

RIDGEWAY COMMUNITY SCHOOL

ORIGINAL BUDGET TO ACTUAL SCHOOL YEAR 2012-13

<u>REVENUE</u>	<u>Orginal Budget</u>	<u>Actual</u>	<u>Difference</u>
General Ed Aid from MDE			
Literacy Incentive / Endowment Fund	\$ 585,051	\$ 605,741	\$ 20,690
State Lease Aid	\$ 119,820	\$ 123,000	\$ 3,180
Title Grant	\$ 11,695	\$ 12,508	\$ 814
Fed Charter Facilities Grant	\$ -	\$ 5,020	\$ 5,020
Special Ed Aid	\$ 102,252	\$ 134,382	\$ 32,130
Miscellaneous	\$ 10,420	\$ 14,076	\$ 3,656
Contracted staff revenue	\$ 2,811	\$ 7,229	\$ 4,418
Grants	\$ 24,751	\$ 28,666	\$ 3,915
Donations and Fund Raising	\$ 1,000	\$ 992	\$ (8)
Food Service	\$ 51,850	\$ 49,750	\$ (2,100)
After School	\$ 11,898	\$ 15,787	\$ 3,889
Preschool	\$ 19,596	\$ 24,263	\$ 4,667

TOTAL REVENUE \$ 941,144 \$ 1,021,414

<u>EXPENSE</u>			
Payroll, Fringe, and Workers Comp	\$ 608,197	\$ 655,060	\$ 46,862.36
Consultants and service fees	\$ 19,958	\$ 18,325	\$ (1,632.78)
Communication services	\$ 1,910	\$ 1,604	\$ (306.11)
Postage	\$ 1,500	\$ 1,275	\$ (225.05)
Utility Services	\$ 17,936	\$ 22,797	\$ 4,860.74
Insurance	\$ 5,888	\$ 6,124	\$ 236.00
Repairs and Maintenance	\$ 11,200	\$ 14,548	\$ 3,348.27
Student Transportation	\$ 10,450	\$ 8,768	\$ (1,682.30)
Conferences and travel fees	\$ 6,040	\$ 6,685	\$ 644.99
Building Lease	\$ 133,133	\$ 137,093	\$ 3,959.66
Educational services	\$ 16,365	\$ 25,344	\$ 8,979.24
Supplies	\$ 13,500	\$ 18,942	\$ 5,442.43
Classroom materials	\$ 9,375	\$ 7,904	\$ (1,471.09)
Special Ed and Title materials	\$ 600	\$ 2,627	\$ 2,026.79
Media resources	\$ 4,721	\$ 34	\$ (4,687.06)
Food	\$ 28,095	\$ 25,786	\$ (2,309.43)
Equipment and Technology Equip	\$ 10,300	\$ 14,606	\$ 4,306.18
Student Transportation Vehicle	\$ -	\$ -	\$ -
Principal Payments and Loan interest	\$ 5,100	\$ 17,277	\$ 12,176.75
Dues and membership	\$ 16,409	\$ 15,743	\$ (666.06)
Miscellaneous	\$ -	\$ -	\$ -

TOTAL EXPENSES \$ 920,677 \$ 1,000,540

CHANGE IN NET ASSETS \$ 20,467 \$ 20,874

TOTAL IN NET ASSETS \$ 20,467 \$ 20,874

Fund Balance, June 30, 2012	\$ 256,264	Sum of all fund balance codes
Fund Balance, June 30, 2013	\$ 277,138	

27%

Fund Balance goal to be between 25% to 30% of total revenues for fiscal health

DISTRICT NBR-TYPE: 4083-07 ESVRGN 0
 DISTRICT NAME: RIDGEWAY COMMUNITY SCHOOL
 DATA YEAR 12-13

MINNESOTA DEPARTMENT OF EDUCATION
 BALANCE SHEET -- UNAUDITED DATA AS OF 09/05/13 RUN 09/05/13 PAGE 1
 GNL03540830713

	GENERAL FUND	FOOD SERVICE FUND	COMMUNITY SERVICE FUND	OPERATING FUNDS TOTAL	TOTAL ALL FUNDS
ASSETS					
CASH/PETTY CSH/C.W.F.A.	140,907.79	2,061.08	10,134.53	153,103.40 *	153,103.40
INVESTMENTS				*	
CUR. PROP. TAX REC'BLE				*	
DELINQ. PROP. TAX. REC.				*	
ACCOUNTS RECEIVABLE	1,496.15	0.73	2,075.21	3,572.09 *	3,572.09
DUE FROM OTHER FUNDS				*	
DUE FR OTHER MN DIST	6,095.44			6,095.44 *	6,095.44
DUE FROM MDE	148,980.93			148,980.93 *	148,980.93
DUE FROM OTHR GOV UNITS	5,762.61			5,762.61 *	5,762.61
INVENTORIES				*	
PREPAID EXP/OTHR ASSETS	14,768.36			14,768.36 *	14,768.36
TOTAL ASSETS	318,011.28	2,061.81	12,209.74	332,282.83 *	332,282.83
LIABILITIES					
SALARIES PAYABLE				*	
OUT. CI'S/OR NOT PD/RVRP				*	
DUE TO OTHER FUNDS				*	
CURRENT PAYABLES	28,016.27	71.05	557.37	28,644.69 *	28,644.69
DUE TO OTHER MN DIST				*	
DUE TO OTHER GOV'T				*	
PROP TAX SHIFT ADJ				*	
ADV UNEARNED GEN ED				*	
PAYROLL DEDUCTIONS	642.28			642.28 *	642.28
CONST CONTRACT PAY				*	
DEFERRED REVENUE				*	
DEF REV-DELINQ TAXES	12,831.08		4,063.88	16,894.96 *	16,894.96
PROP TAX FOR SUB YRS				*	
CAPITAL LEASE PAY				*	
SEP&SEVERANCE PAYBLE				*	
CAP LEASE PAYABLE				*	
COMPENSATED ABCS PAY				*	
TOTAL LIABILITIES	41,489.63	71.05	4,621.25	46,181.93 *	46,181.93
FUND BALANCE					
RST/RVD STAFF DEV				*	
RST/RVD DEFER MAINT				*	
RST/RVD HEALTH/SAFE				*	
RST/RVD CAPITAL PROJ				*	
RST/RVD COOP REVENUE				*	
RST/RVD ALTERNAT FAC				*	
RSVD:BUS PURCH/BLDG CON				*	
RST/RVD OPERATE DEBT				*	
NET SOD				*	
RST/RVD LEVY REDUCT				*	
CMTD SEVER INS PREM				*	
RSVD ENCUMBRANCES				*	
UNASSIGN FUND BAL GNL	273,861.52			273,861.52 *	273,861.52
RST/RVD CERTN TEACHR				*	
RST/RVD FOR OP CAPIT				*	
RST/RVD FOR BOND RFD				*	
RST/RVD \$25 TACONITE				*	
RST/RVD DISABLED ACC				*	
RST/RVD LEARN & DEV				*	
RST/RVD COMMUNITY ED				*	
RST/RVD E.C.F.E.				*	
RST/RVD AREA LEARN C				*	
RST/RVD CONTR ALT PR				*	
RST/RVD ST ALT PROG				*	
RST/RVD GIFTED/TALEN				*	
RST/RVD BASIC SKILLS				*	
RST/RVD SCHOOL READI				*	
RST/RVD CAREER/TECH				*	
RST/RVD FIRST GR PRE				*	
RST/RVD ADULT BASIC				*	
RST/RVD SAFE SCHOOLS				*	
RST/RVD PRE KINDERG				*	
RST/RVD QZAB/QSCB PA				*	
RST/RVD OPEB BOND PR				*	
RST/RVD UNFNDED SEVE				*	
NONSPENDABLE FND BAL				*	
COMMITTED FUND BALAN				*	
ASSIGNED FUND BALANC	2,660.13			2,660.13 *	2,660.13
UNASSIGNED NON-GENL				*	
RESTRICTED FUND BALA		1,990.76	7,588.49	9,579.25 *	9,579.25
TOTAL FUND BALANCE	276,521.65	1,990.76	7,588.49	286,100.90 *	286,100.90
TOTAL LIABILITIES&FB	318,011.28	2,061.81	12,209.74	332,282.83 *	332,282.83

