

Ridgemont Local School District

Hardin County, Ohio

Regular Audit

July 1, 2005 Through June 30, 2006

Fiscal Year Audited Under GAGAS: 2006

BALESTRA, HARR & SCHERER, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

Members of the Board
Ridgemont Local School District
330 West Taylor Street
Mt. Victory, Ohio 43340

We have reviewed the *Independent Auditor's Report* of the Ridgemont Local School District, Hardin County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2005 through June 30, 2006. 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 Ridgemont Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 3, 2008

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Ridgemont Local School District
Hardin County, Ohio

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Independent Auditor's Report

Members of the Board
Ridgemoat Local School District
330 West Taylor Street
Mt. Victory, OH 43340

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Ridgemoat Local School District (the District), Hardin County, as of and for the year ended June 30, 2006, 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 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.

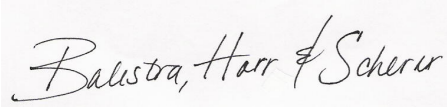
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2008 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 controls 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 on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Ridgemont Local School District
Independent Auditor's Report
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As described in Note 19, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored rectangular background.

Balestra, Harr & Scherer, CPAs, Inc.
February 15, 2008

Ridgmont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

The discussion and analysis of Ridgmont Local School District's (the "School District") financial performance provides an overall view of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- Net assets of governmental activities increased \$6,760 while net assets of business-type activities decreased \$5,683.
- General revenues and transfers accounted for \$4,141,614 in revenue or 80.9% of revenues of governmental activities. Program specific revenues in the form of charges for services, grants and contributions accounted for \$976,719 or 19.1% of total revenues and transfers of \$5,118,333.
- The School District had \$5,111,573 in expenses related to governmental activities; only \$976,719 of these expenses was offset by program specific charges for services, grants and contributions. Program revenues were not adequate to provide for these programs.
- The School District had \$254,878 in expenses related to business-type activities. Program revenues of \$239,195 were not adequate to provide for these services.
- Capital outlay additions of governmental activities of \$137,103 consisted of vehicles, furniture, and equipment.

Using this Annual Financial Report

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 School 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 School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide 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 School District's most significant funds with all other non-major funds presented in total in one column. In the case of Ridgmont Local School District, the General Fund and the Bond Retirement Fund are the only major governmental funds. The School District also had one major enterprise fund, the Food Service Fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Ridgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

These two statements report the School District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property 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 School District is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's food service and uniform school supplies are reported as business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Bond Retirement Fund. The School District's major enterprise fund is the Food Service Fund.

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

The School District as a Whole

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

Ridgmont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

Table 1 provides a summary of the School District's net assets for 2006 compared to 2005:

	Governmental Activities		Business-Type Activities		Total	
	2006	2005*	2006	2005	2006	2005*
Assets						
Current Assets	\$2,912,549	\$2,976,554	\$17,141	\$27,602	\$ 2,929,690	\$ 3,004,156
Capital Assets	<u>2,444,590</u>	<u>2,544,770</u>	<u>21,641</u>	<u>23,382</u>	<u>2,466,231</u>	<u>2,568,152</u>
Total Assets	<u>5,357,139</u>	<u>5,521,324</u>	<u>38,782</u>	<u>50,984</u>	<u>5,395,921</u>	<u>5,572,308</u>
Liabilities						
Current Liabilities	1,459,180	1,538,672	26,967	33,486	1,486,147	1,572,158
Long-Term Liabilities	<u>1,396,271</u>	<u>1,487,724</u>	<u>0</u>	<u>0</u>	<u>1,396,271</u>	<u>1,487,724</u>
Total Liabilities	<u>2,855,451</u>	<u>3,026,396</u>	<u>26,967</u>	<u>33,486</u>	<u>2,882,418</u>	<u>3,059,882</u>
Net Assets						
Invested in Capital Assets, Net of Debt	1,749,595	1,674,775	21,641	23,382	1,771,236	1,698,157
Restricted	310,293	329,303	0	0	310,293	329,303
Unrestricted (Deficit)	<u>441,800</u>	<u>490,850</u>	<u>(9,826)</u>	<u>(5,884)</u>	<u>431,974</u>	<u>484,966</u>
Total Net Assets	<u>\$2,501,688</u>	<u>\$2,494,928</u>	<u>\$11,815</u>	<u>\$17,498</u>	<u>\$ 2,513,503</u>	<u>\$ 2,512,426</u>

*Restated – See Note 20 of the notes to the basic financial statements

Ridgmont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2006 compared to fiscal year 2005:

Table 2
Change in Net Assets

	Governmental Activities		Business Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Program Revenues:						
Charges for Services	\$598,787	\$558,376	\$162,173	\$167,988	\$760,960	\$726,364
Operating Grants and Contributions	372,940	440,523	77,022	78,932	449,962	519,455
Capital Grants and Contributions	4,992	0	0	0	4,992	0
General Revenues:						
Property Taxes	1,151,333	1,049,684	0	0	1,151,333	1,049,684
Income Taxes	460,146	436,876			460,146	436,876
Grants and Entitlements	2,437,859	2,288,748	0	0	2,437,859	2,288,748
Unrestricted Investment Earnings	71,990	38,740	0	0	71,990	38,740
Gain on Sale of Assets	3,318	0			3,318	0
Miscellaneous	26,968	25,370	0	0	26,968	25,370
Transfers	(10,000)	(15,000)	10,000	15,000	0	0
Total Revenues	5,118,333	4,823,317	249,195	261,920	5,367,528	5,085,237
Expenses						
Program Expenses:						
Instruction:						
Regular	2,132,122	2,167,468	0	0	2,132,122	2,167,468
Special	457,100	448,707	0	0	457,100	448,707
Vocational	139,921	129,932	0	0	139,921	129,932
Other	26,132	8,902	0	0	26,132	8,902
Support Services:						
Pupils	239,514	217,797	0	0	239,514	217,797
Instructional Staff	244,508	223,453	0	0	244,508	223,453
Board of Education	27,693	31,990	0	0	27,693	31,990
Administration	522,095	486,871	0	0	522,095	486,871
Fiscal	163,250	204,275	0	0	163,250	204,275
Operation of Maintenance of Plant	458,782	396,812	0	0	458,782	396,812
Pupil Transportation	375,235	366,930	0	0	375,235	366,930
Central	48,228	59,053	0	0	48,228	59,053
Non-Instructional Services	112	0	0	0	112	0
Extracurricular Activities	181,551	150,608	0	0	181,551	150,608
Facilities Acquisition Construction	0	11,797	0	0	0	11,797
Interest and Fiscal Charges	95,330	18,413	0	0	95,330	18,413
Food Service	0	0	246,135	241,608	246,135	241,608
Uniform School Supplies	0	0	8,743	114	8,743	114
Total Expenses	5,111,573	4,923,008	254,878	241,722	5,366,451	5,164,730
Increase/(Decrease) in Net Assets	\$6,760	(\$99,691)	(\$5,683)	\$20,198	\$1,077	(\$79,493)

Ridgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

Governmental Activities

Net assets of the School District's governmental activities increased by \$6,760. Program revenue of \$976,719 and general revenues and transfers of \$4,141,614 offset total governmental expenses of \$5,111,573. Program revenues supported 19.1% of the total governmental expenses.

