



Rea & associates *a brighter way*

# Ridgedale Local School District

## Marion County, Ohio

### *Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2017





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ridgedale Local School District, Marion County, prepared by Rea & Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 14, 2017



**Ridgedale Local School District**  
**Marion County, Ohio**  
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*June 30, 2017*

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November 13, 2017

To the Board of Education and Management  
Ridgedale Local School District  
Marion County, Ohio  
3103 Hillman Ford Road  
Morral, OH 43337

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ridgedale Local School District, Marion County, Ohio, (the "School District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ridgedale Local School District, Marion County, Ohio, as of June 30, 2017, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the School District's Proportionate Share of the Net Pension Liability, and Schedule of School District Contributions* on pages 5–12, 61, and 62–63, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Dublin, Ohio



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**Ridgedale Local School District**  
**Marion County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*

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The discussion and analysis of the Ridgedale Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2017 are as follows:

- Net position increased \$252,501, which represents a 7 percent increase from 2016.
- During the fiscal year, outstanding debt decreased from \$43,781 to \$14,279 due to principal payments.

***Using this Annual Report***

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

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

***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

***Reporting the School District's Most Significant Funds***

***Fund Financial Statements***

The major funds financial statements begin on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

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

***Reporting the School District's Fiduciary Responsibilities***

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

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**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2017 compared to 2016:

**Table 1**  
**Net Position**

	Governmental Activities	
	2017	2016
<b>Assets</b>		
Current and Other Assets	\$ 8,035,022	\$ 7,344,142
Capital Assets	2,425,018	2,063,739
<i>Total Assets</i>	10,460,040	9,407,881
<b>Deferred Outflows of Resources</b>		
Pension	2,195,236	993,526
<b>Liabilities</b>		
Other Liabilities	952,143	797,412
Long-Term Liabilities		
Due Within One Year	74,235	89,033
Due in More Than One Year		
Net Pension Liability	11,991,979	9,973,250
Other Amounts	235,979	236,922
<i>Total Liabilities</i>	13,254,336	11,096,617
<b>Deferred Inflows of Resources</b>		
Property Taxes and Other	2,568,718	2,092,908
Pension	443,412	1,075,573
<i>Total Deferred Inflows of Resources</i>	3,012,130	3,168,481
<b>Net Position</b>		
Net Investment in Capital Assets	2,410,739	2,019,958
Restricted	276,334	261,145
Unrestricted	(6,298,263)	(6,144,794)
<i>Total Net Position</i>	\$ (3,611,190)	\$ (3,863,691)

Under the standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

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GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District’s statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan’s *change* in net pension liability not accounted for as deferred inflows/outflows of resources.

As a result of GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

At year end, capital assets represented 23 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets was \$2,410,739 at June 30, 2017. These capital assets are used to provide services to students and are not available for future spending. Although the School District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District’s net position, \$276,334, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit of \$6,298,263 which is caused primarily by GASB 68.

During fiscal year 2017, capital assets increased \$361,279, or 18 percent, due to current year acquisitions exceeding disposals and depreciation expense. The most significant additions were from roof replacements.

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The increase in deferred outflows and net pension liability, as well as the decrease in deferred inflows are primarily due to current year changes in GASB Statement No. 68 related to accruals.

The increase in current and other assets is primarily due to an increase in property taxes receivable as a result of increased assessed property values.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2017 and 2016.

**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2017	2016
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$ 1,643,414	\$ 1,593,028
Operating Grants, Contributions, and Interest	790,258	705,495
<i>Total Program Revenues</i>	<u>2,433,672</u>	<u>2,298,523</u>
<i>General Revenues:</i>		
Property Taxes	3,505,793	3,306,395
Grants and Entitlements Not Restricted	3,438,405	3,355,546
Payments in Lieu of Taxes	86,507	89,156
Other	217,455	58,837
<i>Total General Revenues</i>	<u>7,248,160</u>	<u>6,809,934</u>
<i>Total Revenues</i>	<u>9,681,832</u>	<u>9,108,457</u>
<b>Program Expenses</b>		
<i>Instruction:</i>		
Regular	3,188,275	2,963,608
Special	790,245	687,124
Vocational	183,706	233,968
Student Intervention Services	5,771	5,596
Other	1,381,222	1,344,983
<i>Support Services:</i>		
Pupils	194,367	301,199
Instructional Staff	268,887	353,328
Board of Education	62,189	100,396
Administration	847,060	767,349
Fiscal	313,357	291,502
Business	7,621	7,134
Operation and Maintenance of Plant	909,481	625,628
Pupil Transportation	510,593	452,859
Central	50,242	36,811
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	458,015	446,538
Extracurricular Activities	255,637	218,384
<i>Debt Service:</i>		
Interest and Fiscal Charges	2,663	6,291
<i>Total Expenses</i>	<u>9,429,331</u>	<u>8,842,698</u>
<i>Increase (Decrease) in Net Position</i>	<u>\$ 252,501</u>	<u>\$ 265,759</u>
<i>Net Position at Beginning of Year</i>	<u>(3,863,691)</u>	<u>(4,129,450)</u>
<i>Net Position at End of Year</i>	<u>\$ (3,611,190)</u>	<u>\$ (3,863,691)</u>