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA**

**AUDITED FINANCIAL STATEMENTS
June 30, 2012**

**PAMELA RISTAU
CERTIFIED PUBLIC ACCOUNTANT
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**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
TABLE OF CONTENTS
June 30, 2012**

Board of Directors and Administration	2
Independent Auditor's Report	3

Required Supplementary Information

Management's Discussion and Analysis	5
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Basic Financial Statements

Statement of Net Assets	16
Statement of Activities	17
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet to the Statement of Net Assets	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to Statement of Activities	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget & Actual – General Fund – With Prior Year Comparative Actual Amounts	22
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget & Actual – Food Service Fund – With Prior Year Comparative Actual Amounts	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget & Actual – Community Service Fund – With Prior Year Comparative Actual Amounts	24
Notes to Basic Financial Statements	25

Supplemental Information

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	39
Report on Minnesota Legal Compliance	40
Uniform Financial Accounting and Reporting Standards Compliance Table	41

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA**

**RIDGEWAY COMMUNITY SCHOOL
BOARD OF DIRECTORS**

Samantha Conway	Chairperson
Maureen Johnson	Vice- Chairperson
Anne Vande Berg	Secretary
Jennifer Krings	Treasurer
Sarah Ferguson	Member
Jacob Griggs	Member
Holly Bergler	Member- Community
Jodi Dansingburg	School Coordinator
Mary Feathergill	Business Manager

**RIDGEWAY COMMUNITY ASSOCIATION
BOARD OF DIRECTORS**

Jim Morcomb	President
Terry Stinson	Treasurer
Steve Groth	Secretary/Clerk

Pamela Ristau, CPA



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Member of Minnesota Association of Public Accountants
Member of Minnesota Society of Certified Public Accountants

Board of Directors
Ridgeway Community School
Houston, MN 55943

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of Ridgeway Community School, Houston, Minnesota, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Ridgeway Community School, Houston, Minnesota. Our responsibility is to express opinions on these basic financial statements based on our audit. The prior year (partial or summarized) comparative information has been derived from the School's 2011 financial statements.

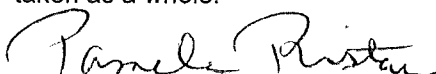
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, Ridgeway Community School, Houston, Minnesota as of June 30, 2012 and the respective changes in financial position thereof, and the respective budgetary comparison of the General Fund, Food Service Fund, and Community Service 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 a report dated September 28, 2012 on our consideration of the internal control over financial reporting, of Ridgeway Community School, Houston, Minnesota, and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 5 through 14 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standard 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.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Ridgeway Community School, Houston, Minnesota's, basic financial statements. The schedules as listed in the table of contents as supplementary information are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Ridgeway Community School, Houston, Minnesota. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


Pamela Ristau CPA
September 28, 2012

REQUIRED SUPPLEMENTARY INFORMATION

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012**

This section of Ridgeway Community School's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended June 30, 2012. Please read it in conjunction with the School's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model that is required by the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Statement No. 34 contains significant requirements that enhance financial reporting. These requirements are also designed to make annual reports easier for the public to understand and more useful to stakeholders. Specifically, Statement No. 34 establishes new reporting requirements that include new financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-2012 fiscal year include the following:

- Net assets increased by \$357,467 from the prior year establishing the school with a net asset balance of \$1,083,112
- Overall General Fund revenues were \$819,721 while expenses totaled \$823,561.

OVERVIEW OF THE FINANCIAL STATEMENTS

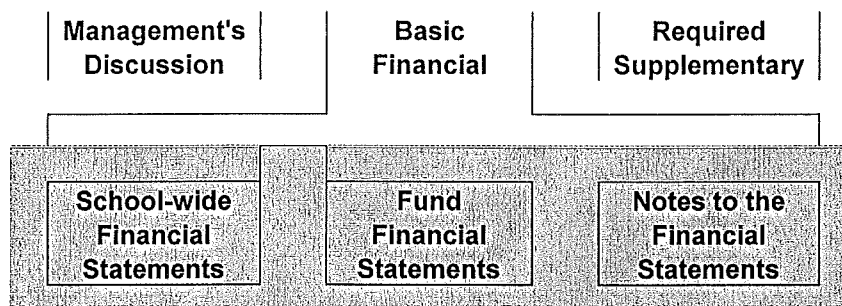
The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information, which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *School-wide financial statements* that provide both *short-term* and *long-term* information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the School-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School's budget for the year.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012**

The diagram below shows how the various parts of this annual report are arranged and related to one another.



The major features of the School's financial statements, including the portion of the School's activities they cover, and the types of information they contain, are summarized below. The remainder of the overview section of the MD & A highlights the structure and content of each of the statements.

	School-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire School (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the School administers resources on behalf of someone else, such as scholarship programs and student activities.
Required Financial statements	<ul style="list-style-type: none"> - Statement of net Assets - Statement of activities 	<ul style="list-style-type: none"> - Balance sheet - Statement of Revenues, expenditures, and Changes in fund Balances 	<ul style="list-style-type: none"> - Statement of fiduciary net assets - Statement of changes in fiduciary net assets
Accounting Basis and measurement Focus	Accrual accounting and economic resources Focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources Focus
Type of assets/ liability information	All assets and liabilities, Both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term funds do not currently contain capital assets, although they can.
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or Paid	Revenues for which cash is received during or soon after the end of the year; Expenditures when goods or services have been received and the related liability is due and Payable	All additions and deductions during the year, regardless of when cash is received or paid.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012**

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

School-wide Statements

The School-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two School-wide statements report the School's net assets and how they have changed. Net assets--the difference between the School's assets and liabilities—is one way to measure the School's financial health or position.

- Over time, increases or decreases in the School's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional non-financial factors such as changes in the School's creditworthiness.

In the School-wide financial statements, the School's activities are shown in one category:

- Government activities –All of the School's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. State aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's funds—focusing on its most significant or “major” funds—not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.
- The School may establish other funds to control and manage money for a blended component unit.

The School has one kind of fund:

- Government funds – All of the School's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the School-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The School's combined net assets were \$1,101,974 on June 30, 2012. This was a increase of \$376,329 from the prior year.

	Governmental Activities		Percent of Change
	2012	2011	
Current and other assets	\$ 349,534	\$ 367,324	-4.8%
Capital and Non- Current Assets	1,908,582	1,535,560	24.3%
Total assets	2,258,116	1,902,884	18.7%
Current liabilities	81,997	120,460	-31.9%
Long-term liabilities	1,093,007	1,056,779	3.4%
Total liabilities	1,175,004	1,177,239	-.2%
Net assets			
Invested in capital assets, net of related debt	828,256	477,463	73.5%
Restricted	16,389	12,951	26.5%
Unassigned	238,467	235,231	1.4%
Total net assets	\$1,083,112	\$ 725,645	49.3%

The goal of the School has been to establish an unassigned fund balance close to the current state holdback on revenue payments, so that the School will not be forced to secure a loan in order to cover the cash flow from one year to the next. The School also plans for specific large expenditure items in the areas of technology, transportation, equipment replacement, and curriculum replacement on a year to year basis.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (continued)

Changes in Net Assets

The School's total revenues were \$1,267,452 for the year ended June 30, 2012. The School's revenue and expenditures increased due to the construction of an addition to the school building. The School received funds from donors to expand the facility to include a stage, music and art classroom, and a preschool classroom.