Several revenue sources fund the School District's governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated \$1,151,333 in fiscal year 2006. General revenues from grants and entitlements, such as the school foundation program, generated \$2,437,859. These two revenue sources represent 70.1% of total governmental revenue.

Real estate property is reappraised every six years. Hardin County had its triennial update in calendar year 2005. Although historical growth has had a positive effect on the School District's tax base, the full tax revenue impact has not been realized due to H.B. 920. This state law, enacted in 1976, does not allow for revenue increases caused by inflationary growth of real property values. Increases in valuation prompt corresponding annual reductions in the "effective millage", the tax rates applied to real property. Thus, although the School District tax valuation continues to grow, this built-in revenue limitation requires the School District to request additional school operating revenue by placing a levy on the ballot every three to five years, on average.

The DeRolph III court case decisions have not eliminated the local dependence on property taxes. This factor continues to be a situation the School District has to deal with in providing funding for the program offering of the School District.

Instruction costs comprise 53.9% of governmental program expenses of \$5,111,573.

The statement of activities shows the cost of program services and the charges for services and grants attributable to those services.

Business-Type Activities

Business-type activities consist of the food service and uniform school supplies operations. These programs had revenue of \$162,173 and \$77,022 with expenses of \$246,135 and \$8,743, respectively.

The School District's Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$5,100,588 and total expenditures were \$5,132,636. The School District expenditures exceed the revenue by \$32,048. This fact is a major challenge for the School District.

The School District's general fund balance decreased by \$36,244. The decrease in fund balance can be attributed primarily to the overall increase in salaries, wages and fringe benefits along with revenues not keeping pace with the cost of operations.

General Fund Budgeting Highlights

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

During fiscal year 2006, the School District amended its general fund budget. Budget revisions are presented to the Board of Education for approval. This year amendments were considered routine.

For the general fund, the final budget basis revenue estimate was adjusted to the actual revenue of \$4,382,172.

Ridgmont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

The original expenditures estimate of \$4,416,328 was increased to \$4,656,333. The actual expenditures were \$4,595,917.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$2,466,231 invested in land, buildings and improvements, furniture and equipment, and school buses and vehicles. The table below shows a comparison of fiscal year 2006 to 2005.

	(Net of Depreciation)			
	Governmental Type Activities		Business Type Activities	
	2006	2005	2006	2005
Land	\$78,259	\$78,259	\$0	\$0
Land Improvements	354,874	383,970	0	0
Buildings and Improvements	1,693,687	1,755,180	0	0
Furniture and Equipment	201,827	215,605	21,641	23,382
School Buses and Vehicles	115,943	111,756	0	0
Total Capital Assets	<u><u>\$2,444,590</u></u>	<u><u>\$2,544,770</u></u>	<u><u>\$21,641</u></u>	<u><u>\$23,382</u></u>

For more information on the District's capital assets, see Note 8 to the basic financial statements.

Debt

As of June 30, 2006, the School District had \$1,181,388 in bonds outstanding, \$175,000 due within on year. The table below summarizes bond and notes outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	2006	2005*
School Improvement Refunding Bonds		
Serial Bonds	\$175,000	\$350,000
Capital Appreciation Bonds	519,995	519,995
Accretion on Capital Appreciation Bonds	486,393	405,706
Total	<u><u>\$1,181,388</u></u>	<u><u>\$1,275,701</u></u>

*Restated – See Note 20 of the notes to the basic financial statements

For more information on the District's long-term liabilities, see Note 14 to the basic financial statements.

Ridgemont Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

Other Issues

The School District faces many challenges in the future. As the preceding information shows, the School District relies heavily upon grants and entitlements and property taxes. Another challenge facing the School District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward schools districts with little property tax wealth. On December 11, 2004, the Ohio Supreme Court issued an opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. Since then, the Ohio Supreme Court has relinquished jurisdiction over the case and directed the Ohio General Assembly to enact a school funding plan that is thorough and efficient. The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Due to the unsettled issues in Ohio public school funding, School District management is required to plan carefully and prudently to provide the resources to meet student needs in the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and show the School District's accountability for the money it receives. If you have any questions about this report or need financial information, contact Fred Reinemeyer, Treasurer of Ridgemont Local School District, 330 W. Taylor Street, Mount Victory, Ohio 43340.

Ridgemon Local School District
Statement of Net Assets
As of June 30, 2006

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,470,830	\$21,175	\$1,492,005
Receivables:			
Taxes	1,304,547	0	1,304,547
Accounts	152	13	165
Intergovernmental	81,480	5,010	86,490
Internal Balances	15,000	(15,000)	0
Prepaid Items	40,540	871	41,411
Inventory for Resale	0	5,072	5,072
Non-Depreciable Capital Assets	78,259	0	78,259
Depreciable Capital Assets, Net	2,366,331	21,641	2,387,972
<i>Total Assets</i>	<u>5,357,139</u>	<u>38,782</u>	<u>5,395,921</u>
Liabilities			
Accounts Payable	14,598	161	14,759
Accrued Wages and Benefits	322,694	15,869	338,563
Intergovernmental Payable	102,402	9,786	112,188
Deferred Revenue	1,018,550	1,151	1,019,701
Accrued Interest Payable	936	0	936
Long-Term Liabilities:			
Due Within One Year	227,242	0	227,242
Due In More Than One Year	1,169,029	0	1,169,029
<i>Total Liabilities</i>	<u>2,855,451</u>	<u>26,967</u>	<u>2,882,418</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,749,595	21,641	1,771,236
Restricted for:			
Debt Service	156,693	0	156,693
Other Purposes	153,600	0	153,600
Unrestricted (Deficit)	441,800	(9,826)	431,974
<i>Total Net Assets</i>	<u>\$2,501,688</u>	<u>\$11,815</u>	<u>\$2,513,503</u>

The notes to the basic financial statements are an integral part of this statement.

