,419
Intergovernmental payable	24,890
Deferred revenue	1,350,938
Long-term liabilities:	
Due within one year.	208,490
Due within more than one year	760,134
Total liabilities	<u>3,165,151</u>
Net Assets:	
Invested in capital assets, net of related debt.	3,589,490
Restricted for:	
Capital projects	133,435
Other purposes	146,537
Unrestricted.	<u>140,198</u>
Total net assets	<u>\$ 4,009,660</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 3,309,511	\$ 1,173,137	\$ 102,987	\$ -	\$ (2,033,387)
Special	411,616	-	80,342	-	(331,274)
Vocational	286,588	-	-	-	(286,588)
Other	495,533	-	-	-	(495,533)
Support services:					
Pupil	166,024	-	89,088	-	(76,936)
Instructional staff	470,398	-	10,029	15,000	(445,369)
Board of education	13,098	-	-	-	(13,098)
Administration	861,701	-	11,846	-	(849,855)
Fiscal	218,569	-	-	-	(218,569)
Business	27,024	-	-	-	(27,024)
Operations and maintenance	669,166	-	2,611	-	(666,555)
Pupil transportation	618,116	-	-	-	(618,116)
Central	14,791	-	5,000	24,475	14,684
Operation of non-instructional services:					
Food service operations	278,264	200,668	65,133	-	(12,463)
Other non-instructional services	13,553	423	-	-	(13,130)
Extracurricular activities	286,005	229,456	-	-	(56,549)
Interest and fiscal charges	11,075	-	-	-	(11,075)
Total governmental activities	\$ 8,151,032	\$ 1,603,684	\$ 367,036	\$ 39,475	(6,140,837)

General Revenues:

Property taxes levied for:	
General purposes	2,402,136
Grants and entitlements not restricted	
to specific programs	3,333,664
Investment earnings	15,232
Miscellaneous	82,145
Total general revenues	5,833,177
Change in net assets	(307,660)
Net assets at beginning of year (restated)	4,317,320
Net assets at end of year	\$ 4,009,660

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 154,073	\$ 344,381	\$ 498,454
Receivables:			
Taxes	2,192,547	-	2,192,547
Accounts	106,450	-	106,450
Intergovernmental	-	112,593	112,593
Interfund receivable	91,594	-	91,594
Prepayments	54,819	-	54,819
Materials and supplies inventory	19,334	2,586	21,920
Restricted assets:			
Equity in pooled cash and cash equivalents	118,991	-	118,991
Total assets	<u>\$ 2,737,808</u>	<u>\$ 459,560</u>	<u>\$ 3,197,368</u>
Liabilities:			
Accounts payable	\$ 8,780	\$ 19,651	\$ 28,431
Accrued wages and benefits	590,451	26,398	616,849
Compensated absences payable	50,371	-	50,371
Pension obligation payable	101,720	3,062	104,782
Intergovernmental payable	22,537	2,353	24,890
Interfund payable	-	91,594	91,594
Deferred revenue	1,484,934	-	1,484,934
Total liabilities	<u>2,258,793</u>	<u>143,058</u>	<u>2,401,851</u>
Fund Balances:			
Reserved for encumbrances	45,822	25,678	71,500
Reserved for materials and supplies inventory	19,334	2,586	21,920
Reserved for prepayments	54,819	-	54,819
Reserved for property tax unavailable for appropriation	707,613	-	707,613
Reserved for budget stabilization	29,228	-	29,228
Reserved for textbooks	89,763	-	89,763
Unreserved, undesignated (deficit), reported in:			
General fund	(467,564)	-	(467,564)
Special revenue funds	-	154,940	154,940
Capital projects funds	-	133,298	133,298
Total fund balances	<u>479,015</u>	<u>316,502</u>	<u>795,517</u>
Total liabilities and fund balances	<u>\$ 2,737,808</u>	<u>\$ 459,560</u>	<u>\$ 3,197,368</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total governmental fund balances		\$ 795,517
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,069,037
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes		133,996
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	438,706	
Pension obligation payable	70,637	
Capital leases payable	479,547	
Total		(988,890)
Net assets of governmental activities		\$ 4,009,660