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Operations and maintenance of plant increased primarily due to various projects at the School District which includes roof repairs.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
**Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2017	2016	2017	2016
Instruction:				
Regular	\$ 3,188,275	\$ 2,963,608	\$ 1,625,066	\$ 1,627,792
Special	790,245	687,124	622,099	388,579
Vocational	183,706	233,968	142,048	199,115
Student Intervention Services	5,771	5,596	5,771	5,596
Other	1,381,222	1,344,983	1,381,222	1,344,983
Support Services:				
Pupils	194,367	301,199	109,458	238,580
Instructional Staff	268,887	353,328	245,691	329,207
Board of Education	62,189	100,396	62,189	100,396
Administration	847,060	767,349	842,145	763,900
Fiscal	313,357	291,502	313,357	291,502
Business	7,621	7,134	7,621	7,134
Operation and Maintenance of Plant	909,481	625,628	909,481	625,628
Pupil Transportation	510,593	452,859	510,593	436,449
Central	50,242	36,811	46,344	36,375
Operation of Non-Instructional Services:				
Food Service Operations	458,015	446,538	(3)	(250)
Extracurricular Activities	255,637	218,384	169,914	142,898
Debt Service:				
Interest and Fiscal Charges	2,663	6,291	2,663	6,291
<i>Total Expenses</i>	<b>\$ 9,429,331</b>	<b>\$ 8,842,698</b>	<b>\$ 6,995,659</b>	<b>\$ 6,544,175</b>

The dependence upon general revenues for governmental activities is apparent. 74 percent of governmental activities are supported through taxes and other general revenues; such revenues are 75 percent of total governmental revenues. Grants and entitlements not restricted to specific programs and property tax revenues are by far the primary support for the School District students.

***Governmental Funds***

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting.

The general fund's net change in fund balance for fiscal year 2017 was an increase of \$14,404.



**Ridgedale Local School District**  
**Marion County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*

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***General Fund Budgeting Highlights***

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

During the course of fiscal year 2017, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

Final appropriations of \$9,061,739 were \$310,252 higher than the actual expenditures of \$8,751,487, as cost savings were recognized for instruction and support services expenditures throughout the fiscal year.

There were no significant variances to discuss within other financing sources and uses.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2017, the School District had \$2,425,018 invested in capital assets. Table 4 shows fiscal year 2017 balances compared with 2016.

**Table 4**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	Governmental Activities	
	2017	2016
Land	\$ 50,442	\$ 50,442
Land Improvements	380,847	401,465
Buildings and Improvements	1,639,585	1,219,013
Furniture and Equipment	160,862	170,514
Vehicles	193,282	222,305
<i>Totals</i>	\$ 2,425,018	\$ 2,063,739

The \$361,279 increase in capital assets was attributable to current year additions exceeding disposals and depreciation expense. See Note 7 for more information about the capital assets of the School District.

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**Debt**

At June 30, 2017, the School District had \$14,279 in debt outstanding. See Note 8 and 9 for additional details. Table 5 summarizes debt outstanding.

**Table 5**  
**Outstanding Debt at Year End**

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Capital Leases	<u>\$ 14,279</u>	<u>\$ 43,781</u>

***Contacting the School District's Financial Management***

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

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**Ridgedale Local School District**  
**Marion County, Ohio**  
*Statement of Net Position*  
*June 30, 2017*

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental</u>	<u>Ridgedale</u>
	<u>Activities</u>	<u>Community</u>
		<u>School</u>
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 3,646,633	\$ 260,107
Receivables:		
Accounts	42,737	0
Intergovernmental	134,545	13,517
Property Taxes	4,211,107	0
Nondepreciable Capital Assets	50,442	0
Depreciable Capital Assets (Net)	2,374,576	0
<i>Total Assets</i>	<u>10,460,040</u>	<u>273,624</u>
<b>Deferred Outflows of Resources</b>		
Pension	2,195,236	0
<b>Liabilities</b>		
Accounts Payable	197,765	6,865
Accrued Wages and Benefits	591,468	0
Intergovernmental Payable	151,273	0
Matured Compensated Absences Payable	11,637	0
Long-Term Liabilities:		
Due Within One Year	74,235	0
Due In More Than One Year		
Net Pension Liability (See Note 11)	11,991,979	0
Other Amounts Due in More Than One Year	235,979	0
<i>Total Liabilities</i>	<u>13,254,336</u>	<u>6,865</u>
<b>Deferred Inflows of Resources</b>		
Property Taxes Levied for the Next Year	2,568,718	0
Pension	443,412	0
<i>Total Deferred Inflows of Resources</i>	<u>3,012,130</u>	<u>0</u>
<b>Net Position</b>		
Net Investment in Capital Assets	2,410,739	0
Restricted For:		
Capital Outlay	623	0
Other Purposes	275,711	1,347
Unrestricted	(6,298,263)	265,412
<i>Total Net Position</i>	<u>\$ (3,611,190)</u>	<u>\$ 266,759</u>

See accompanying notes to the basic financial statements.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2017

	Net (Expense) Revenue and Changes in Net Position				
	Program Revenues			Primary Government	Component Unit
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	Ridgedale Community School
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 3,188,275	\$ 1,410,093	\$ 153,116	\$ (1,625,066)	\$ 0
Special	790,245	0	168,146	(622,099)	0
Vocational	183,706	0	41,658	(142,048)	0
Student Intervention Services	5,771	0	0	(5,771)	0
Other	1,381,222	0	0	(1,381,222)	0
Support Services:					
Pupils	194,367	0	84,909	(109,458)	0
Instructional Staff	268,887	0	23,196	(245,691)	0
Board of Education	62,189	0	0	(62,189)	0
Administration	847,060	0	4,915	(842,145)	0
Fiscal	313,357	0	0	(313,357)	0
Business	7,621	0	0	(7,621)	0
Operation and Maintenance of Plant	909,481	0	0	(909,481)	0
Pupil Transportation	510,593	0	0	(510,593)	0
Central	50,242	0	3,898	(46,344)	0
Operation of Non-Instructional Services:					
Food Service Operations	458,015	168,003	290,015	3	0
Extracurricular Activities	255,637	65,318	20,405	(169,914)	0
Debt Service:					
Interest and Fiscal Charges	2,663	0	0	(2,663)	0
<i>Total Primary Government</i>	<u>9,429,331</u>	<u>1,643,414</u>	<u>790,258</u>	<u>(6,995,659)</u>	<u>0</u>
<b>Component Unit</b>					
Ridgedale Community School	248,035	0	28,569	0	(219,466)
<i>Totals</i>	<u>\$ 9,677,366</u>	<u>\$ 1,643,414</u>	<u>\$ 818,827</u>	<u>(6,995,659)</u>	<u>(219,466)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes				3,505,793	0
Grants and Entitlements Not Restricted to Specific Programs				3,438,405	189,397
Payments in Lieu of Taxes				86,507	0
Gifts and Donations				32,595	0
Insurance Recoveries				122,648	0
Investment Earnings				15,102	39
Miscellaneous				47,110	0
<i>Total General Revenues</i>				<u>7,248,160</u>	<u>189,436</u>
<i>Change in Net Position</i>				252,501	(30,030)
<i>Net Position Beginning of Year</i>				(3,863,691)	296,789
<i>Net Position End of Year</i>				<u>\$ (3,611,190)</u>	<u>\$ 266,759</u>