Ridgemoat Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction:							
Regular	\$2,132,122	\$532,200	\$53,723	\$4,992	(\$1,541,207)	\$0	(\$1,541,207)
Special	457,100	63,938	258,810	0	(134,352)	0	(134,352)
Vocational	139,921	0	4,000	0	(135,921)	0	(135,921)
Other	26,132	0	0	0	(26,132)	0	(26,132)
Support Services:							
Pupils	239,514	0	21,636	0	(217,878)	0	(217,878)
Instructional Staff	244,508	0	26,771	0	(217,737)	0	(217,737)
Board of Education	27,693	0	0	0	(27,693)	0	(27,693)
Administration	522,095	2,649	5,000	0	(514,446)	0	(514,446)
Fiscal	163,250	0	0	0	(163,250)	0	(163,250)
Operation and Maintenance of Plant	458,782	0	0	0	(458,782)	0	(458,782)
Pupil Transportation	375,235	0	0	0	(375,235)	0	(375,235)
Central	48,228	0	0	0	(48,228)	0	(48,228)
Extracurricular Activities	181,551	0	0	0	(181,551)	0	(181,551)
Operation of Non-Instructional Services	112	0	3,000	0	2,888	0	2,888
Interest and Fiscal Charges	95,330	0	0	0	(95,330)	0	(95,330)
<i>Total Governmental Activities</i>	<u>5,111,573</u>	<u>598,787</u>	<u>372,940</u>	<u>4,992</u>	<u>(4,134,854)</u>	<u>0</u>	<u>(4,134,854)</u>
Business-Type Activities							
Food Service	246,135	154,466	77,022	0	0	(14,647)	(14,647)
Uniform School Supplies	8,743	7,707	0	0	0	(1,036)	(1,036)
<i>Total Business-Type Activities</i>	<u>254,878</u>	<u>162,173</u>	<u>77,022</u>	<u>0</u>	<u>0</u>	<u>(15,683)</u>	<u>(15,683)</u>
<i>Total All Activities</i>	<u>\$5,366,451</u>	<u>\$760,960</u>	<u>\$449,962</u>	<u>\$4,992</u>	<u>(4,134,854)</u>	<u>(15,683)</u>	<u>(4,150,537)</u>
General Revenues							
Property Taxes Levied for:							
General Purposes					960,325	0	960,325
Debt Service					191,008	0	191,008
Income Taxes					460,146	0	460,146
Grants and Entitlements not Restricted to Specific Programs					2,437,859	0	2,437,859
Unrestricted Investment Earnings					71,990	0	71,990
Gain on the Sale of Assets					3,318	0	3,318
Miscellaneous					26,968	0	26,968
<i>Total General Revenues</i>					<u>4,151,614</u>	<u>0</u>	<u>4,151,614</u>
Transfers					(10,000)	10,000	0
Change in Net Assets					6,760	(5,683)	1,077
<i>Net Assets Beginning of Year - Restated - See Note 20</i>					<u>2,494,928</u>	<u>17,498</u>	<u>2,512,426</u>
<i>Net Assets End of Year</i>					<u>\$2,501,688</u>	<u>\$11,815</u>	<u>\$2,513,503</u>

The notes to the basic financial statements are an integral part of this statement.

Ridgemon Local School District
 Balance Sheet
 Governmental Funds
 As of June 30, 2006

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,241,539	\$155,000	\$74,291	\$1,470,830
Receivables:				
Taxes	1,126,049	178,498	0	1,304,547
Accounts	124	0	28	152
Intergovernmental	45,441	0	36,039	81,480
Interfund Receivable	58,296	0	0	58,296
Prepaid Items	37,166	0	3,374	40,540
<i>Total Assets</i>	<u>2,508,615</u>	<u>333,498</u>	<u>113,732</u>	<u>2,955,845</u>
Liabilities				
Accounts Payable	12,459	0	2,139	14,598
Accrued Wages and Benefits	281,742	0	40,952	322,694
Intergovernmental Payable	92,165	0	10,237	102,402
Interfund Payable	0	0	43,296	43,296
Deferred Revenue	891,782	163,956	14,000	1,069,738
<i>Total Liabilities</i>	<u>1,278,148</u>	<u>163,956</u>	<u>110,624</u>	<u>1,552,728</u>
Fund Balances				
Reserved for Capital Projects	0	0	3,016	3,016
Reserved for Encumbrances	60,534	0	800	61,334
Reserved for Property Taxes	77,724	14,542	0	92,266
Unreserved:				
Undesignated - Reported In:				
General Fund	1,092,209	0	0	1,092,209
Special Revenue Funds	0	0	(708)	(708)
Debt Service Funds	0	155,000	0	155,000
Total Fund Balances	<u>1,230,467</u>	<u>169,542</u>	<u>3,108</u>	<u>1,403,117</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,508,615</u>	<u>\$333,498</u>	<u>\$113,732</u>	<u>\$2,955,845</u>

The notes to the basic financial statements are an integral part of this statement.

Ridgemont Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 As of June 30, 2006

Total Governmental Fund Balances	\$1,403,117
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,444,590
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Taxes	51,188
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences	(214,883)	
School Improvement Refunding Bonds	(694,995)	
Accretion on School Improvement Refunding Bonds	(486,393)	
Accrued Interest Payable	(936)	
Total	(1,397,207)	(1,397,207)

Net Assets of Governmental Activities	<u><u>\$2,501,688</u></u>
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The notes to the basic financial statements are an integral part of this statement.