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 2,414,238	\$ -	\$ 2,414,238
Tuition.	1,120,571	-	1,120,571
Transportation fees	186	-	186
Earnings on investments.	11,882	3,350	15,232
Charges for services	-	200,668	200,668
Extracurricular.	-	229,456	229,456
Classroom materials and fees	-	34,911	34,911
Other local revenues.	97,271	12,800	110,071
Intergovernmental - State.	3,385,896	124,590	3,510,486
Intergovernmental - Federal	7,155	424,895	432,050
Total revenues	<u>7,037,199</u>	<u>1,030,670</u>	<u>8,067,869</u>
Expenditures:			
Current:			
Instruction:			
Regular	3,085,917	197,017	3,282,934
Special.	343,055	84,226	427,281
Vocational.	296,875	-	296,875
Other.	495,533	-	495,533
Support services:			
Pupil.	91,919	91,092	183,011
Instructional staff	404,804	36,310	441,114
Board of education	13,098	-	13,098
Administration.	854,275	24,455	878,730
Fiscal	215,510	-	215,510
Business	-	27,024	27,024
Operations and maintenance.	624,957	2,883	627,840
Pupil transportation	515,916	489	516,405
Central.	7,834	6,957	14,791
Food service operations	-	275,862	275,862
Other non-instructional services.	-	39	39
Extracurricular activities.	132,285	145,591	277,876
Capital outlay.	104,319	-	104,319
Debt service:			
Principal retirement	583,725	-	583,725
Interest and fiscal charges	11,075	-	11,075
Total expenditures	<u>7,781,097</u>	<u>891,945</u>	<u>8,673,042</u>
Excess of revenues over (under) expenditures	<u>(743,898)</u>	<u>138,725</u>	<u>(605,173)</u>
Other financing sources:			
Proceeds from capital lease transaction	555,751	-	555,751
Total other financing sources	<u>555,751</u>	<u>-</u>	<u>555,751</u>
Net change in fund balances	(188,147)	138,725	(49,422)
Fund balances at beginning of year	<u>667,162</u>	<u>177,777</u>	<u>844,939</u>
Fund balances at end of year.	<u>\$ 479,015</u>	<u>\$ 316,502</u>	<u>\$ 795,517</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$	(49,422)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$214,683) exceeds capital outlays (\$118,392) in the current period.		(96,291)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(215,873)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		583,725
Proceeds of capital leases are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		(555,751)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		25,952
Change in net assets of governmental activities	\$	<u>(307,660)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 2,350,929	\$ 2,369,657	\$ 2,369,909	\$ 252
Tuition.	1,005,390	1,013,400	1,014,243	843
Transportation fees	149	150	186	36
Earnings on investments.	13,790	13,900	14,011	111
Other local revenues	122,474	123,450	141,527	18,077
Intergovernmental - State	3,331,819	3,358,362	3,386,150	27,788
Intergovernmental - Federal.	7,098	7,155	7,155	-
Total revenues	<u>6,831,649</u>	<u>6,886,074</u>	<u>6,933,181</u>	<u>47,107</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,259,533	3,201,409	3,192,248	9,161
Special.	356,627	350,267	348,378	1,889
Vocational.	294,783	289,526	286,466	3,060
Other.	557,190	547,254	547,154	100
Support services:				
Pupil.	111,019	109,039	107,027	2,012
Instructional staff	418,412	410,951	408,057	2,894
Board of education	17,241	16,934	16,589	345
Administration.	924,880	908,387	904,843	3,544
Fiscal	225,264	221,247	216,538	4,709
Business	204	200	-	200
Operations and maintenance.	727,417	714,445	709,940	4,505
Pupil transportation	538,075	528,480	522,653	5,827
Central.	11,815	11,604	8,434	3,170
Extracurricular activities.	148,832	146,178	138,483	7,695
Total expenditures	<u>7,591,292</u>	<u>7,455,921</u>	<u>7,406,810</u>	<u>49,111</u>
Excess of revenues over (under) expenditures.	<u>(759,643)</u>	<u>(569,847)</u>	<u>(473,629)</u>	<u>96,218</u>
Other financing sources (uses):				
Refund of prior year expenditures	210,324	212,000	234,777	22,777
Refund of prior year (receipts)	(31,563)	(31,000)	(30,586)	414
Advances in.	19,644	19,800	19,800	-
Advances (out)	-	-	(91,594)	(91,594)
Total other financing sources (uses)	<u>198,405</u>	<u>200,800</u>	<u>132,397</u>	<u>(68,403)</u>
Net change in fund balance	(561,238)	(369,047)	(341,232)	27,815
Fund balance at beginning of year.	516,592	516,592	516,592	-
Prior year encumbrances appropriated	49,965	49,965	49,965	-
Fund balance at end of year	<u>\$ 5,319</u>	<u>\$ 197,510</u>	<u>\$ 225,325</u>	<u>\$ 27,815</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 51,479	\$ 23,322
Total assets	51,479	\$ 23,322
Liabilities:		
Accounts payable	500	\$ 850
Due to students	-	22,472
Total liabilities	500	\$ 23,322
Net Assets:		
Held in trust for scholarships	29,502	
Endowments	21,477	
Total net assets	\$ 50,979	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 562
Gifts and contributions.	14,845
	15,407
Total additions.	15,407
Deductions:	
Scholarships awarded	2,362
	13,045
Change in net assets	13,045
Net assets at beginning of year	37,934
Net assets at end of year.	\$ 50,979