See accompanying notes to the basic financial statements.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2017*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 3,369,966	\$ 276,667	\$ 3,646,633
Receivables:			
Accounts	42,737	0	42,737
Interfund	17,579	0	17,579
Intergovernmental	82,626	51,919	134,545
Property Taxes	4,211,107	0	4,211,107
<i>Total Assets</i>	<u>\$ 7,724,015</u>	<u>\$ 328,586</u>	<u>\$ 8,052,601</u>
<b>Liabilities</b>			
Accounts Payable	\$ 188,779	\$ 8,986	\$ 197,765
Accrued Wages and Benefits	575,343	16,125	591,468
Intergovernmental Payable	147,392	3,881	151,273
Matured Compensated Absences Payable	11,637	0	11,637
Interfund Payable	0	17,579	17,579
<i>Total Liabilities</i>	<u>923,151</u>	<u>46,571</u>	<u>969,722</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes Levied for the Next Year	2,568,718	0	2,568,718
Unavailable Revenue	489,955	51,919	541,874
<i>Total Deferred Inflows of Resources</i>	<u>3,058,673</u>	<u>51,919</u>	<u>3,110,592</u>
<b>Fund Balances</b>			
Restricted	0	255,266	255,266
Assigned	578,987	0	578,987
Unassigned	3,163,204	(25,170)	3,138,034
<i>Total Fund Balances</i>	<u>3,742,191</u>	<u>230,096</u>	<u>3,972,287</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 7,724,015</u>	<u>\$ 328,586</u>	<u>\$ 8,052,601</u>

See accompanying notes to the basic financial statements.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2017*

<b>Total Governmental Fund Balances</b>		\$ 3,972,287
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,425,018
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 58,632	
Payments in Lieu of Taxes	55,815	
Property Taxes	427,427	541,874
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		
Deferred Outflows - Pension	2,195,236	
Deferred Inflows - Pension	(443,412)	
Net Pension Liability	(11,991,979)	(10,240,155)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Capital Lease Obligation	(14,279)	
Compensated Absences	(295,935)	(310,214)
<i>Net Position of Governmental Activities</i>		\$ (3,611,190)

See accompanying notes to the basic financial statements.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
For the Fiscal Year Ended June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property and Other Local Taxes	\$ 3,475,600	\$ 0	\$ 3,475,600
Intergovernmental	3,622,685	598,459	4,221,144
Investment Income	12,491	2,611	15,102
Tuition and Fees	1,370,035	0	1,370,035
Extracurricular Activities	17,005	60,775	77,780
Charges for Services	32,175	169,504	201,679
Contributions and Donations	32,595	20,405	53,000
Payments in Lieu of Taxes	86,507	0	86,507
Miscellaneous	42,547	4,563	47,110
<i>Total Revenues</i>	<u>8,691,640</u>	<u>856,317</u>	<u>9,547,957</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	3,016,105	5,000	3,021,105
Special	635,977	158,234	794,211
Vocational	168,135	5,787	173,922
Student Intervention Services	5,771	0	5,771
Other	1,381,090	0	1,381,090
Support Services:			
Pupils	118,974	90,157	209,131
Instructional Staff	234,287	29,763	264,050
Board of Education	62,083	0	62,083
Administration	771,124	8,117	779,241
Fiscal	306,844	0	306,844
Business	7,621	0	7,621
Operation and Maintenance of Plant	1,404,915	0	1,404,915
Pupil Transportation	448,560	0	448,560
Central	35,875	4,922	40,797
Extracurricular Activities	170,358	69,181	239,539
Operation of Non-Instructional Services:			
Food Service Operations	0	450,448	450,448
Debt Service:			
Principal Retirement	29,502	0	29,502
Interest and Fiscal Charges	2,663	0	2,663
<i>Total Expenditures</i>	<u>8,799,884</u>	<u>821,609</u>	<u>9,621,493</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(108,244)	34,708	(73,536)
<b>Other Financing Sources (Uses)</b>			
Insurance Recoveries	122,648	0	122,648
<i>Total Other Financing Sources (Uses)</i>	<u>122,648</u>	<u>0</u>	<u>122,648</u>
<i>Net Change in Fund Balance</i>	14,404	34,708	49,112
<i>Fund Balances Beginning of Year</i>	<u>3,727,787</u>	<u>195,388</u>	<u>3,923,175</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,742,191</u>	<u>\$ 230,096</u>	<u>\$ 3,972,287</u>

See accompanying notes to the basic financial statements.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2017*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	49,112
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 602,686	
Current Year Depreciation	<u>(198,889)</u>	403,797
 Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(42,518)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	30,193	
Excess Costs	(6,078)	
Intergovernmental	<u>(12,888)</u>	11,227
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		29,502
 Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		589,304
 Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(774,162)
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		<u>(13,761)</u>
 <i>Change in Net Position of Governmental Activities</i>	 \$	 <u><u>252,501</u></u>

See accompanying notes to the basic financial statements.