Ridgemont Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$938,948	\$168,233	\$0	\$1,107,181
Income Taxes	460,146	0	0	460,146
Intergovernmental	2,437,859	19,726	377,931	2,835,516
Investment Income	71,990	0	0	71,990
Tuition	532,200	0	0	532,200
Extracurricular Activities	0	0	63,938	63,938
Classroom Materials and Fees	2,649	0	0	2,649
Miscellaneous	15,112	0	11,856	26,968
<i>Total Revenues</i>	<u>4,458,904</u>	<u>187,959</u>	<u>453,725</u>	<u>5,100,588</u>
Expenditures				
Instruction:				
Regular	2,033,655	0	61,001	2,094,656
Special	173,394	0	257,281	430,675
Vocational	132,436	0	11,005	143,441
Other	26,132	0	0	26,132
Support Services:				
Pupils	220,163	0	21,330	241,493
Instructional Staff	218,901	0	28,635	247,536
Board of Education	32,896	0	0	32,896
Administration	516,089	0	6,893	522,982
Fiscal	187,461	0	0	187,461
Operation and Maintenance of Plant	461,459	0	0	461,459
Pupil Transportation	331,902	0	0	331,902
Central	49,524	0	0	49,524
Extracurricular Activities	97,460	0	65,373	162,833
Operation of Non-Instructional Services	1,077	0	3,000	4,077
Facilities Acquisition and Construction Services	5,805	0	0	5,805
Other	112	0	0	112
Debt Service:				
Principal Retirement	0	175,000	0	175,000
Interest and Fiscal Charges	0	14,652	0	14,652
<i>Total Expenditures</i>	<u>4,488,466</u>	<u>189,652</u>	<u>454,518</u>	<u>5,132,636</u>
<i>Deficiency of Revenues Under Expenditures</i>	(29,562)	(1,693)	(793)	(32,048)
Other Financing Sources (Uses)				
Proceeds from the Sale of Assets	3,318	0	0	3,318
Transfers In	0	0	297	297
Transfers Out	(10,000)	0	(297)	(10,297)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,682)</u>	<u>0</u>	<u>0</u>	<u>(6,682)</u>
<i>Net Change in Fund Balances</i>	(36,244)	(1,693)	(793)	(38,730)
<i>Fund Balances at Beginning of Year</i>	<u>1,266,711</u>	<u>171,235</u>	<u>3,901</u>	<u>1,441,847</u>
<i>Fund Balances at End of Year</i>	<u>\$1,230,467</u>	<u>\$169,542</u>	<u>\$3,108</u>	<u>\$1,403,117</u>

The notes to the basic financial statements are an integral part of this statement.

Ridgemoat Local School District
 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, 2006

Net Change in Fund Balances - Total Governmental Funds (\$38,730)

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

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

Capital Asset Additions	137,103	
Current Year Depreciation	<u>(237,283)</u>	
Total		(100,180)

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

Taxes		24,426
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net assets.		175,000
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds an interest expenditure is reported when due. Interest expense is also recognized in the statement of activities due to accretion on capital appreciation bonds.		(80,677)
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Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable, which represents contractually required benefit contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(2,860)	
Intergovernmental Payable	<u>29,781</u>	
Total		<u>26,921</u>

Net Change in Net Assets of Governmental Activities \$6,760

The notes to the basic financial statements are an integral part of this statement.

Ridgmont Local School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP) and Actual
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$1,372,673	\$1,367,783	\$1,367,783	\$0
Intergovernmental	2,408,688	2,392,418	2,392,418	0
Investment Income	43,350	71,990	71,990	0
Tuition	499,253	532,200	532,200	0
Classroom Materials and Fees	3,000	2,623	2,623	0
Miscellaneous	8,800	15,158	15,158	0
<i>Total Revenues</i>	<u>4,335,764</u>	<u>4,382,172</u>	<u>4,382,172</u>	<u>0</u>
Expenditures				
Instruction:				
Regular	2,035,034	2,108,022	2,089,112	18,910
Special	190,105	179,605	177,407	2,198
Vocational	120,606	133,711	130,941	2,770
Other	10,000	26,000	25,803	197
Support Services:				
Pupils	218,313	225,368	222,932	2,436
Instructional Staff	184,749	224,034	220,624	3,410
Board of Education	28,043	36,943	34,343	2,600
Administration	509,660	530,110	525,690	4,420
Fiscal	183,240	189,975	186,174	3,801
Operation and Maintenance of Plant	438,968	504,963	498,527	6,436
Pupil Transportation	325,389	337,789	330,146	7,643
Central	54,329	50,609	49,963	646
Extracurricular Activities	97,692	102,134	97,261	4,873
Operation of Non-Instructional Services	0	1,080	1,077	3
Facilities Acquisition and Construction Services	200	5,875	5,805	70
Other	20,000	115	112	3
<i>Total Expenditures</i>	<u>4,416,328</u>	<u>4,656,333</u>	<u>4,595,917</u>	<u>60,416</u>
<i>Deficiency of Revenues Under Expenditures</i>	(80,564)	(274,161)	(213,745)	60,416
Other Financing Sources (Uses)				
Proceeds from the Sale of Assets	0	3,318	3,318	0
Advances In	24,971	74,971	74,971	0
Advances Out	(15,000)	(110,000)	(109,796)	204
Transfers Out	0	(10,000)	(10,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>9,971</u>	<u>(41,711)</u>	<u>(41,507)</u>	<u>204</u>
<i>Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	(70,593)	(315,872)	(255,252)	60,620
<i>Fund Balance at Beginning of Year</i>	1,358,256	1,358,256	1,358,256	0
<i>Prior Year Encumbrances Appropriated</i>	<u>71,327</u>	<u>71,327</u>	<u>71,327</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$1,358,990</u></u>	<u><u>\$1,113,711</u></u>	<u><u>\$1,174,331</u></u>	<u><u>\$60,620</u></u>

The notes to the basic financial statements are an integral part of this statement.

Ridgemont Local School District
Statement of Net Assets
Proprietary Funds
As of June 30, 2006

	<u>Food Service</u>	<u>Other Enterprise Fund</u>	<u>Business-Type Activities</u>
Assets			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$6,683	\$14,492	\$21,175
Accounts Receivable	0	13	13
Intergovernmental Receivable	5,010	0	5,010
Prepaid Items	871	0	871
Inventory for Resale	5,072	0	5,072
Noncurrent Assets:			
Depreciable Capital Assets, Net	21,641	0	21,641
<i>Total Assets</i>	<u>39,277</u>	<u>14,505</u>	<u>53,782</u>
Liabilities			
Current Liabilities:			
Accounts Payable	161	0	161
Accrued Wages and Benefits	15,869	0	15,869
Pension Obligation Payable	9,786	0	9,786
Deferred Revenue	1,151	0	1,151
Interfund Payable	0	15,000	15,000
<i>Total Liabilities</i>	<u>26,967</u>	<u>15,000</u>	<u>41,967</u>
Net Assets			
Invested in Capital Assets	21,641	0	21,641
Unrestricted (Deficit)	(9,331)	(495)	(9,826)
<i>Total Net Assets</i>	<u>\$12,310</u>	<u>(\$495)</u>	<u>\$11,815</u>

The notes to the basic financial statements are an integral part of this statement.