Change in Net Assets as of June 30, 2012:

	Governmental Activities for the Fiscal year ended June 30		Percent of Change
	2012	2011	
Revenues:			
Charges for Services	\$ 88,580	\$ 82,771	7.0%
Operating Grants & Contributions	318,471	264,395	20.4%
Capital Grants & Contributions	359,210	-	100.0%
General Revenues			
Unrestricted State Aid	486,932	447,079	8.9%
Investment Earnings	164	167	-1.8%
Other Sources	14,095	5,731	145.9%
Total Revenues	1,267,452	800,143	58.4%
Expenses:			
Administrative	72,078	62,541	15.2%
School Support Services	75,716	77,717	-2.5%
Regular Instruction	364,424	316,476	15.2%
Special Education Instruction	109,770	89,081	23.2%
Instructional Support Services	18,192	18,753	-2.9%
Pupil Support Services	32,390	30,258	7.0%
Sites and Buildings	75,455	64,934	16.2%
Fiscal and Other Fixed Cost Programs	7,131	7,890	-9.6%
Food Service	51,329	49,538	3.6%
Community Service	30,615	34,854	12.1%
Interest and Other Fiscal Charges on Long-Term Liabilities	72,885	72,919	-%
Total Expenses	909,985	824,961	10.3%
Change in Net Assets	357,467	(24,818)	
Net Assets – Beginning of the Year	725,645	750,463	
 Net Assets – End of the Year	 \$1,083,112	 \$ 725,645	

The total cost of all programs and services was \$909,985. The School received funds from donors to expand the facility.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (continued)

Changes in Net Assets (continued)

The cost of all governmental activities this year was \$909,985.

- The Operating Grants and Contributions from the Federal and State Government and private grant funds subsidized certain programs with grants and contributions \$318,471.
- Some of the cost was paid by the users of the School's programs \$88,580.
- The School's cost paid for by state aid and other general revenues were \$359,210.

All governmental funds include not only funds received for the general operation of the School, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of Food Service and Community Education. Funding for the general operation of the School is controlled by the state and the School does not have the latitude to allocate money received in Food Service or Community Education to enhance classroom instruction resources. The School cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction.

Change in Net Assets

	Total Cost of Services		Percent of Change	Net Cost of Services		Percent of Change
	2012	2011		2012	2011	
Administration	\$ 72,078	\$ 62,541	15.2%	\$ (51,758)	\$ (43,846)	18.0%
District Support Services	75,716	77,717	-2.5%	(75,716)	(77,717)	2.5%
Regular Instruction	364,424	316,476	15.2%	(256,793)	(233,779)	9.8%
Special Education						
Instruction	109,770	89,081	23.2%	(30,923)	(15,832)	95.3%
Instructional Support						
Services	18,192	18,753	-2.9%	(18,192)	(18,753)	2.9%
Pupil Support Services	32,390	30,258	7.0%	(32,390)	(30,258)	7.0%
Sites and Buildings	75,455	64,934	16.2%	283,755	(64,934)	100.0%
Fiscal and Other Fixed						
Cost Programs	7,131	7,890	-9.6%	(7,131)	(7,890)	9.6%
Food Service	51,329	49,538	3.6%	1,225	897	36.5%
Community Service	30,615	34,854	12.1%	5,340	(64)	100.0%
Interest and Fiscal Charges						
On Long-Term Liabilities	72,885	72,919	-%	38,859	14,381	100.0%
Total	\$ 909,985	\$ 824,961	100.0%	\$ (143,724)	\$ (477,795)	100.0%

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The financial performance of the School as a whole is reflected in its governmental funds. As the School completed the year, its governmental funds reported a combined fund balance of \$267,537, \$11,117 above last year's ending fund balance of \$256,420. This includes assigned and unassigned fund balances.

GENERAL FUND

The General Fund is used to account for all revenues and expenditures of the School not accounted for elsewhere. This fund is used to account for K-5 educational activities, School instructional and student support programs, expenditures for both School and School administration, normal operations and maintenance, pupil transportation, capital expenditures, and all other legal expenditures not specifically designated to be accounted for in any other fund.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012**

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS (continued)

GENERAL FUND (continued)

Approximately 88% of General Fund operational revenue is controlled by a complex set of state funding formula resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 67% of personnel expenditures.

Enrollment is a critical factor in determining the revenue of the General Fund with approximately 88% of General Fund revenue being determined by enrollment.

The School adheres to the state attendance statutes and works with families to help keep student attendance steady.

The following schedule presents a summary of General Fund Revenues.

Fund	June 30, 2012	June 30, 2011	Increase (Decrease)
Local Sources			
Earnings on Investments	\$ 162	\$ 163	\$ (1)
Other	29,940	33,165	(3,225)
State Sources	751,041	677,411	73,630
Federal Sources	38,578	34,063	4,515
Total General Fund Revenue Fund	<u>\$ 819,721</u>	<u>\$ 744,802</u>	<u>\$ 74,919</u>

The General fund revenues increased by \$74,919 from the previous fiscal year. Basic general education revenue is determined by multiple complex state formulas, largely enrollment driven, and consists of a specified minimum amount with variables such as socioeconomic indicators driving additional funding. For Minnesota charter schools the majority of all funding is made up of general education aid, special education aid, and charter school lease aid. Other revenue consists of federal and private grant funding that is often expenditure driven.

	June 30, 2012	June 30, 2011	Increase (Decrease)	Percent of Change
Salaries	\$ 477,075	\$ 393,970	\$ 83,105	21.1%
Employee Benefits	63,255	51,225	12,030	23.4%
Purchased Services	224,319	195,431	28,888	14.8%
Supplies and Materials	29,052	29,753	(701)	-2.3%
Capital Expenditures	9,176	11,208	(2,032)	-18.1%
Other Expenditures	15,583	15,158	425	2.8%
Debt Service	5,101	2,125	2,976	140.0%
Total Expenditures	<u>\$ 823,561</u>	<u>\$ 698,870</u>	<u>\$ 124,691</u>	17.8%

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012**

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS (continued)

GENERAL FUND (continued)

The General Fund Expenditures increased \$124,691 from the previous year. This increase can be attributed to an increase in student enrollment that increased staffing and programs.

In 2011-2012, General Fund expenditures were more than revenues by \$3,840. Therefore, the fund balance decreased from \$249,647 at June 30, 2011 to \$245,807 at June 30, 2012.

The single best measurement of the School's overall financial health in the General Fund is the unassigned fund balance. The unassigned fund balance of \$242,841 at June 30, 2012 represents 29% of annual expenditures.

The goal of the School is to retain an unassigned fund balance of over 25%.

GENERAL FUND BUDGETARY HIGHLIGHTS

Following approval of the budget prior to the beginning of the fiscal year, the School revises the annual operating budget in mid-year. These budget amendments fall into two categories:

- Changes in revenue due to increase or decrease in student population, special education student needs and assessments; and unanticipated grants obtained during the year.
- Changes in expenditures due to unexpected rates increasing, employment wage changes based on student population needs, and restricted expending of grants obtained during the year.

The actual results for the year show a decrease in fund balance of \$3,840. The actual expenditures were \$358 under budget.

COMMUNITY EDUCATION FUND

The School's Preschool program was a 5-day a week program that had close to full enrollment. The School's after school child care program is well attended. Expenditures exceeded revenues in the Community Education fund by \$5,340. The unassigned fund balance will continue to be used for scholarships to community education fee based programs.

FOOD SERVICE FUND

The Food Service Fund revenues exceeded expenditures by \$1,224, which is better than budgeted expectations.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School has invested \$2,167,582 in a broad range of capital assets. Total depreciation expense for the year was \$73,419.