**Ridgedale Local School District**  
**Marion County, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 3,235,082	\$ 3,399,151	\$ 3,399,151	\$ 0
Intergovernmental	3,940,176	3,586,870	3,593,456	6,586
Investment Income	5,418	14,750	27,683	12,933
Tuition and Fees	1,260,519	1,369,869	1,370,035	166
Extracurricular Activities	3,868	3,044	3,044	0
Charges for Services	36,853	79,590	79,590	0
Payments in Lieu of Taxes	86,507	86,507	86,507	0
Gifts and Donations	100	100	100	0
Miscellaneous	16,544	4,476	4,498	22
<i>Total Revenues</i>	<u>8,585,067</u>	<u>8,544,357</u>	<u>8,564,064</u>	<u>19,707</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,319,092	3,021,696	3,000,805	20,891
Special	606,985	598,105	582,726	15,379
Vocational	260,402	212,515	165,077	47,438
Student Intervention Services	0	0	5,771	(5,771)
Other	1,224,286	1,391,292	1,380,359	10,933
Support Services:				
Pupils	289,873	138,180	125,662	12,518
Instructional Staff	290,877	282,052	266,132	15,920
Board of Education	107,911	72,245	62,083	10,162
Administration	738,716	813,408	735,457	77,951
Fiscal	290,931	355,900	304,174	51,726
Business	6,650	7,622	7,621	1
Operation and Maintenance of Plant	1,107,216	1,455,952	1,425,637	30,315
Pupil Transportation	466,651	459,329	449,472	9,857
Central	39,981	44,181	35,822	8,359
Extracurricular Activities	174,500	177,097	172,524	4,573
Debt Service:				
Principal Retirement	29,502	29,502	29,502	0
Interest and Fiscal Charges	2,663	2,663	2,663	0
<i>Total Expenditures</i>	<u>8,956,236</u>	<u>9,061,739</u>	<u>8,751,487</u>	<u>310,252</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(371,169)</u>	<u>(517,382)</u>	<u>(187,423)</u>	<u>329,959</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	171	28,214	28,229	15
Insurance Recoveries	500	82,491	82,491	0
<i>Total Other Financing Sources (Uses)</i>	<u>671</u>	<u>110,705</u>	<u>110,720</u>	<u>15</u>
<i>Net Change in Fund Balance</i>	(370,498)	(406,677)	(76,703)	329,974
<i>Fund Balance Beginning of Year</i>	3,228,436	3,228,436	3,228,436	0
Prior Year Encumbrances Appropriated	28,136	28,136	28,136	0
<i>Fund Balance End of Year</i>	<u>\$ 2,886,074</u>	<u>\$ 2,849,895</u>	<u>\$ 3,179,869</u>	<u>\$ 329,974</u>

See accompanying notes to the basic financial statements.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2017*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 47,370	\$ 47,930
<b>Liabilities</b>		
Accounts Payable	0	\$ 234
Undistributed Monies	0	633
Due to Students	0	47,063
<i>Total Liabilities</i>	0	\$ 47,930
<b>Net Position</b>		
Held in Trust for Scholarships	25,893	
Endowments	21,477	
<i>Total Net Position</i>	\$ 47,370	

See accompanying notes to the basic financial statements.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2017*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 695
Investment Earnings	837
	1,532
 <b>Deductions</b>	
Payments in Accordance with Trust Agreements	12,034
	(10,502)
<i>Change in Net Position</i>	<i>(10,502)</i>
<i>Net Position Beginning of Year</i>	<i>57,872</i>
	<i>57,872</i>
<i>Net Position End of Year</i>	<i>\$ 47,370</i>
	<i>47,370</i>

See accompanying notes to the basic financial statements.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The School District was established in 1957. The School District serves an area of approximately one hundred twenty-five square miles. It is located in Crawford, Marion, and Wyandot Counties. It is staffed by 33 classified employees, 56 certified teaching personnel and 4 administrative employees who provide services to 1,021 students and other community members. The School District currently operates two buildings on one campus.

The reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s Governing Board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise have access to the organization’s resources; or (3) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the School District has one component unit.

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**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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The following component unit and organizations are described due to their relationship to the School District:

***Ridgedale Community School***

The Ridgedale Community School (the “Community School”) is a legally separate, conversion community school, served by a Board of Directors. The Community School provides students within the School District a program of online instruction and other alternative teaching and learning strategies. The Board of Directors consists of five individuals: the retired principal of Morral Elementary School, a local business man, administrative assistant from Marion Technical College, a community member, and a nurse from the Marion County Health Department. The superintendent of the School District serves as the chief administrative officer of the Community School, and the School District’s treasurer serves as the Community School’s Treasurer. Based on the significant services provided by the School District to the Community School, the Community School’s purpose of servicing the students within the School District, and the relationship between the Board of Education of the School District and the Board of Directors of the Community School, the Community School is a component unit of the School District and the financial activity of the Community School is presented as a discretely presented component unit of the School District. Separately issued financial statements can be obtained from the Treasurer at 3103 Hillman-Ford Road, Morral, Ohio 43337.

***JOINTLY GOVERNED ORGANIZATIONS***

***META Solutions***

The School District is a participant in META (Metropolitan Educational Technology Association) Solutions. META Solutions is an association of public school districts throughout Ohio. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of META Solutions consists of the superintendent from 11 member districts. During fiscal year 2017, the School District paid \$38,372 to META Solutions for various services. Financial information can be obtained from the Metropolitan Educational Technology Association, 100 Executive Drive, Marion, Ohio 43302.