Ridgemont Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2006

	<u>Food Service</u>	<u>Other Enterprise Fund</u>	<u>Business-Type Activities</u>
Operating Revenues			
Food Service	\$154,466	\$0	\$154,466
Classroom Fees	<u>0</u>	<u>7,707</u>	<u>7,707</u>
<i>Total Operating Revenues</i>	154,466	7,707	162,173
Operating Expenses			
Salaries	87,626	0	87,626
Fringe Benefits	33,759	0	33,759
Purchased Services	1,292	0	1,292
Materials and Supplies	161	8,239	8,400
Cost of Sales	118,720	504	119,224
Depreciation	<u>4,577</u>	<u>0</u>	<u>4,577</u>
<i>Total Operating Expenses</i>	<u>246,135</u>	<u>8,743</u>	<u>254,878</u>
<i>Operating Loss</i>	(91,669)	(1,036)	(92,705)
Nonoperating Revenues			
Federal Donated Commodities	27,180	0	27,180
Operating Grants	<u>49,842</u>	<u>0</u>	<u>49,842</u>
<i>Total Nonoperating Revenues</i>	<u>77,022</u>	<u>0</u>	<u>77,022</u>
<i>Loss Before Transfers</i>	(14,647)	(1,036)	(15,683)
Transfers In	<u>10,000</u>	<u>0</u>	<u>10,000</u>
<i>Changes in Net Assets</i>	(4,647)	(1,036)	(5,683)
<i>Net Assets at Beginning of Year</i>	<u>16,957</u>	<u>541</u>	<u>17,498</u>
<i>Net Assets at End of Year</i>	<u><u>\$12,310</u></u>	<u><u>(\$495)</u></u>	<u><u>\$11,815</u></u>

The notes to the basic financial statements are an intergral part of this statement.

Ridgemon Local School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2006

	<u>Food Service</u>	<u>Other Enterprise Fund</u>	<u>Business-Type Activities</u>
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
<i>Cash Flows from Operating Activities:</i>			
Cash Received from Customers	\$154,466	\$7,731	\$162,197
Cash Payments to Suppliers for Goods and Services	(93,952)	(8,239)	(102,191)
Cash Payments to Employees for Services	(95,421)	0	(95,421)
Cash Payments for Employees for Benefits	(31,093)	0	(31,093)
<i>Net Cash Used for Operating Activities</i>	<u>(66,000)</u>	<u>(508)</u>	<u>(66,508)</u>
<i>Cash Flows from Noncapital Financing Activities:</i>			
Operating Grants	44,832	0	44,832
Transfers In	10,000	0	10,000
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>54,832</u>	<u>0</u>	<u>54,832</u>
<i>Cash Flows from Capital and Related Financing Activities:</i>			
Payments for Capital Acquisitions	(2,836)	0	(2,836)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(2,836)</u>	<u>0</u>	<u>(2,836)</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(14,004)	(508)	(14,512)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>20,687</u>	<u>15,000</u>	<u>35,687</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$6,683</u></u>	<u><u>\$14,492</u></u>	<u><u>\$21,175</u></u>
<i>Reconciliation of Operating Loss to Net Cash Used For Operating Activities</i>			
Operating Loss	(\$91,669)	(\$1,036)	(\$92,705)
Depreciation	4,577	0	4,577
Donated Commodities	27,180	0	27,180
<i>Changes in Assets and Liabilities:</i>			
Decrease in Accounts Receivable	0	24	24
Decrease in Prepaid Items	469	504	973
Decrease in Inventory Held for Resale	(38)	0	(38)
Increase in Accounts Payable	161	0	161
Decrease in Accrued Wages and Benefits	(4,314)	0	(4,314)
Decrease in Pension Obligation Payable	(777)	0	(777)
Decrease in Deferred Revenue	(1,589)	0	(1,589)
Total Adjustments	<u>25,669</u>	<u>528</u>	<u>26,197</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$66,000)</u></u>	<u><u>(\$508)</u></u>	<u><u>(\$66,508)</u></u>

The notes to the basic financial statements are an integral part of this statement.

Ridgemont Local School District
Statement of Fiduciary Net Assets
Fiduciary funds
As of June 30, 2006

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$24,329</u>	<u>\$24,442</u>
<i>Total Assets</i>	<u><u>24,329</u></u>	<u><u>24,442</u></u>
Liabilities		
Due to Students	0	24,259
Undistributed Monies	<u>0</u>	<u>183</u>
<i>Total Liabilities</i>	<u>0</u>	<u><u>\$24,442</u></u>
Net Assets		
Unrestricted:		
Unclaimed Monies	17,119	
Held in Trust for Scholarships and Needy Children	<u>7,210</u>	
<i>Total Net Assets</i>	<u><u>\$24,329</u></u>	

The notes to the basic financial statements are an integral part of this statement.

Ridgemoat Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2006

	Private Purpose Trust
	Scholarship
Additions	
Miscellaneous	\$7,827
<i>Total Additions</i>	<i>7,827</i>
Deductions	
Scholarships	7,918
<i>Total Deductions</i>	<i>7,918</i>
Change in Net Assets	(91)
Net Assets Beginning of Year	24,420
Net Assets End of Year	\$24,329

The notes to the basic financial statements are an integral part of this statement.

Ridgemon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Ridgemon 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 an elected Board of Education (5 members) elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines. Average daily membership (ADM) as of October 1, 2005 was 642. The District employed 50 certificated employees and 32 non-certificated employees.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financials are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District.

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

The School District is associated with two jointly governed organizations, an insurance pool, and a related organization. These organizations are the Western Ohio Computer Organization (WOCO), Ohio Hi-Point Joint Vocational School District, the Hardin County School Employees' Health and Welfare Benefit Plan and Trust, and the Ridgemon Public Library. These organizations are presented in Notes 15, 16, and 17.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The District has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds. Following are the more significant of the District's accounting policies:

A. Basis of Presentation

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 statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

Ridgmont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

FUND FINANCIAL STATEMENTS

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

B. Fund Accounting

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are classified into three categories: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds focus 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 be or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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.

Bond Retirement Fund – The Bond Retirement is used to account for the accumulation of resources for the payment of general long –term debt principal and interest.

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

PROPRIETARY FUNDS

Proprietary funds focus on the determination of the changes in net assets, financial position and cash flows and are classified as enterprise. There are no internal service funds

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is the District's major enterprise fund:

Food Service Fund – This fund accounts for the financial transactions related to the food service operations of the District.

The other enterprise fund accounts for classroom fees of the District.

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 funds are a private purpose trust, which accounts for a scholarship program for students and monies held for needy children, as well as, a fund for unclaimed checks. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Monies are due to students for activities they have participated in.

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and others financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

The private purpose trust is reported using the economic resources measurement focus.

D. Basis of Accounting

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

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 year in which the resources are measurable and become available. Measurable means that the amount of the transaction can be determined, and available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the District, available means expected to be received within sixty days of fiscal year end.