A summary of capital fixed assets as of June 30, 2012 is as follows:

	<u>2012</u>	<u>2011</u>
Ridgeway Community School		
Land improvements	\$ 14,651	\$ 1,743
Equipment	217,885	213,202
Ridgeway Community Association		
Land	48,000	48,000
Buildings and improvements	1,887,046	1,487,092
Less: Accumulated Depreciation	(276,992)	(214,477)
Total	<u>\$1,890,590</u>	<u>\$1,535,560</u>

Long-Term Liabilities

As of June 30, 2012, the School had \$30,673 compensated absences payable at the end of the year.

A summary of outstanding long-term liabilities as of June 30, 2012, is as follows:

	<u>2012</u>	<u>2011</u>
Promissory Notes	\$ 30,000	\$ -
Van Loan	16,868	21,163
Building Loan Payable	1,015,466	1,036,933
Compensated Absences Payable	30,673	27,127
Total	<u>1,093,007</u>	<u>1,085,223</u>
Long-Term Liabilities:		
Due within one year	60,532	28,444
Due in more than one year	1,032,475	1,056,779
	<u>\$1,093,007</u>	<u>\$1,085,223</u>

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012**

FACTORS BEARING ON THE SCHOOL'S FUTURE

The School is dependent on the State of Minnesota for its revenue authority. State legislated revenue holdbacks and unpredictable educational funding changes may affect the School's cash flow. Therefore the School will continue to plan conservatively on budget projections and maintain an adequate fund balance to keep the School from having to incur operational loans.

The School will continue its commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our constituents, state the School's citizens, taxpayers, customers, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or would like additional information, contact the Business Office, Ridgeway Community School, 35564 County Road 12, Houston, Minnesota 55943.

BASIC FINANCIAL STATEMENTS

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	
	2012	2011
<u>ASSETS</u>		
Cash and Investments	\$ 58,048	\$ 91,685
Accounts Receivable		
Other Governments	275,578	204,102
Other	3,754	23,202
Due from Other MN Districts	4,295	14,614
Prepaid Expenditures	7,859	14,830
Bond issuance Costs, Net	17,992	18,891
Capital Assets:		
Land	48,000	48,000
Other Capital Assets, Net of Accumulated Depreciation	1,842,590	1,487,560
TOTAL ASSETS	\$ 2,258,116	\$ 1,902,884
<u>LIABILITIES</u>		
Salaries and Payroll Liabilities	\$ 40,377	\$ 28,466
Accounts Payable	29,131	17,221
Payroll Taxes Payable	441	675
Accrued Interest Payable	586	-
Deferred Revenue-Local Sources	11,462	45,654
Long Term Liabilities:		
Due within One Year	60,532	28,444
Due in More Than One Year	1,032,475	1,056,779
TOTAL LIABILITIES	1,175,004	1,177,239
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	828,256	477,463
Restricted General Fund Balance	2,966	6,094
Restricted for Food Service	2,748	1,523
Restricted for Community Service	10,675	5,334
Unassigned	238,467	235,231
TOTAL NET ASSETS	\$ 1,083,112	\$ 725,645

See accompanying Notes to Basic Financial Statements.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
STATEMENT OF ACTIVITIES**
For the Fiscal Year Ended June 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	2012 Governmental Activities	2011 Governmental Activities
Governmental Activities						
Administration	\$ 72,078	\$ 20,320	\$ -	\$ -	\$ (51,758)	\$ (43,846)
School Support Services	75,716	-	-	-	(75,716)	(77,717)
Regular Instruction	364,424	-	107,631	-	(256,793)	(233,779)
Special Education Instructions	109,770	-	78,847	-	(30,923)	(15,832)
Instructional Support Services	18,192	-	-	-	(18,192)	(18,753)
Pupil Support Services	32,390	-	-	-	(32,390)	(30,258)
Site, Buildings, and Equipment	75,455	-	-	359,210	283,755	(64,934)
Fiscal and Other Fixed Cost Programs	7,131	-	-	-	(7,131)	(7,890)
Food Service	51,329	32,305	20,249	-	1,225	897
Community Service	30,615	35,955	-	-	5,340	(64)
Interest and Other Fiscal Charges on Long-Term Debt	72,885	-	111,744	-	38,859	14,381
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 909,985</u>	<u>\$ 88,580</u>	<u>\$ 318,471</u>	<u>\$ 359,210</u>	<u>(143,724)</u>	<u>(477,795)</u>
General Revenues:						
State Aid - Not Restricted					486,932	447,079
Other General Revenues					14,095	5,731
Investment Earnings					164	167
TOTAL GENERAL REVENUES					<u>501,191</u>	<u>452,977</u>
CHANGE IN NET ASSETS					<u>357,467</u>	<u>(24,818)</u>
NET ASSETS - BEGINNING OF YEAR					<u>725,645</u>	<u>750,463</u>
NET ASSETS - END OF YEAR					<u>\$ 1,083,112</u>	<u>\$ 725,645</u>

See accompanying Notes to Basic Financial Statements.

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012
(With Comparative Data as of June 30, 2011)

	General Fund	Food Service Fund	Community Service Fund	Building Corporation	2012 Total	2011 Total
ASSETS						
Cash and Cash Equivalents	\$ 32,269	\$ 1,271	\$ 9,615	\$ 14,893	\$ 58,048	\$ 91,685
Accounts Receivable						
Due from MN Dept of Education	270,466	10	-	-	270,476	200,283
Due from Federal through - MN Dept of Education	1,518	86	-	-	1,604	-
Due from Federal Direct	3,498	-	-	-	3,498	3,819
Other Receivables	658	1,381	1,715	-	3,754	23,202
Due from Other MN Districts	4,295	-	-	-	4,295	14,614
Due from Other Funds	-	-	-	-	-	10,000
Prepaid Expenditures	7,859	-	-	-	7,859	14,830
	<u>\$ 320,563</u>	<u>\$ 2,748</u>	<u>\$ 11,330</u>	<u>\$ 14,893</u>	<u>\$ 349,534</u>	<u>\$ 358,433</u>
LIABILITIES & FUND BALANCES						
<u>Liabilities</u>						
Salaries Payable	\$ 40,377	\$ -	\$ -	\$ -	\$ 40,377	\$ 28,466
Account Payable	28,877	-	254	586	29,717	17,221
Payroll Taxes Payable	441	-	-	-	441	675
Due to Other Funds	-	-	-	-	-	10,000
Deferred Revenue- Local Sources	5,061	-	401	6,000	11,462	45,654
TOTAL LIABILITIES	<u>74,756</u>	<u>0</u>	<u>655</u>	<u>6,586</u>	<u>81,997</u>	<u>102,016</u>
<u>Fund Balances</u>						
Restricted Fund Balance	2,966	-	-	-	2,966	6,094
Unassigned:						
General Fund	242,841	-	-	-	242,841	243,552
Special Revenue Funds	-	2,748	10,675	8,307	21,730	6,771
TOTAL FUND BALANCES	<u>245,807</u>	<u>2,748</u>	<u>10,675</u>	<u>8,307</u>	<u>267,537</u>	<u>256,417</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 320,563</u>	<u>\$ 2,748</u>	<u>\$ 11,330</u>	<u>\$ 14,893</u>	<u>\$ 349,534</u>	<u>\$ 358,433</u>

See accompanying Notes to Basic Financial Statements.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
June 30, 2012**

	<u>2012</u>	<u>2011</u>
TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 267,537	\$ 256,417
Amounts reported for the 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 as assets in governmental funds.		
Land	48,000	48,000
Buildings and Improvements, Net of Accumulated Depreciation	1,613,818	1,328,736
Equipment, Net of Accumulated Depreciation	228,772	158,824
Bond issuance costs are reported as expenditures in the governmental funds.	17,992	18,891
Long Term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long Term liabilities at year-end consist of:		
Promissory Notes	(30,000)	-
Van Loan	(16,868)	(21,163)
Building Loan Payable	(1,015,466)	(1,036,933)
Compensated Absences Payable	(30,673)	(27,127)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	\$ <u>1,083,112</u>	\$ <u>725,645</u>