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1957. The District serves an area of approximately one hundred twenty-five square miles. It is located in Crawford, Marion, and Wyandot Counties. The District is the 501st largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 40 classified employees, 64 certified teaching personnel, and six administrative employees who provide services to 986 students and other community members. The District currently operates two elementary schools, a junior high/high school, and an administration building.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organization that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Ridgedale Community School

The Ridgedale Community School is a legally separate, conversion community school, served by a Board of Directors. The Ridgedale Community School provides students within the District a program of online instruction and other alternative teaching and learning strategies. The Board of Directors consists of five individuals: the District's superintendent; the Ridgedale High School principal; a District community member; the retired principal of Morral Elementary School; and the executive director of the Tri-Rivers Educational Computer Association (TRECA) and TRECA Digital Academy. The superintendent of the District serves as the chief administrative officer of the Ridgedale Community School, and the District's treasurer serves as the Community School's chief financial officer. Based on the significant services provided by the District to the Ridgedale Community School, the Community School's purpose of servicing the students within the District, and the relationship between the Board of Education of the District and the Board of Directors of the Ridgedale Community School, the Ridgedale Community School is reflected as a component unit of the District. Due to the financial activity of the Ridgedale Community School in relation to the Ridgedale Local School District being immaterial, the financial statements of the Ridgedale Community School have not been presented, but will be presented in fiscal year 2005.

JOINTLY GOVERNED ORGANIZATIONS

Tri-Rivers Educational Computer Association

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

Tri-Rivers Career Center

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Northwestern Ohio Educational Research Council, Inc.

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

North Central Regional Professional Development Center

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

INSURANCE PURCHASING POOL

Ohio School Plan

The 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.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool. (Refer to Note 10.B. for more detail).

B. Fund Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

GOVERNMENTAL FUNDS

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

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUND

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

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

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

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

D. Basis of Accounting

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Budgets

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the 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 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

F. Cash and Investments

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$11,882, which includes \$4,229 assigned from other funds.

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

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

G. Inventory

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

H. Capital Assets

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

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

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	15 - 75 years
Buildings and improvements	15 - 100 years
Furniture and equipment	5 - 75 years
Vehicles	10 - 15 years

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

J. Compensated Absences

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

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, textbooks, budget stabilization, and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute. The reserve for budget stabilization represents monies requested to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the 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 District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Prepayments

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

O. Estimates

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

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish an instructional materials reserve and budget stabilization reserve. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 16.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Prior Period Adjustment

A prior period adjustment is required to properly state capital assets and capital leases at June 30, 2003, due to errors and omissions reported in prior years. This restatement had the following effect on net assets at June 30, 2003:

	<u>Governmental Activities</u>
Net assets as previously reported	\$ 4,358,000
Restatement for capital assets	(72,769)
Restatement for capital lease	<u>32,089</u>
Net assets, restated at July 1, 2003	<u>\$ 4,317,320</u>

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance 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 Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

At fiscal year end, the District had \$3,466 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

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

Deposits: At year-end, the carrying amount of the District's deposits was \$688,780 and the bank balance was \$839,595. Of the bank balance:

1. \$300,000 was covered by federal depository insurance deposited with the District; and
2. \$539,595 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: The District had no investments at June 30, 2004.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>
GASB Statement No. 9	\$ 692,246
Cash on hand	<u>(3,466)</u>
GASB Statement No. 3	<u>\$ 688,780</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 91,594