Ridgmont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange 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 year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the 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 of the 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 non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities 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, is not recognized in governmental funds.

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has authorization to allocate appropriations at the function and object level without Board authorization.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were adopted.

Ridgmont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

F. Cash and Investments

To improve cash management, all cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2006. STAR Ohio is an investment pool managed by the State Treasurer's office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$71,990, which includes \$12,665 assigned from other funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity 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 that are not purchased from the pool are reported as investments.

G. Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in/first-out (FIFO) basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditure in the governmental fund types when purchased. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

H. Bond Discounts, Premiums, and Issuance Costs

When the proceeds from general obligation bonded debt are placed in a governmental type fund, any bond issuance costs are shown as capital outlay expenditures. Any premium or discount is included in "Other Financing Sources - Bond Proceeds" on the Statement of Revenues, Expenditures and Changes in Fund Balance. The long-term debt that appears in the Government Wide Financial Statements would always be reported at the bond's face value.

Ridgmont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the Food Service enterprise fund are reported both in the business-type activities column of the government-wide statement of net assets and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	15	-
Buildings and Improvements	40	-
Furniture and Equipment	10	10
Vehicles	10	-

J. 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 and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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 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 to a maximum of 50 days.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund statements only to the extent they will be paid with current, expendable, available resources. In general, payments made within thirty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

M. Net Assets

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

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

Of the District's \$310,293 in restricted net assets, none is restricted by enabling legislation.

N. 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 balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, capital projects, and property taxes in the governmental funds.

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

O. Operating Revenues and Expense

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service and uniform school supplies. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund.

P. Interfund Transactions

Transfers between governmental and business-type activities on the governmental-wide statements are reported in the same manner as general revenues.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expense in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers within governmental activities and within business-type activities have been eliminated in the government-wide statement of activities.

Q. Estimates

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

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 2006.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

Ridgmont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund:

	Net Change in Fund Balance
Budget Basis	(\$255,252)
Adjustments:	
Revenue Accruals:	
Accrued FY2005, Received in Cash FY2006	(181,487)
Accrued FY2006, Not Yet Received in Cash	258,219
Expenditure Accruals:	
Accrued FY2005, Paid in Cash FY2006	472,479
Accrued FY2006, Not Yet Paid in Cash	(432,236)
Encumbrances	67,208
Other Financial Sources/Uses:	
Advances (Net)	34,825
GAAP Basis	(\$36,244)

NOTE 4 - DEPOSITS AND INVESTMENTS

Statutes require the classification of monies held by the District into three categories:

Active Deposits: those monies required to be kept in a "cash" or "near-cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Deposits: those monies not required for use within the current two-year period of designation of depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts, including, but not limited to, passbook accounts.

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

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

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

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other 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 the Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Ridgmont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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 agreements by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in (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 mentioned in § 135.03 of the Revised Code;
6. The State Treasurer's Investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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.

Deposits with Financial Institutions

At fiscal year end June 30, 2006, the carrying amount of the District's deposits was (\$53,642) and the bank balance was \$84,015. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures," as of June 30, 2006, \$84,015 was covered by the Federal Depository Insurance Corporation while there was no exposure to custodial credit risk.

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

The District had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

Investments

Investments of the District as of June 30, 2006 were as follows:

	<u>Fair Value</u>	<u>Maturity</u>
STAR Ohio	\$1,594,418	< 1 yr.

Ridgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk – The District has no policy limiting investment maturities as a means of managing its exposure to fair value losses arising from decreasing interest rates. State statute requires that an investment mature within five years from date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk – STAR Ohio is an investment pool managed by the Treasurer of the State of Ohio. STAROhio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Act of 1940. STAROhio has obtained an AAAM money market rating by Standard & Poor's. The District has no policy regarding credit risk.

Concentration of Credit Risk -- The District places no limit on the amount it may invest in any one issuer. The District invests solely in STAROhio.

Custodial Credit Risk – Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have exposure to custodial credit risk for the investment in STAROhio as defined by Statement No. 40. The District does not have a policy regarding custodial credit risk beyond the requirements of the Ohio Revised Code.

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes for 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed values as of December 31, 2004, the lien date. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes in 2006 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent of true value for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Hardin County and Logan County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Ridgmont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 5 - PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance year 2006 operations and is reflected as revenue at fiscal year end. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2006, was \$77,724 in the General Fund and \$14,542 in the Debt Service Bond Retirement Fund.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

Hardin County:	2006 First-Half Collections		2005 Second-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Public Utility	\$37,370,500	88.99%	\$36,774,720	82.16%
Tangible Personal Property	4,625,062	11.01%	4,471,550	17.84%
Total Assessed Value	<u>\$41,995,562</u>	<u>100.00%</u>	<u>\$41,246,270</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$34.90</u>		<u>\$34.90</u>	
Logan County:	2006 First-Half Collections		2005 Second-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Public Utility	\$5,686,150	85.31%	\$6,062,510	86.71%
Tangible Personal Property	979,180	14.69%	929,410	13.29%
Total Assessed Value	<u>\$6,665,330</u>	<u>87.71%</u>	<u>\$6,991,920</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$37.20</u>		<u>\$37.20</u>	

NOTE 6 - INTERFUND ACTIVITY

Interfund Receivables/Payables

Interfund balances at June 30, 2006, consist of the following individual fund receivables and payables:

Fund	Receivable	Payable
General	\$58,296	\$0
Non-Major Governmental Funds:		
West Central Ohio Tech Prep Grant	0	2,000
Career Tech Education Grant	0	3,600
Drug Free Schools Grant	0	1,557
Title II-A	0	33,680
Rural Education Achievement	0	2,459
Non-Major Enterprise Fund:		
Uniform School Supplies	0	15,000
Totals	<u>\$58,296</u>	<u>\$58,296</u>

Ridgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 6 - INTERFUND ACTIVITY (Continued)

The amounts due to the general fund are the result of the District moving unrestricted monies to support grant funds and the uniform school supplies fund. The general fund will be reimbursed when funds become available.