***North Central Regional Professional Development Center***

The North Central Regional Professional Development Center (the “Center”) is a jointly governed organization among the school districts in Crawford, Huron, Knox, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The Center was formed to create and sustain self-renewing learning communities to transform education in Ohio so that all learners can achieve their full potential. The Center is governed by a twenty-one member Board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Lorraine Earnest, Mid-Ohio Educational Service Center, 890 West Fourth Street, Suite 100, Mansfield, Ohio 44906.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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***Tri-Rivers Career Center***

The Tri-Rivers Career Center (the “Center”) is a distinct political subdivision of the State of Ohio. The Center operates under the direction of a Board consisting of one representative from each of the participating school district’s Board of Education, and one representative from the Delaware Union Educational Service Center. The Center Board of Education possesses its own budgeting and taxing authority. Financial information is available from Steve Ernst, Treasurer, at 2222 Marion-Mt. Gilead Road, Marion, Ohio 43302.

***Sheakley Uniservice Workers’ Compensation Group Rating Plan***

The School District participates in a group rating plan for workers’ compensation as established under Section 4123.29 of the Ohio Revised Code. The School District participates in Sheakley Uniservice group rating service, which handles not only Workers’ Compensation details but unemployment issues.

Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The School District’s financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District’s accounting policies are described below.

***Basis of Presentation***

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

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

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

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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

***Fund Accounting***

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

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

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

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

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

***Basis of Presentation and Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

***Basis of Accounting***

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 4). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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



**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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***Deferred Inflows of Resources and Deferred Outflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position and for pension. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11).

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

***Budgetary Process***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require resolution of the Board of Education. The Treasurer has been given authority to allocate Board appropriations to the function and object levels within each fund.

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

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

***Cash and Investments***

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

During fiscal year 2017, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

During fiscal year 2017, other investments included money market mutual funds, certificates of deposit, and US treasury notes.

The School District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$12,491, which includes \$589 assigned from other funds.

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

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An analysis of the School District’s investment accounts at year-end is provided in Note 3.

***Capital Assets***

The School District’s only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

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

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

<b>Description</b>	<b>Governmental Activities Estimated Lives</b>
Land Improvements	20 Years
Buildings and Improvements	20 - 50 Years
Furniture and Equipment	5 - 20 years
Vehicles	8 Years

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

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

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

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the funds from which the employee will be paid.

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***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

***Accrued Liabilities and Long-Term Obligations***

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

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

***Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2017, there was no net position restricted by enabling legislation.

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

***Estimates***

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

***Interfund Activity***

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

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***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

***Implementation of New Accounting Policies***

For the fiscal year ended June 30, 2017, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the School District's financial statements as the School District does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School District.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School District.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

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

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

**Cash on Hand** At June 30, 2017, the School District had \$360 in undeposited cash on hand which is included on the financial statements of the School District as part of “equity in pooled cash and investments.”

**Deposits** At June 30, 2017, the carrying amount of all District deposits was \$718,061. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2017, \$174,747 of the School District’s bank balance of \$879,495 was exposed to custodial risk as discussed below, while \$704,748 was covered by the FDIC, which includes \$204,748 held in a STAR Plus account.

Custodial credit risk is the risk that, in the event of bank failure, the School District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Investments** As of June 30, 2017, the School District had the following investments:

Investment Type	Measurement Amount	Investment Maturity		Percent of Total	S & P Global Rating
		6 Months or Less	12 to 36 Months		
STAR Ohio	\$ 1,405,453	\$1,405,453	\$ 0	46.48%	AAAm
Money Market Mutual Fund	245,506	245,506	0	8.12%	AAAm
US Treasury Note	308,507	0	308,507	10.20%	AA+
Certificates of Deposit	1,064,046	600,861	463,185	35.20%	N/A
<b>Totals</b>	<b>\$ 3,023,512</b>	<b>\$ 2,251,820</b>	<b>\$ 771,692</b>	<b>100.00%</b>	



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The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the City's recurring fair value measurements as of June 30, 2017. As discussed further in Note 2, STAR Ohio is reported at its net asset value (NAV). All other investments of the School District are valued using quoted market prices (Level 1 inputs).

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

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2017, is 46 days and carries a rating of AAAM by S&P Global Ratings.

***Custodial Credit Risk*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment in repurchase agreements is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by two percent. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

***Concentration of Credit Risk*** The School District places no limit on the amount that may be invested in any one issuer. The table above includes the percentage of each investment type held by the School District at June 30, 2017.

#### **NOTE 4 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Wyandot, Crawford and Marion Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 in the general fund was \$1,214,962. The amount available for advance at June 30, 2016, in the general fund was \$1,138,513. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow of resources.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 128,419,360	90.22%	\$ 138,688,470	90.83%
Public Utility Personal Property	13,923,830	9.78%	14,005,960	9.17%
	\$ 142,343,190	100.00%	\$ 152,694,430	100.00%
Tax rate per \$1,000 assessed valuation	\$ 44.70		\$ 44.44	

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2017 consisted of property taxes, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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**NOTE 6 – INTERFUND BALANCES**

Interfund balances at June 30, 2017 consisted of the following:

	Interfund Receivable	Interfund Payable
General	\$ 17,579	\$ 0
Other Governmental:		
IDEA-B	0	838
Title I	0	10,875
Improving Teacher Quality	0	5,866
Total Other Governmental	0	17,579
Total	\$ 17,579	\$ 17,579