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the Statement of Net Assets.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Wyandot, Crawford and Marion Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$707,613 in the general fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$663,284 in the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 6 - PROPERTY TAXES - (Continued)

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 72,752,850	84.51	\$ 74,453,960	84.90
Public utility personal	8,513,320	9.89	8,491,400	9.68
Tangible personal property	<u>4,817,530</u>	<u>5.60</u>	<u>4,753,480</u>	<u>5.42</u>
Total	<u>\$ 86,083,700</u>	<u>100.00</u>	<u>\$ 87,698,840</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 47.39		\$ 47.39	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:

Taxes	\$ 2,192,547
Accounts	106,450
Intergovernmental	<u>112,593</u>
Total	<u>\$ 2,411,590</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated at June 30, 2003, due to a reclassification of modular classroom leases from capital leases to operating leases.

	<u>Balance</u> <u>6/30/03</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>6/30/03</u>
Governmental Activities			
Capital assets, not being depreciated:			
Land	\$ 50,442	\$ -	\$ 50,442
Total capital assets, not being depreciated	<u>50,442</u>	<u>-</u>	<u>50,442</u>
Capital assets, being depreciated:			
Land improvements	659,754	-	659,754
Building and improvements	4,354,506	(78,200)	4,276,306
Furniture and equipment	576,418	-	576,418
Vehicles	<u>1,047,500</u>	<u>-</u>	<u>1,047,500</u>
Total capital assets, being depreciated	<u>6,638,178</u>	<u>(78,200)</u>	<u>6,559,978</u>
<i>Less: accumulated depreciation:</i>	<u>(2,450,523)</u>	<u>5,431</u>	<u>(2,445,092)</u>
Governmental activities capital assets, net	<u>\$ 4,238,097</u>	<u>\$ (72,769)</u>	<u>\$ 4,165,328</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Balance 06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/04</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 50,442	\$ -	\$ -	\$ 50,442
Total capital assets, not being depreciated	<u>50,442</u>	<u>-</u>	<u>-</u>	<u>50,442</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	659,754	-	-	659,754
Buildings and improvements	4,276,306	-	-	4,276,306
Furniture and equipment	576,418	118,392	-	694,810
Vehicles	1,047,500	-	-	1,047,500
Total capital assets, being depreciated	<u>6,559,978</u>	<u>118,392</u>	<u>-</u>	<u>6,678,370</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(422,733)	(13,564)	-	(436,297)
Buildings and improvements	(1,277,450)	(69,204)	-	(1,346,654)
Furniture and equipment	(237,724)	(27,747)	-	(265,471)
Vehicles	(507,185)	(104,168)	-	(611,353)
Total accumulated depreciation	<u>(2,445,092)</u>	<u>(214,683)</u>	<u>-</u>	<u>(2,659,775)</u>
Governmental activities capital assets, net	<u>\$ 4,165,328</u>	<u>\$ (96,291)</u>	<u>\$ -</u>	<u>\$ 4,069,037</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 35,447
Special	2,550
Vocational	2,295

Support Services:

Administration	12,970
Fiscal	292
Operations and maintenance	39,351
Pupil transportation	103,086
Extracurricular activities	16,603
Food service operations	<u>2,089</u>
Total depreciation expense	<u>\$ 214,683</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 9 - LONG-TERM OBLIGATIONS

- A. The balance of the District's governmental activities long-term obligations at June 30, 2003 has been restated. The capital leases payable decreased by \$32,089 from \$539,610 to \$507,521. The restatement occurred because a reclassification of modular classroom leases occurred. The leases are now considered operating leases instead of capital leases.

	Restated Balance Outstanding <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/04</u>	Amounts Due in <u>One Year</u>
Governmental Activities:					
Capital leases payable	\$ 507,521	\$ 555,751	\$ (583,725)	\$ 479,547	\$ 122,320
Compensated absences	<u>471,072</u>	<u>40,074</u>	<u>(22,069)</u>	<u>489,077</u>	<u>86,170</u>
Total long-term obligations, governmental activities	<u>\$ 978,593</u>	<u>\$ 595,825</u>	<u>\$ (605,794)</u>	<u>\$ 968,624</u>	<u>\$ 208,490</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$7,892,896 and an unvoted debt margin of \$87,699.

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

- A. During the fiscal year, the District refinanced their outstanding capital leases for vehicles in the amount of \$507,521 at a slightly lower interest rates. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds.