Interfund Transfers

Fund	Transfer In	Transfer Out
General	\$0	\$10,000
Non-Major Governmental Funds:		
Title V	0	297
Drug Free Schools Grant	185	0
Title II-D	112	0
Major Enterprise Fund		
Food Service	10,000	0
Totals	<u>\$10,297</u>	<u>\$10,297</u>

Transfers were made by the general fund to move unrestricted balances to support programs and projects accounted for in other funds. Transfers were made by the Title V fund to the Drug Free Schools Grant and Title II-D funds to move unused funds to support those other programs. Approval was received from the Ohio Department of Education to move these monies.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006, consisted of taxes, interfund, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectible in full.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance 6/30/2005	Additions	Deductions	Balance 6/30/2006
<u>Governmental Activities</u>				
Land	\$78,259	\$0	\$0	\$78,259
Land Improvements	517,045	5,757	0	522,802
Buildings and Improvements	5,241,693	3,072	0	5,244,765
Furniture and Equipment	804,533	67,574	0	872,107
Books	282,187	0	0	282,187
School Buses and Vehicles	504,428	60,700	0	565,128
Totals at Historical Cost	<u>7,428,145</u>	<u>137,103</u>	<u>0</u>	<u>7,565,248</u>
Less Accumulated Depreciation:				
Land Improvements	(133,075)	(34,853)	0	(167,928)
Buildings and Improvements	(3,486,513)	(64,565)	0	(3,551,078)
Furniture and Equipment	(588,928)	(81,352)	0	(670,280)
Books	(282,187)	0	0	(282,187)
Vehicles	(392,672)	(56,513)	0	(449,185)
Total Accumulated Depreciation	<u>(4,883,375)</u>	<u>(237,283)</u> *	<u>0</u>	<u>(5,120,658)</u>
Governmental Activities Capital Assets, Net	<u>\$2,544,770</u>	<u>(\$100,180)</u>	<u>\$0</u>	<u>\$2,444,590</u>

Ridgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 8 – CAPITAL ASSETS (Continued)

	Balance 6/30/2005	Additions	Deductions	Balance 6/30/2006
<u>Business-Type Activities</u>				
Furniture and Equipment	\$101,896	\$2,836	\$0	\$104,732
Less Accumulated Depreciation	(78,514)	(4,577)	0	(83,091)
Business-Type Activities Capital Assets, Net	<u>\$23,382</u>	<u>(\$1,741)</u>	<u>\$0</u>	<u>\$21,641</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$74,596
Special Instruction	381
Vocational	21,750
Support Service:	
Pupil	2,958
Instructional Staff	836
Board	933
Administration	2,394
Fiscal	627
Operation and Maintenance of Plant	4,863
Pupil Transportation	109,203
Extracurricular	18,742
Total Depreciation Expense	<u>\$237,283</u>

NOTE 9 - RISK MANAGEMENT

Employees Health Care:

The District is a member of the Hardin County School Employees' Health and Welfare Benefit Program. This organization is a public entity risk pool consisting of Ridgemont Local Schools, North Central Ohio Educational Service Center, the Sandusky Educational Service Center, and four other local school districts: Old Fort, Bettsville, Hardin East and New Riegel. The organization was established pursuant to ORC 9.833 in order to act as a common risk management and insurance program to provide health care benefits. The organization's Board of Directors is comprised of one member from each of the local school districts and educational service centers. The North Central Ohio Educational Service Center acts as fiscal agent for the organization.

Comprehensive:

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the District maintained comprehensive insurance coverage with a private carrier for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully registered. The District has entered into contracts with various insurance agencies for the following amounts of coverage and deductibles:

Ridgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 9 - RISK MANAGEMENT (Continued)

Type of Coverage		Coverage	Deductible
General Liability	\$3,000,000 \$1,000,000	General Aggregate Each Occurrence	
Vehicle Policy	\$1,000,000 \$1,000,000 \$1,000,000	Bodily Injury Property Damage Uninsured Motorist	\$250
Building and Contents	\$12,246,240		\$1,000
Blanket Bond	\$10,000	Per Individual	

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

OSBA Worker's Compensation Group Rating Program:

The District participates in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP'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 Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The employer rate for fiscal year 2006 was 14 percent of annual covered payroll; 10.58 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ending June 30, 2006, 2005, and 2004 were \$90,348, \$96,851 and \$97,968 respectively; 60.5 percent has been contributed for fiscal year 2006, and 100 percent for fiscal years 2005 and 2004. \$47,268 representing the unpaid contribution for the fiscal year 2006 is recorded as a liability within respective funds.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, the member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. 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.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

Combined Plan Benefits – The member allocates Member contributions, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio Law health care benefits are not guaranteed.

A Defined Benefit 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rate are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2006, were 10% of covered payroll for members and 14% for employers. The School District's required contribution for pension obligations for the fiscal years ended June 30, 2006, 2005, and 2004 were \$387,112, \$312,521, and \$288,221, respectively; 88.3 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004. \$49,004 representing the unpaid contribution for the fiscal year 2006 is recorded as a liability within respective funds.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2006 Comprehensive Annual Financial Report will be available after January 19, 2007. Additional information or copies of STRS Ohio's 2006 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Board St., Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have the option to choose social security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2006, some of the members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2005, 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.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For this fiscal year ending June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. For the School District, the amount to fund health care benefits, including surcharge, equaled \$44,858 for the fiscal year ended June 30, 2006. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Net health care costs for the fiscal year ending June 30, 2006 were \$158,751,207. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of recipients currently receiving health care benefits is approximately 59,492.

B. State Teachers Retirement System

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current plan includes hospitalization, physicians' fees prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.) the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio Law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2006, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Stabilization Fund was \$3.5 billion as of June 30, 2006. For the School District, this amount equaled \$30,317 for the fiscal year ended June 30, 2006.

For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000. There were 119,184 eligible benefit recipients.

Ridgemont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 12 – EMPLOYEE BENEFITS

A. Compensated Absences:

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. For administrators, teachers, and classified employees, such days shall accumulate equal to a maximum of 175 days, and for classified employees, up to a maximum of 200 days. Upon retirement, payment is made at the rate of one fourth of the accumulated sick leave limited to a maximum of 50 paid days.

B. Health Care Benefits:

The School District offered insurance benefits, including medical, dental, and life insurance to all employees through the Hardin County School Employees’ Health and Welfare Benefit Plan and Trust. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with the employee depending on the terms of the union contract.