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

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 06/30/16	Additions	Deductions	Balance 06/30/17
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$ 50,442	\$ 0	\$ 0	\$ 50,442
<i>Capital Assets, being depreciated</i>				
Land Improvements	917,882	6,354	0	924,236
Buildings and Improvements	4,280,103	537,122	(91,284)	4,725,941
Furniture and Equipment	463,391	44,735	0	508,126
Vehicles	1,111,768	14,475	0	1,126,243
<i>Total Capital Assets, being depreciated</i>	6,773,144	602,686	(91,284)	7,284,546
<i>Less: Accumulated Depreciation</i>				
Land Improvements	(516,417)	(26,972)	0	(543,389)
Buildings and Improvements	(3,061,090)	(74,032)	48,766	(3,086,356)
Furniture and Equipment	(292,877)	(54,387)	0	(347,264)
Vehicles	(889,463)	(43,498)	0	(932,961)
<i>Total Accumulated Depreciation</i>	(4,759,847)	(198,889) *	48,766	(4,909,970)
<i>Total Capital Assets Being Depreciated, Net</i>	2,013,297	403,797	(42,518)	2,374,576
<i>Governmental Activities Capital Assets, Net</i>	\$ 2,063,739	\$ 403,797	\$ (42,518)	\$ 2,425,018

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\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 39,853
Special	2,137
Vocational	3,624
Support Services:	
Instructional Staff	13,057
Administration	31,579
Fiscal	584
Operations and Maintenance	36,201
Pupil Transportation	41,099
Central	8,709
Extracurricular Activities	16,600
Food Service Operations	5,446
<i>Total Depreciation Expense</i>	<u>\$ 198,889</u>

**NOTE 8 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during the fiscal year 2017 were as follows:

	Balance 06/30/16	Additions	Reductions	Balance 06/30/17	Amounts Due in One Year
<i>Net Pension Liability</i>					
STRS	\$ 8,166,192	\$ 1,464,155	\$ 0	\$ 9,630,347	\$ 0
SERS	1,807,058	554,574	0	2,361,632	0
<i>Total Net Pension Liability</i>	9,973,250	2,018,729	0	11,991,979	0
Capital Lease Payable	43,781	0	(29,502)	14,279	14,279
Compensated Absences	282,174	16,415	(2,654)	295,935	59,956
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	\$ 10,299,205	\$ 2,035,144	\$ (32,156)	\$ 12,302,193	\$ 74,235

Compensated absences will be paid from the general fund and food service fund. Capital leases are paid from the general fund. See Note 9 for details on the School District's capital leases.

The School District pays obligations related to employee compensation from the fund benefitting from their service, primarily the general fund and food service fund.

**NOTE 9 – CAPITALIZED LEASE**

In prior years, the School District entered into a lease for copier equipment. This lease met the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee.

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The copier equipment was capitalized in the governmental capital assets in the amount of \$144,608, respectively, the present value of the minimum lease payments at the inception of the lease. Accumulated depreciation was \$130,149 as of June 30, 2017, leaving a current book value of \$14,459. A corresponding liability was recorded in the statement of net position and is reduced for each required principal payment. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds.

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

	Copiers
Fiscal Year Ending June 30, 2018	\$ 14,620
Less: amount representing interest	341
Present value of minimum lease payments	\$ 14,279

**NOTE 10 - RISK MANAGEMENT**

*Comprehensive*

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2017, the School District contracted with Verne Hart Insurance Agency for liability, property and fleet insurance. Coverage's provided by Verne Hart Insurance Agency are as follows:

Description	Amount
Building and Contents	
Replacement Cost	\$ 21,690,790
Deductible	1,000
Liability	
School Board Errors and Omissions Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	1,000,000
Deductible	5,000
Law Enforcement Professional Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	1,000,000
Sexual Misconduct and Molestation Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	1,000,000

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Description	Amount
General Liability	
Per occurrence combined single limit	1,000,000
Annual aggregate limit - General	2,000,000
Products/completed operations aggregate limit	2,000,000
Stop Gap	
Basic	1,000,000
Aggregate	3,000,000
Automotive Liability	
Liability	
Per occurrence combined single limit	1,000,000
Medical payments limit	5,000
Each uninsured/underinsured motorists coverage	1,000,000
Non-owned and hired liability	1,000,000
Auto Physical Damage (actual cash value)	
Comprehensive deductible	1,000
Collision deductible	1,000

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

**NOTE 11 – DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

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GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The School District's contractually required contribution to SERS was \$156,911 for fiscal year 2017. Of this amount, \$16,157 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.



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New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$432,393 for fiscal year 2017. Of this amount, \$74,490 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions***

The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 9,630,347	\$ 2,361,632	\$ 11,991,979
Proportion of the Net Pension Liability:			
Current Measurement Date	0.02877048%	0.03226680%	
Prior Measurement Date	<u>0.02954796%</u>	<u>0.03166890%</u>	
Change in Proportionate Share	<u>-0.00077748%</u>	<u>0.00059790%</u>	
Pension Expense	\$ 524,895	\$ 249,267	\$ 774,162

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Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School District's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 389,111	\$ 31,851	\$ 420,962
Net Difference between Projected and Actual Earnings on Pension Plan Investments	799,578	194,799	994,377
Changes of Assumptions	0	157,652	157,652
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	0	32,941	32,941
School District Contributions Subsequent to the Measurement Date	<u>432,393</u>	<u>156,911</u>	<u>589,304</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>\$ 1,621,082</u></b>	<b><u>\$ 574,154</u></b>	<b><u>\$ 2,195,236</u></b>
<b>Deferred Inflows of Resources</b>			
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	<u>\$ 431,453</u>	<u>\$ 11,959</u>	<u>\$ 443,412</u>

\$589,304 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ 58,101	\$ 102,665	\$ 160,766
2019	58,099	102,521	160,620
2020	364,919	144,101	509,020
2021	<u>276,117</u>	<u>55,997</u>	<u>332,114</u>
	<b><u>\$ 757,236</u></b>	<b><u>\$ 405,284</u></b>	<b><u>\$ 1,162,520</u></b>

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***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including Inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates among active members were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

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The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School District's Proportionate Share of the Net Pension Liability	\$ 3,126,654	\$ 2,361,632	\$ 1,721,277

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***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected Salary Increase	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on the fifth anniversary of the retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	<u>3.00</u>
Total	<u>100.00 %</u>	<u>7.61 %</u>

\*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability as of June 30, 2016, calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$ 12,797,948	\$ 9,630,347	\$ 6,958,288

**Changes Between Measurement Date and Report Date** In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's net pension liability is expected to be significant.