See accompanying Notes to Basic Financial Statements.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2012
(With Comparative Data as of June 30, 2011)**

REVENUE	General Fund	Food Service Fund	Community Service Fund	Building Corporation	2012 Total	2011 Total
Local Sources						
Earnings on Investments	\$ 162	\$ -	\$ -	\$ 2	\$ 164	\$ 167
Other Local and County Revenues	29,940	32,305	35,955	483,370	581,570	218,721
Revenue from State Sources	751,041	2,021	-	-	753,062	679,738
Revenue from Federal Sources	38,578	18,228	-	-	56,806	49,607
TOTAL REVENUES	819,721	52,554	35,955	483,372	1,391,602	948,233
EXPENDITURES						
Administration	70,644	-	-	1,434	72,078	62,418
District Support Services	75,593	-	-	-	75,593	77,717
Regular Instruction	318,565	-	-	-	318,565	276,989
Special Education Instruction	109,770	-	-	-	109,770	89,081
Instructional Support Services	17,973	-	-	-	17,973	18,534
Pupil Support Services	26,279	-	-	-	26,279	31,953
Site, Buildings, and Equipment	174,966	-	-	-	174,966	139,020
Fiscal and Other Fixed Cost	6,232	-	-	-	6,232	6,991
Food Service	-	51,330	-	-	51,330	49,538
Community Service	-	-	30,615	-	30,615	34,854
Capital Outlay	18,438	-	-	410,011	428,449	-
Debt Service						
Principal	4,282	-	-	21,468	25,750	20,029
Interest and Fiscal Charges	819	-	-	72,066	72,885	72,919
TOTAL EXPENDITURES	823,561	51,330	30,615	504,979	1,410,485	880,043
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,840)	1,224	5,340	(21,607)	(18,883)	68,190
OTHER FINANCING SOURCES (USES)						
Promissory Notes	-	-	-	30,000	30,000	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	30,000	30,000	0
NET CHANGE IN FUND BALANCES	(3,840)	1,224	5,340	8,393	11,117	68,190
FUND BALANCE - JULY 1, 2011	249,647	1,524	5,335	(86)	256,420	188,227
FUND BALANCE - JUNE 30, 2012	<u>\$ 245,807</u>	<u>\$ 2,748</u>	<u>\$ 10,675</u>	<u>\$ 8,307</u>	<u>\$ 267,537</u>	<u>\$ 256,417</u>

See accompanying Notes to Basic Financial Statements.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS**

June 30, 2012

	2012	2011
TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 11,117	\$ 68,190

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.

Capital Outlays	428,449	6,000
Depreciation Expense	(73,419)	(66,722)

Some capital asset additions are financed through notes payable and capital leases. In governmental funds, a loan payable or capital lease is considered a source of financing, but in the statements of net asset, the loan payable and capital lease are reported as liabilities. Repayment of loan principal and the principal paid on capital lease are expenditures in the governmental funds, but the repayment reduces the loan payable and capital lease payable in the statement of net assets.

Prommissory Notes	(30,000)	-
Loan Advance	-	(22,886)
Repayment of Loan Principal	4,295	1,723
Repayment of Building Loan	21,470	20,029
Amortization of Bond Issuance Costs	(899)	(899)

Change in Deferred Revenues	-	(26,779)
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In the statement of activities, certain operating expenses - compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount actually paid).

	(3,546)	(3,474)
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CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES	\$ <u>357,467</u>	\$ <u>(24,818)</u>
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See accompanying Notes to Basic Financial Statements.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET & ACTUAL
GENERAL FUND**

For the Fiscal Year Ended June 30, 2012
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		2012	2012	2011
	Original	Final	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES					
Local Sources					
Earnings on Investments	\$ 250	\$ 175	\$ 162	\$ (13)	\$ 163
Other Local and County Revenues	24,055	28,664	29,940	1,276	33,165
Revenue from State Sources	758,354	731,104	751,041	19,937	677,411
Revenue from Federal Sources	28,654	39,048	38,578	(470)	34,063
TOTAL REVENUES	811,313	798,991	819,721	20,730	744,802
EXPENDITURES					
Administration	67,647	66,650	70,644	(3,994)	58,585
District Support Services	73,073	76,289	75,593	696	77,717
Regular Instruction	314,152	339,449	318,565	20,884	276,989
Special Education Instruction	91,319	101,998	109,770	(7,772)	89,081
Instructional Support Services	25,915	28,024	17,973	10,051	18,534
Pupil Support Services	27,733	27,488	26,279	1,209	31,953
Site, Buildings, and Equipment	192,089	172,239	174,966	(2,727)	139,020
Fiscal and Other Fixed Cost	10,578	11,782	11,333	449	6,991
Capital Outlay	-	-	18,438	(18,438)	-
TOTAL EXPENDITURES	802,506	823,919	823,561	358	698,870
Excess of Revenues Over (Under) Expenditures	8,807	(24,928)	(3,840)	21,088	45,932
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0	0
NET CHANGE IN FUND BALANCES	8,807	(24,928)	(3,840)	21,088	45,932
FUND BALANCE - JULY 1, 2011	249,647	249,647	249,647	0	203,714
FUND BALANCE - JUNE 30, 2012	\$ 258,454	\$ 224,719	\$ 245,807	\$ 21,088	\$ 249,646

See accompanying Notes to Basic Financial Statements.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET & ACTUAL
FOOD SERVICE FUND**

For the Fiscal Year Ended June 30, 2012
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		2012	2012	2011
	Original	Final	Actual	Variance Favorable (Unfavorable)	Actual
REVENUE					
Local Sources					
Primarily Meal Sales	\$ 32,150	\$ 30,320	\$ 32,305	\$ 1,985	\$ 32,564
Revenue from State Sources	2,300	1,965	2,021	56	2,327
Revenue from Federal Sources	13,955	16,325	18,228	1,903	15,544
TOTAL REVENUES	<u>48,405</u>	<u>48,610</u>	<u>52,554</u>	<u>3,944</u>	<u>50,435</u>
EXPENDITURES					
Food Service	<u>49,220</u>	<u>48,367</u>	<u>51,330</u>	<u>(2,963)</u>	<u>49,538</u>
TOTAL EXPENDITURES	<u>49,220</u>	<u>48,367</u>	<u>51,330</u>	<u>(2,963)</u>	<u>49,538</u>
Excess of Revenues Over (Under) Expenditures	(815)	243	1,224	981	897
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	\$ <u>(815)</u>	\$ <u>243</u>	1,224	\$ <u>981</u>	\$ 897
FUND BALANCE - JULY 1, 2011			1,524		626
FUND BALANCE - JUNE 30, 2012			\$ <u>2,748</u>		\$ <u>1,523</u>

See accompanying Notes to Basic Financial Statements.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET & ACTUAL
COMMUNITY SERVICE FUND**

For the Fiscal Year Ended June 30, 2012

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>2012</u>	<u>2012</u>	<u>2011</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
REVENUE					
Local Sources					
Primarily Tuition and Fees	\$ 29,349	\$ 35,678	\$ 35,955	\$ 277	\$ 34,790
Revenue from Federal Sources	-	-	-	-	-
TOTAL REVENUES	<u>29,349</u>	<u>35,678</u>	<u>35,955</u>	<u>277</u>	<u>34,790</u>
EXPENDITURES					
Community Service	<u>28,099</u>	<u>33,918</u>	<u>30,615</u>	<u>3,303</u>	<u>34,854</u>
TOTAL EXPENDITURES	<u>28,099</u>	<u>33,918</u>	<u>30,615</u>	<u>3,303</u>	<u>34,854</u>
Excess of Revenues Over (Under) Expenditures	1,250	1,760	5,340	3,580	(64)
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	\$ <u>1,250</u>	\$ <u>1,760</u>	\$ 5,340	\$ <u>3,580</u>	\$ (64)
FUND BALANCE - JULY 1, 2011			5,335		5,398
FUND BALANCE - JUNE 30, 2012			\$ <u>10,675</u>		\$ <u>5,334</u>

See accompanying Notes to Basic Financial Statements.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1. – Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of Ridgeway Community School have been prepared in conformity with U.S. 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 GASB has issued codification of governmental accounting and financial reporting standards dated June 30, 2000. This codification and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local government.