NOTE 13 - SET ASIDES

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 year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2006:

	Textbook Reserve	Maintenance Reserve	Total
Balance 7/1/05	(\$135,401)	(\$329,065)	(\$464,466)
Required Set-Aside	85,546	85,546	171,092
Qualifying Expenditures	(22,195)	(160,653)	(182,848)
Balance 6/30/06	(\$72,050)	(\$404,172)	(\$476,222)

Ridgmont Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 14 - LONG-TERM LIABILITIES

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

	Restated Principal Outstanding 06/30/05	Additions	Reductions	Principal Outstanding 06/30/06	Amounts Due In One Year
<u>Governmental Activities</u>					
School Improvement Refunding Bonds – 1998:					
Serial Bonds 3.75% to 4.40%	\$350,000	\$0	\$175,000	\$175,000	\$0
Capital Appreciation Bonds 4.65% to 9.3404%	519,995	0	0	519,995	0
Accretion on Capital Appreciation Bonds	405,706	80,687	0	486,393	0
Total School Improvement Refunding Bonds	1,275,701	80,687	175,000	1,181,388	175,000
Compensated Absences	212,023	214,883	212,023	214,883	52,242
Total Governmental Activities Long-Term Liabilities	<u>\$1,487,724</u>	<u>\$295,570</u>	<u>\$387,023</u>	<u>\$1,396,271</u>	<u>\$227,242</u>

School Improvement Refunding Bonds

In July 1998, the District issued \$1,929,995 in School Improvement Bonds for the purpose of refunding general obligation bonds originally issued for the purpose of paying the costs of improving, constructing, reconstructing, renovating, remodeling, enlarging, furnishing, and equipping existing buildings and facilities for school purposes and improving sites for school purposes. Of this issuance, \$1,410,000 was serial bonds issued with interest rates ranging from 3.75% to 4.40% with a final maturity of December 1, 2006. The remaining \$519,995 was comprised of capital appreciation bonds with interest rates ranging from 4.65% to 9.3404% with annual maturities beginning on December 1, 2007 and ending on December 1, 2014. For fiscal year 2006, accretion on capital appreciation bonds amounted to \$80,687.

The annual requirements to amortize the School Improvement Refunding Bonds as of June 30, 2006, including interest are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$175,000	\$3,850	\$178,850
2008	80,573	109,427	190,000
2009	74,548	110,452	185,000
2110	70,378	114,622	185,000
2011	66,310	118,690	185,000
2012-2016	228,186	511,813	739,999
Totals	<u>\$694,995</u>	<u>\$968,854</u>	<u>\$1,663,849</u>

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The District's voted legal debt margin was \$3,854,027 with an unvoted debt margin was \$41,996 at June 30, 2006.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization (WOCO)

The School District is a participant in Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of public School Districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby 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 WOCO consists of two representatives from each county elected by majority vote of all charter member School Districts within each county. Financial information can be obtained from Sonny Ivey, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

B. Ohio Hi-Point Joint Vocational School District (JVSD)

The Ohio Hi-Point Joint Vocational School District (JVSD) is a distinct political subdivision of the State of Ohio, which provides vocational education. The JVSD is operated under the direction of a Board consisting of one representative from each of the eleven participating School Districts' Boards of Education. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Ohio Hi-Point Joint Vocational School, Eric Adelsberger, Treasurer, 2280 State Route 540, Bellefontaine, Ohio 43311.

NOTE 16 - INSURANCE POOL

Hardin County School Employees' Health and Welfare Benefit Plan and Trust - The Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the Trust) is a public entity shared risk pool consisting of six School Districts, the Hardin County Educational Service Center, and the Ada Public Library. The Trust is organized as a Voluntary Employee Benefit association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident, and other benefits to the employees of the participating School Districts. Each participating School District's superintendent is appointed to an Administrative Committee which advises the Trustee, The Sky Bank, concerning aspects of the administration of the Trust.

Each School District decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Rick Combs, who serves as Director, at P.O. Box 98, Dola, Ohio 45835-0098.

NOTE 17 - RELATED ORGANIZATION

Ridgemont Public Library - The Ridgemont Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Ridgemont School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Ridgemont Public Library, April Ealy, Clerk/Treasurer, at 124 East Taylor Street, Mt. Victory, Ohio 43340.

Ridgemoat Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 18 - CONTINGENT LIABILITIES

A. Grants

The School District receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the School District at June 30, 2006.

B. Litigation

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

NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year 2006, the District implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. GASB Statement No. 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. GASB Statement No. 47 establishes accounting standards for termination benefits. The application of these new standards had no effect on the financial statements, nor did their implementation require a restatement of prior year balances.

NOTE 20 – RESTATEMENT OF NET ASSETS

The District has capital appreciation bonds that require recognition of accretion each year. However, accretion has not been recognized since inception. Recognition of accretion had the following effect on beginning net asset balances:

Net Assets, June 30, 2005	\$2,900,634
Restatement	(405,706)
Restated Net Assets, June 30, 2005	\$2,494,928

NOTE 21 – ACCOUNTABILITY

Deficit fund balances existed at June 30, 2006 in the following funds:

Non-Major Governmental Funds:	
Other Grants Fund	\$442
Management Information Systems Fund	1,898
Eisenhower Grant Fund	5
Title I Fund	30,134
Drug Free Grant Fund	1,558
Comprehensive School Reform Fund	6,389
Miscellaneous Federal Grants Fund	207
Non-Major Enterprise Fund:	
Uniform School Supplies Fund	495

The deficits in these funds are due to adjustments for accrued liabilities and the timing of grant awards. The general fund provides transfers when cash is required, not when expenditures are incurred.

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Ohio Society of Certified Public Accountants

**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***

Members of the Board
Ridgemont Local School District
330 West Taylor Street
Mt. Victory, Ohio 43340

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Ridgemont Local School District, Hardin County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated February 15, 2008 in which we indicated the School District implemented GASB Statements No. 42, 46 and 47. 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

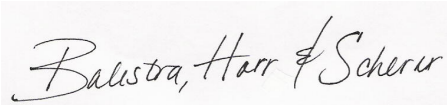
In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and responses as item 2006-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is a material weakness.

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*.

This report is intended solely for the information and use of management and members of the Board 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 "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

February 15, 2008

Ridgemont Local School District
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2006

Finding Number 2006-001

Material Weakness

Financial statement misstatements were identified during the audit that should have been prevented or detected by the District's internal controls over financial reporting. The following misstatements were identified:

- Improperly classified net assets invested in capital assets, net of related debt.
- Overstatement of capital asset additions.
- Correction of current and previously reported interest accretion balances.
- Correction of taxes receivable and related deferred revenue.
- Incorrect reversal of prior year accruals.

The accompanying financial statements were adjusted to reflect correction of material and certain immaterial, misstatements. Correction of other immaterial misstatements was waived. The District should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

Client Response:

The District will implement monitoring controls so that all financial statements are accurate and complete.



Mary Taylor, CPA
Auditor of State

RIDGEMONT LOCAL SCHOOL DISTRICT

HARDIN 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
APRIL 17, 2008**