**NOTE 12 – POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Health Care Plan Description** - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$14,990.

For fiscal years 2016 and 2017, SERS did not allocate employer contributions to the Health Care fund. The School District's contributions for health care for the fiscal year ended June 30, 2015, was \$9,055. The full amount has been contributed for fiscal year 2015.

***B. State Teachers Retirement System***

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care; therefore, the School District did not contribute to health care in the last three fiscal years.

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**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

<b><u>Net Change in Fund Balance</u></b>	
GAAP Basis	\$ 14,404
Net Adjustment for Revenue Accruals	(125,168)
Net Adjustment for Expenditure Accruals	211,747
Funds Budgeted Elsewhere	1,897
Adjustment for Encumbrances	<u>(179,583)</u>
Budget Basis	<u><u>\$ (76,703)</u></u>

As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Type Fund Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes academic wall of fame, uniform school supplies, public school support, Coca Cola scholarship and staff termination benefits funds.

**NOTE 14 – FUND BALANCE**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:



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	General	Other Governmental	Total
Restricted for:			
Capital Outlay	\$ 0	\$ 623	\$ 623
Food Services	0	181,154	181,154
Student Activities	0	61,029	61,029
Other Purposes	0	12,460	12,460
Total Restricted	0	255,266	255,266
Assigned for:			
Instruction	2,738	0	2,738
Support Services	41,633	0	41,633
Subsequent Year Appropriations	534,616	0	534,616
Total Assigned	578,987	0	578,987
Unassigned	3,163,204	(25,170)	3,138,034
<i>Total Fund Balance</i>	<i>\$ 3,742,191</i>	<i>\$ 230,096</i>	<i>\$ 3,972,287</i>

The following funds had deficit fund balances at June 30, 2017:

<u><b>Fund</b></u>	<u><b>Amount</b></u>
Agriculture Education Grant	\$ 942
IDEA Part B	838
Title I	11,517
Title II	11,873

The deficits in these governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

**NOTE 15 - CONTINGENCIES**

***Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

***Litigation***

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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***School District Foundation***

School district foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

**NOTE 16 - SIGNIFICANT COMMITMENTS**

***Encumbrances***

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the School District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 179,583
Nonmajor Governmental	26,330
	<u>\$ 205,913</u>

***Contractual Commitments***

At June 30, 2017, the School District had the following outstanding contractual commitments:

<u>Project</u>	<u>Contracted Amount</u>	<u>Amount Remaining</u>
Parking Lot Repairs	\$ 167,500	\$ 167,500
High School Roof	144,593	144,593
New Track Installation	370,000	370,000
Total	<u>\$ 682,093</u>	<u>\$ 682,093</u>

Based on timing of when contracts are encumbered, contractual commitments identified above may or may not be included in the outstanding encumbrance commitments previously disclosed in this note.

**NOTE 17 - STATUTORY RESERVES**

The School District is required by State statute to annually set-aside, in the general fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information describes the changes in the year-end set-aside amounts for capital acquisitions. Disclosure of this information is required by State statute.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

	Capital Acquisition
Set Aside Restricted Balance June 30, 2016	\$ 0
Current Year Set Aside Requirement	122,027
Current Year Qualifying Disbursements	(762,899)
Total	(640,871)
Balance carried forward to fiscal year 2018	\$ 0
Set Aside Restricted Balance as of June 30, 2017	\$ 0

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. The negative balance is therefore not presented as carried forward to future years.

**NOTE 18 - RIDGEDALE COMMUNITY SCHOOL**

***Significant Accounting Policies***

The basic financial statements of Ridgedale Community School (the “School”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School’s accounting policies are described below.

***Basis of Presentation***

The School’s basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

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

***Measurement Focus and Basis of Accounting***

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The statement of cash flows reflects how the School finances and meets its cash flow needs.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Expenses are recognized at the time they are incurred.

***Budgetary Process***

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

***Cash and Investments***

Cash held by the School is reflected as "equity in pooled cash and cash equivalents" on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2017, the School had no investments.

***Capital Assets and Depreciation***

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

***Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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***Intergovernmental Revenues***

The School currently participates in the State Foundation Program and the Federal Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, marching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Federal and State grant revenue for the fiscal year 2017 was \$28,569.

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating.

***Estimates***

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

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

***Implementation of New Accounting Policies***

For the fiscal year ended June 30, 2017, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the School.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

### **Deposits**

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School's name. During fiscal year 2017, the School and public depositories complied with the provisions of these statutes.

Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School. The School has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

At June 30, 2017, the carrying amount of the School's deposits was \$260,107. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2017, \$43,092 of the School's bank balance of \$293,092 was exposed to custodial credit risk as discussed above, while \$250,000 was covered by Federal Deposit Insurance Corporation. There are no significant statutory restrictions regarding deposit and investment of funds by the School.

### **Risk Management**

The School is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2017, the School was named on the Sponsor's policy for property and general liability insurance.

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

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**Purchased Services**

For the fiscal year ended June 30, 2016, purchased services expenses were all for professional and technical services.