B. Reporting Entity

Ridgeway Community School, Houston, Minnesota ("School") is a Charter School, and was formed August 29, 2001 through an agreement with Winona Area Public Schools District No. 861 in accordance with Minnesota Statutes and began operating September 17, 2001 pursuant to applicable Minnesota laws and statutes. The primary objective of the School is to prepare individuals for responsible, self-directed, lifelong learning, with an emphasis on traditional rural values of cooperation, respect, community service, and stewardship of the natural environment.

Accounting Principles Generally Accepted in the United States of America (GAAP) require that the School's financial statements include all funds, account groups, departments, agencies, boards, commissions, and other organizations which are not legally separate from the School. In addition, the School's financial statements are to include all component units-entities for which the School is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds and account groups of the School.

Based on these criteria, there is one organization that is considered to be a component unit of the School. Ridgeway Community Association is a Minnesota non-profit corporation holding IRS classification as a 501 (C)(3) tax exempt organization which owns the real estate and building that is leased by the School for its operations. Ridgeway Community Association is governed by a separate board appointed by the board of the School. Although it is legally separate from the School, Ridgeway Community Association is reported as if it were part of the School (as a blended component unit) because its sole purpose is to acquire, construct, and own an educational site, which is leased to the School. No separate financial statements for Ridgeway Community Association are issued. All long-term debt related to the purchase of the building and property and all fixed assets related to the school site will be the responsibility of and will be under the ownership of Ridgeway Community Association.

C. Basic Financial Statement Presentation

The School-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the School.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services; or privileges provided by a given function or segment, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported as general revenues.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1. – Summary of Significant Accounting Policies (continued)

C. Basic Financial Statement Presentation (continued)

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

Proprietary funds are used to report business-type activities carried on by a school. No activities of the School were determined to be of this nature, so no proprietary funds are present in the financial statements.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner:

1. Revenue Recognition- Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough, thereafter, to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales and other miscellaneous revenue are recorded as revenue when received because they are generally not measurable until then. A six-month availability period is generally used for other fund revenue.
2. Recording of Expenditures- Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used.

The School reports deferred revenue on its combined balance sheet. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arise when resources are received by the School before it has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the School has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1. – Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting (continued)

Description of Funds

The existence of various School funds has been established by the State of Minnesota, Department of Education. The accounts of the School are organized on the basis of funds, each of which is considered a separate accounting entity. The funds included in this report are described as follows:

Governmental Funds

General Fund - Accounts for all financial resources and transactions except those required to be accounted for in other funds including general operation, special education programs, pupil transportation, and capital expenditures.

Food Service Special Revenue Fund - Accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches and snacks in connection with school activities.

Community Service Special Revenue Fund - Accounts for the resources designated for preschool and after school care programs.

Building Corporation Special Revenue Fund - Accounts for all activities of the Ridgeway Community Association. This includes accounting for the proceeds and uses of resources borrowed for the purpose of purchasing and building the school site, the receipt of lease payments from Ridgeway Community School, as well as the debt service payments required under the terms of the building loan.

E. Budgets

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the Board of Directors adopts an annual budget for funds of the School on a basis consistent with the United States generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as revised by the Board of Directors. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the School Coordinator submits to the Board of Directors prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by the Board of Directors actions. Revisions to budgeted amounts must be approved by the Board of Directors.

Total fund expenditures in excess of the budget require approval of the Board of Directors. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1. – Summary of Significant Accounting Policies (continued)

F. Specific Account Information

Cash & Investments

Cash consists of cash on hand, checking, and savings accounts. The School maintains all deposits in an account in the name of the School. These deposits are invested on a short-term basis. The balances shown in each fund represent an equity interest in the commingled pool of cash and temporary cash investments, which is under the management of the School.

Investments are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

Accounts Receivable

Represent amounts receivable from individuals, firms, and corporations for goods and services furnished by the School. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

Prepaid Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

Capital Assets

Capital assets are recorded at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated capital assets are recorded as capital assets at their estimated fair market value at the date of donation. The School maintains a threshold level of \$ 1,000 for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the School-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over the estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 5 to 15 years for equipment and 50 years on buildings.

The School does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings and other improvable property.

Deferred Revenue

Deferred revenues are those in which resources are received by the School before it has a legal claim to them. The School has reported deferred revenues for a restricted donation, preschool fees paid in advance for the next fiscal year, and pledges receivable in the building corporation.

Long-Term Obligations

In the School-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1. – Summary of Significant Accounting Policies (continued)

F. Specific Account Information (continued)

Risk Management

The School is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employee; natural disasters and workers compensation. The School purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Fund Balance

Fund balances of governmental fund types are classified in two separate categories. The general meaning is as follows:

- Restricted/Reserved - Indicates that a portion of fund equity has been legally segregated for specific purposes.
- Unassigned Fund Balance – Indicates that portion of fund equity which is available for general expenditures in future periods.

Net Assets

Net assets represent the difference between assets and liabilities in the School-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the School-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Compensated Absences

Full-time 12-month employees of the School earn 12 days of personal leave each year, and student service-day employees earn 9 days of personal leave each year. This benefit vests to employees. At June 30, 2012, compensated absences totaling \$30,673 are recorded in the financial statements.

Comparative Data

Comparative data for the prior year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the School's financial position and operations.

NOTE 2. – Stewardship and Accountability

Deficit Fund Balance

The School had no deficit fund balance at June 30, 2012.

Inter-fund Receivables

The School had no inter-fund receivables and payables at June 30, 2012.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012**

NOTE 3. – Deposits and Investments

Deposits

In accordance with Minnesota Statutes, the School maintains deposits at those institutions authorized by the School Board. All such depositories are members of the Federal Reserve System.

Deposits, at cost, as of June 30, 2012 consist of the following:

	Bank Balance	Carrying Amount
Cash on hand	\$ -	\$ 50
Bank deposit- Checking	49,279	53,627
Money Market Savings & CD	4,371	4,371
Total	<u>\$ 53,650</u>	<u>\$ 58,048</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School's deposit policy for custodial credit risk follows Minnesota Statutes for deposits. The School's Deposits are entirely covered by federal depository insurance or by collateral held by the School's custodial banks in the School's name.

Minnesota Statutes require that all School deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% if the deposits not covered by insurance or surety bonds.