The total principal of the refinanced leases is \$451,432. Capital assets consisting of vehicles have been capitalized in prior years in the amount of \$937,194. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2004 totaled \$566,339 paid by the general fund which consisted of required payments and the outstanding principal paid when the District refinanced the outstanding balance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 116,180
2006	94,765
2007	75,200
2008	52,714
2009 - 2012	<u>98,215</u>
Total minimum lease payments	437,074
Less amount representing interest	<u>(44,460)</u>
Total	<u>\$ 392,614</u>

- B.** During fiscal year 2004, the District entered into ten capitalized leases for copier equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

The total principal amount of the leases is \$104,319. Capital assets consisting of copier equipment have been capitalized in the amount of \$104,319. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2004 totaled \$17,386 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 23,409
2006	23,409
2007	23,409
2008	23,409
2009	<u>3,901</u>
Total minimum lease payments	97,537
Less amount representing interest	<u>(10,604)</u>
Total	<u>\$ 86,933</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2004, the District contracted with Selective Insurance Company of South Carolina for liability, property and fleet insurance. Coverages provided by Selective Insurance Company of South Carolina are as follows:

<u>Description</u>	<u>Amount</u>
Building and Contents	
Replacement cost	\$39,741,262
Deductible	1,000
Liability	
School Board Errors and Omissions Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	1,000,000
Deductible	10,000
General Liability	
Per occurrence combined single limit	2,000,000
Annual aggregate limit	4,000,000
Medical payments limit	5,000
Employee Benefits Liability	
Each wrongful act limit	2,000,000
Annual aggregate limit	4,000,000
Deductible	1,000
Stop Gap	
Each accident	1,000,000
Disease each employee	1,000,000
Disease policy limit	1,000,000
Automotive Liability	
Liability	
Per occurrence combined single limit	2,000,000
Medical payments limit	5,000
Uninsured/underinsured motorists coverage	100,000
Auto Physical Damage (actual cash value)	
Comprehensive deductible	500
Collision deductible	500

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 11 - RISK MANAGEMENT - (Continued)

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone 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 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14% for 2004, 9.09% was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$127,533, \$79,365, and \$51,701, respectively; 39.45% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$77,220, represents the unpaid contribution for fiscal year 2004.

B. State Teachers Retirement System

The 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, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone 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, or by calling (614) 227-4090.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$506,621, \$451,908, \$323,992, respectively; 84.75% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$77,268, represents the unpaid contribution for fiscal year 2004.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$36,187 during fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$61,766 during the 2004 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (341,232)
Net adjustment for revenue accruals	104,018
Net adjustment for expenditure accruals	(422,026)
Net adjustment for other sources/uses	423,354
Adjustment for encumbrances	<u>47,739</u>
GAAP basis	<u>\$ (188,147)</u>

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 16 - STATUTORY RESERVES

The District is required by state statute to annually set-aside, in the general fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years. Excess qualifying disbursement over the set-aside cash balance and set-aside requirement cannot be carried forward to the next fiscal year. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2004, the unspent portion of certain workers' compensation refunds and textbooks continues to be set aside at fiscal year end. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2003	\$ 13,669	\$ 15,837	\$ 29,228
Current year set-aside requirement	141,817	141,817	-
Qualifying disbursements	<u>(65,723)</u>	<u>(157,654)</u>	<u>-</u>
Total	<u>\$ 89,763</u>	<u>\$ -</u>	<u>\$ 29,228</u>
Cash balance carried forward to FY 2005	<u>\$ 89,763</u>	<u>\$ -</u>	<u>\$ 29,228</u>
A schedule of the restricted assets at June 30, 2004 follows:			
Amount restricted for instructional materials	\$ 89,763		
Amounts restricted for budget stabilization	<u>29,228</u>		
Total restricted assets	<u>\$ 118,991</u>		

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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

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

We have audited the 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, 2004, which collectively comprise the District’s basic financial statements and have issued our report thereon dated January 18, 2005 as disclosed in Note 3. The District restated capital assets and capital leases as disclosed in Note 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated January 18, 2005.

Board of Education
Ridgedale Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain matter that we have reported to the management of the District in a separate letter dated January 18, 2005.

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

A handwritten signature in cursive script that reads "Trimble, Julian & Grube, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

Trimble, Julian & Grube, Inc.
January 18, 2005



**Auditor of State
Betty Montgomery**

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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
FEBRUARY 24, 2005**