NOTE 4. – Due from Department of Education

The amount due from the Minnesota Department of Education represents both state and federal revenues still to be paid to the School at June 30, 2012

Fund	Minnesota Dept. of Education	Federal Government	Total
General	\$ 270,466	\$ 5,102	\$ 275,568
Food Service	10	-	10
Total	<u>\$ 270,476</u>	<u>\$ 5,102</u>	<u>\$ 275,578</u>

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012**

NOTE 5. – Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government Activities				
Capital Assets				
Ridgeway Community School				
Land Improvements	\$ 1,743	\$ 12,908	\$ -	\$ 14,651
Equipment	213,202	15,587	(10,904)	217,885
Ridgeway Community Association				
Land	48,000	-	-	48,000
Buildings and Improvements	<u>1,487,092</u>	<u>399,954</u>	<u>-</u>	<u>1,887,046</u>
Total Capital Assets, Being Depreciated	1,750,037	428,449	(10,904)	2,167,582
Accumulated Depreciation Activity for				
Ridgeway Community School				
Land Improvements	(218)	(409)	-	(627)
Equipment	(54,378)	(19,906)	10,904	(63,380)
Ridgeway Community Association				
Buildings and Improvements	<u>(159,881)</u>	<u>(53,104)</u>	<u>-</u>	<u>(212,985)</u>
Total Accumulated Depreciation	(214,477)	(73,419)	10,904	(276,992)
Governmental Activities Capital Assets, Net	<u>\$ 1,535,560</u>	<u>\$ 355,030</u>	<u>\$ 0</u>	<u>\$ 1,890,590</u>

Depreciation expense was charged to functions of the School as follows:

Governmental Activities	
District Support Services	\$ 123
Regular Instruction	42,317
Instructional Support	219
Pupil Support services	6,111
Sites and Buildings	24,649
Total Depreciation Expense, Governmental Activities	<u>\$ 73,419</u>

NOTE 6. – Long-Term Liabilities

A. Components of Long-Term Liabilities

	<u>Principal Outstanding</u>	
	<u>Due Within</u>	
	<u>One Year</u>	<u>Total</u>
Van Loan Payable	\$ 4,455	\$ 16,868
Promissory Notes	30,000	30,000
Building Loan Payable	23,010	1,015,466
Compensated Absences Payable	3,067	30,673
	<u>\$ 60,532</u>	<u>\$ 1,093,007</u>

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012**

NOTE 6. – Long-Term Liabilities (continued)

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences payable are as follows:

Year Ending June 30	Building Loan Payable		Van Loan Payable	
	Principal	Interest	Principal	Interest
2013	\$ 23,010	\$ 69,938	\$ 4,455	\$ 647
2014	24,662	68,286	4,652	449
2015	26,434	66,514	4,858	243
2016	28,333	64,615	2,903	43
Thereafter	913,027	629,362	-	-
	<u>\$ 1,015,466</u>	<u>\$ 898,715</u>	<u>\$ 16,868</u>	<u>\$ 1,382</u>

C. Description of Long-Term Liabilities

Building Loan Payable

Ridgeway Community Association obtained a construction loan from NCB Capital Impact on June 27, 2007 in the amount of \$1,100,000 to payoff the 2006 building loan and to finance construction which began after June 30, 2007. This project consisted of renovating the existing building as well as two additional classrooms and a library. NCB Capital Impact issued two separate bonds as follows: \$1,045,000 with a term of twenty-five years and \$55,000 with a term of ten years. From the time of issuance until the conversion date interest is a "floating rate" set on the first of each month at three% above the base interest rate. Upon reaching the conversion date, December 26, 2007, the interest rates became fixed at 6.93% and 7.5%, respectively. Issuance costs related to the loan amounted to \$22,487. The loans are guaranteed by Ridgeway Community School.

Compensated Absences Payable

Compensated absences payable consist of unused compensated payable totaling \$30,673 at June 30, 2012.

Van Loan Payable

Ridgeway Community School financed the purchase of a Toyota Sienna Van through Dahl Automotive Winona. The amount financed totaled \$22,886 with monthly payments of \$425.11. The interest rate on these payments is 4.35%. The balance is to be paid off by January 28, 2016.

Promissory Notes

Ridgeway Community Association received two promissory notes from two entities. The interest rate on these notes is 4.5%. They are both due in 2013.

D. Changes in Long-Term Liabilities

	June 30, 2011	Additions	Retirements	June 30, 2012
Promissory Notes	\$ -	\$ 30,000	\$ -	\$ 30,000
Van Loan Payable	21,163	-	4,295	16,868
Building Loan Payable	1,036,933	-	21,467	1,015,466
Compensated Absences Payable-Net	27,127	3,546	-	30,673
	<u>\$ 1,085,223</u>	<u>\$ 33,546</u>	<u>\$ 25,762</u>	<u>\$ 1,093,007</u>

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012**

NOTE 7. – Inter-fund Transfers

Ridgeway Community School did not have any inter-fund transfers during the June 30, 2012 year.

NOTE 8. – Operating Lease

Ridgeway Community School incurs expenses under an operating lease for rent of facilities. This lease agreement is cancelable and has a term of twenty-five years. The following is a schedule of future minimum lease payments required under the operating lease:

Year-Ending June 30,	
2013	\$ 97,000
2014	97,000
2015	97,000
2016	97,000
2017	97,000
2018	97,000
2019-2023	485,000
2024-2028	485,000
2029-2032	388,000
Total Minimum Lease Payments	<u>\$1,940,000</u>

The School's lease expense for the year ended June 30, 2012 was \$124,160.

NOTE 9. – Pension Plans

Substantially all employees of the School are required by State law to belong to pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

Disclosures relating to these plans follow:

A. TEACHERS RETIREMENT ASSOCIATION (TRA)

Plan Description

All teachers employed by the School are covered by defined benefit plans administered by the State of Minnesota Teachers Retirement Association (TRA). TRA members belong to either the Coordinated Fund or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. The plans are established and administered in accordance with Minnesota Statutes, Chapter 354 and 356.

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota statute, and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and years of credit at termination of service.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012**

NOTE 9. – Pension Plans (continued)

A. TEACHERS RETIREMENT ASSOCIATION (TRA) (continued)

Plan Description (continued)

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989 receive the greater of the Tier I or Tier II as described:

Tier I:	<u>Step rate formula</u>	<u>Coordinated</u>	<u>Basic</u>
	1st ten years if service years are prior to 7-1-06	1.2% per year	2.2% per year
	1 st ten years if service years are 7-1-06 or after	1.4% per year	2.7% per year
	All other years of service if service years are prior to 7-1-06	1.7% per year	
	All other years of service if service Years are 7-1-06 or after	1.9% per year	

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more year of allowable service.
- (b) 3% per year early retirement reduction factors for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Or

Tier II: For years of service prior to July 1, 2006, a level formula of 1.7% per year for Coordinated members and 2.7% per year for Basic members. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7 for Basic members applies. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4 to 5.5% per year.

Members first employed after June 30, 1989 receive only the Tier II calculation with a normal retirement age that is their retirement age for full social security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. Life Plan A-1 is a lifetime annuity that ceases upon the death of the retiree - no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to designated beneficiary(ies) by selecting one of the five plans, which have survivorship features. Members may also leave their contribution in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Members terminating service are also eligible for a refund of their employee contributions plus interest.

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, and further information on benefit provisions. The report may be accessed at the TRA Web site www.tra.state.mn.us. Alternatively, a copy of the report may be obtained by writing or calling TRA: Teachers Retirement Association, 60 Empire Drive, Suite 400, St. Paul, MN 55103-4000, (651) 296-2409 or (800) 657-3669.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012**

NOTE 9. – Pension Plans (continued)

A. TEACHERS RETIREMENT ASSOCIATION (TRA) (continued)

Funding Policy

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. As of July 1, 2006 Coordinated and Basic Plan members are required to contribute 6.75% and 9.0%, respectively, of their annual covered salary as employee contributions. As of July 1, 2007, the employer contribution rate for Coordinated members is 6.75% and 9.5% for Basic members. Total covered payroll salaries for all TRA members statewide during the fiscal year ended June 30, 2008 was approximately 3.645 billion.

The School contributions for the years ending June 30, 2012, 2011, and 2010, were \$16,227, \$12,732, and \$13,123, respectively, equal to the required contributions for each year as set by state statute.

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

Plan Description

Employees, other than teachers, are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF), which is a cost-sharing multiple-employer retirement plan. This plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. For a Coordinated member, the annuity accrual rate is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic members and 1.7% for Coordinated members for each year of service. For all PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1 a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced social security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single life annuity is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012**

NOTE 9 – Pension Plans (continued)

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) (continued)

Plan Description (continued)

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained on the web at mnpera.com, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or calling (651) 296-7460 or (800) 652-9026.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The School makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6% respectively, of their annual covered salary in 2008. The School was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.75% for Coordinated Plan PERF members. The School's contributions to the Public Employees Retirement Fund for the years ending June 30, 2012, 2011, and 2010, were \$12,295, \$10,305, and \$9,549, respectively. The School's contributions were equal to the contractually required contributions for each year as set by the state statute.

NOTE 10. – Risk Management

The School is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters. The School manages these various risks of loss through commercial insurance coverage.

Claims Liability Analysis

The claims liabilities related to risks of loss that are retained are determined in accordance with the requirements of Statement of Financial Accounting Standards Board No. 5, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. At June 30, 2012, 2011, 2010 and 2009 no significant claim liabilities that meet these criteria existed.

NOTE 11. – Commitments and Contingencies

Federal and State Programs

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds, which, may be disallowed by the agencies, cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

Lease Commitment and Terms – School Site - Ridgeway Association

The School leases its educational site from Ridgeway Community Association (a blended component unit). Under the terms of the lease agreement, the lease term is for the period beginning April 1, 2011 and ending June 30, 2032.

The net annual base rent for the term of the lease agreement is directly tied to the debt service requirements of the Ridgeway Community Association. In Addition, the School is responsible for all interior and exterior repair and maintenance costs as well as all utility costs.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012**

NOTE 11. – Commitments and Contingencies (continued)

Lease Commitment and Terms – School Site - Ridgeway Association (continued)

The total amount of rent paid by the School to Ridgeway Community Association under the terms of the lease agreement was \$124,160 for fiscal 2012. Future amounts to be requested for state lease aid from the Minnesota Department of Education may vary due to financing arrangements, which are subject to change.

The School's ability to make payment under this lease agreement is dependent on its revenues which are in turn, largely dependent on sufficient enrollments being served at the School and on sufficient state aids per student being authorized and received from the State of Minnesota. The School believes that its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due.

In addition, the School is responsible for reasonable repairs and maintenance costs applicable to a tenant, as well as all custodial and utility costs.

NOTE 12. – Student Activity Accounts

The School has no student activity accounts as of June 30, 2012. If the School does have any student activity accounts established, they will be under school board control.

SUPPLEMENTAL INFORMATION

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Member of Minnesota Association of Public Accountants
Member of Minnesota Society of Certified Public Accountants

To the Board of Directors
Ridgeway Community School
Houston, MN 55943

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

We have audited the financial statements of the governmental activities and each major fund of Ridgeway Community School as of and for the year ended June 30, 2012, which collectively comprises Ridgeway Community School, Houston, Minnesota's basic financial statements and have issued our report thereon dated September 28, 2012. 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 School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

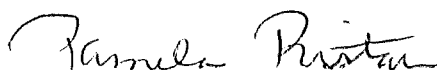
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily identify all significant deficiencies that are considered material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ridgeway Community School, Houston, Minnesota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grants 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*.

We did not issue a management letter to Ridgeway Community School for the year end June 30, 2012.

This report is intended solely for the information and use of Ridgeway Community School, the Minnesota State Auditor's Office, and other state agencies and is not intended to be and should not be used by anyone other than these specified parties.


Pamela Ristau CPA
September 28, 2012

Pamela Ristau, CPA



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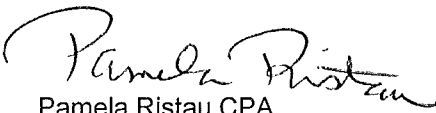
REPORT ON MINNESOTA LEGAL COMPLIANCE

We have audited the financial statements of Ridgeway Community School, as of and for the year ended June 30, 2012 and have issued our report thereon dated September 28, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minnesota Legal Compliance Audit Guide for Local Government promulgated by the Legal Compliance Task Force pursuant to Minnesota Statutes Section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

The Minnesota Legal Compliance Audit Guide for Local Government covers two main categories of compliance to be tested: charter schools and uniform financial accounting and reporting standards for school districts. Our study included both of the listed categories.

The results of our tests indicated that for the items tested the Ridgeway Community School complied with the material terms and conditions of applicable legal provisions.


Pamela Ristau CPA
September 28, 2012

Fiscal Compliance Report - 6/30/2012

District: RIDGEWAY COMMUNITY SCHOO (4083-7)

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	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$819,721	<u>\$819,721</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
Total Expenditures	\$823,561	<u>\$823,561</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
Non Spendable:				Non Spendable:			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
Restricted / Reserved:				Restricted / Reserved:			
4.03 Staff Development	\$0	<u>\$0</u>	\$0	4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0
4.05 Deferred Maintenance	\$0	<u>\$0</u>	\$0	4.09 Alternative Facility Program	\$0	<u>\$0</u>	\$0
4.06 Health and Safety	\$0	<u>\$0</u>	\$0	4.13 Project Funded by COP	\$0	<u>\$0</u>	\$0
4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0	Restricted:			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.14 Operating Debt	\$0	<u>\$0</u>	\$0	Unassigned:			
4.16 Levy Reduction	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.17 Taconite Building Maint	\$0	<u>\$0</u>	\$0				
4.23 Certain Teacher Programs	\$0	<u>\$0</u>	\$0	07 DEBT SERVICE			
4.24 Operating Capital	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
4.27 Disabled Accessibility	\$0	<u>\$0</u>	\$0	Non Spendable:			
4.28 Learning & Development	\$0	<u>\$0</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
4.34 Area Learning Center	\$0	<u>\$0</u>	\$0	Restricted / Reserved:			
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	\$0	4.51 QZAB Payments	\$0	<u>\$0</u>	\$0
4.38 Gifted & Talented	\$0	<u>\$0</u>	\$0	Restricted:			
4.41 Basic Skills Programs	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.45 Career Tech Programs	\$0	<u>\$0</u>	\$0	Unassigned:			
4.49 Safe School Crime	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.50 Pre-Kindergarten	\$0	<u>\$0</u>	\$0				
4.51 QZAB Payments	\$0	<u>\$0</u>	\$0	08 TRUST			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
Restricted:				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0				
Committed:				20 INTERNAL SERVICE			
4.18 Committed for Separation	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.61 Committed Fund Balance	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
Assigned:				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.62 Assigned Fund Balance	\$2,966	<u>\$2,966</u>	\$0				
Unassigned:				25 OPEB REVOCABLE TRUST			
4.22 Unassigned Fund Balance	\$242,841	<u>\$242,841</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
				Total Expenditures	\$0	<u>\$0</u>	\$0
02 FOOD SERVICES				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
Total Revenue	\$52,554	<u>\$52,554</u>	\$0				
Total Expenditures	\$51,330	<u>\$51,330</u>	\$0	45 OPEB IRREVOCABLE TRUST			
Non Spendable:				Total Revenue	\$0	<u>\$0</u>	\$0
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
Restricted / Reserved:				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0				
Restricted:				47 OPEB DEBT SERVICE			
4.64 Restricted Fund Balance	\$2,746	<u>\$2,746</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
Unassigned:				Total Expenditures	\$0	<u>\$0</u>	\$0
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0	Non Spendable:			
				4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
04 COMMUNITY SERVICE				Restricted:			
Total Revenue	\$35,955	<u>\$35,955</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
Total Expenditures	\$30,615	<u>\$30,615</u>	\$0	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
Non Spendable:				Unassigned:			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
Restricted / Reserved:							
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0				
4.31 Community Education	\$0	<u>\$0</u>	\$0				
4.32 E.C.F.E	\$0	<u>\$0</u>	\$0				
4.44 School Readiness	\$0	<u>\$0</u>	\$0				
4.47 Adult Basic Education	\$0	<u>\$0</u>	\$0				
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0				
Restricted:							
4.64 Restricted Fund Balance	\$10,675	<u>\$10,675</u>	\$0				
Unassigned:							
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0				