**Service Contracts**

***META Solutions***

The School entered into an agreement on July 1, 2014, with META Solutions for planning, instructional, administrative and technical services required for the operation of the School. Under this contract, META Solutions is required to provide the following services:

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

For these services, the School is required to pay META Solutions in accordance with all pricing set forth in the service contract based on the individual students' needs. Services range from \$3,000 for a traditional student to \$23,000 for the most severely handicapped student.

The School agrees to the rates for the referenced service packages and/or products based on services which are further defined in the Service Package Exhibits and shall pay to META Solutions based upon use (i.e. the School will only pay for those packages utilized during the term of the Agreement and rates may be pro-rated accordingly if permitted).

The School paid META Solutions \$16,161 for professional and technical services in fiscal year 2017.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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***Ridgedale Local School District***

The Community School Sponsorship Contract between the School and Ridgedale Local School District (the “Sponsor”) outlined the specific payments to be made by the School to Ridgedale Local School District during fiscal year 2017. In addition, the Community School Sponsorship Contract stated that the two parties agreed to pay other mutually agreed upon amounts, including fees for any services provided to the School by the Sponsor. The School paid the Sponsor \$180,962 during fiscal year 2017 for professional and technical services.

Additionally, the contract allows, based on mutual agreement, for the payment of \$1,500 per student per year from the School to the Sponsor as a reimbursement for transportation and special education related services. This payment was \$32,175 in fiscal year 2017.

**Contingencies**

***Grants***

The School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2017, if applicable, cannot be determined at this time.

***Litigation***

The School is not party to any claims or lawsuits that would, in the School’s opinion, have a material effect of the basic financial statements.

***School District Funding***

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2017.

As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.



**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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In addition, the School's contracts with their Sponsor require payment based on student FTEs. As discussed above, additional FTE adjustments for fiscal year 2017 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2017 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the School.

**School Closure**

The School's contract with the Sponsor requires a minimum of 25 students for the School to remain open. During fiscal year 2017, the School attendance fell below the minimum requirement. At the April 24, 2017 meeting, the Board voted to voluntarily close the School effective June 30, 2017.

**Subsequent Events**

As of November 13, 2017, the School had a cash balance of \$265,476. The School has experienced limited activity subsequent to fiscal year-end. Once all costs and liabilities are known and all funds due to the School have been collected, the School will pay its final costs associated with the closure of the School, and any residual cash balance will be remitted to the ODE per Ohio Revised Code Section 3314.074.

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**Ridgedale Local School District**  
**Marion County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*Last Four Fiscal Years (1)*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><i>State Teachers Retirement System (STRS)</i></b>				
School District's Proportion of the Net Pension Liability	0.02877048%	0.02954796%	0.03110390%	0.03110390%
School District's Proportionate Share of the Net Pension Liability	\$ 9,630,347	\$ 8,166,192	\$ 7,565,545	\$ 9,012,028
School District's Covered Payroll	\$ 3,133,200	\$ 3,077,143	\$ 2,969,254	\$ 3,082,285
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	307.36%	265.38%	254.80%	292.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%
<b><i>School Employees Retirement System (SERS)</i></b>				
School District's Proportion of the Net Pension Liability	0.03226680%	0.03166890%	0.03206600%	0.03206600%
School District's Proportionate Share of the Net Pension Liability	\$ 2,361,632	\$ 1,807,058	\$ 1,622,842	\$ 1,906,862
School District's Covered Payroll	\$ 1,076,043	\$ 1,104,287	\$ 932,085	\$ 1,104,552
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	219.47%	163.64%	174.11%	172.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

**Notes:**

***School Employees Retirement System (SERS)***

*Changes of Benefit Terms:* None.

*Changes of Assumptions:* Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, retirement and disability to more closely reflect actual experience and the expectation of retired life mortality was based on RP-2014 Blue Collar Mortality Tables and RP-2000 Disabled Mortality Table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 7.75% to 7.50%
- Assumed rate of inflation from 3.25% to 3.00%
- Payroll growth assumption from 4.00% to 3.50%
- Assumed real wage growth from 0.75% to 0.50%

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><i>State Teachers Retirement System (STRS)</i></b>				
Contractually Required Contribution	\$ 432,393	\$ 438,648	\$ 430,800	\$ 386,003
Contributions in Relation to the Contractually Required Contribution	<u>(432,393)</u>	<u>(438,648)</u>	<u>(430,800)</u>	<u>(386,003)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 3,088,521	\$ 3,133,200	\$ 3,077,143	\$ 2,969,254
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%
<b><i>School Employees Retirement System (SERS)</i></b>				
Contractually Required Contribution	\$ 156,911	\$ 150,646	\$ 145,545	\$ 129,187
Contributions in Relation to the Contractually Required Contribution	<u>(156,911)</u>	<u>(150,646)</u>	<u>(145,545)</u>	<u>(129,187)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 1,120,793	\$ 1,076,043	\$ 1,104,287	\$ 932,085
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 400,697	\$ 374,192	\$ 435,002	\$ 418,087	\$ 416,119	\$ 397,841
<u>(400,697)</u>	<u>(374,192)</u>	<u>(435,002)</u>	<u>(418,087)</u>	<u>(416,119)</u>	<u>(397,841)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 3,082,285	\$ 2,878,400	\$ 3,346,169	\$ 3,216,054	\$ 3,200,915	\$ 3,060,315
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 152,870	\$ 129,441	\$ 123,976	\$ 146,253	\$ 114,073	\$ 82,969
<u>(152,870)</u>	<u>(129,441)</u>	<u>(123,976)</u>	<u>(146,253)</u>	<u>(114,073)</u>	<u>(82,969)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 1,104,552	\$ 962,387	\$ 986,285	\$ 1,080,155	\$ 1,159,278	\$ 844,898
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

November 13, 2017

To the Board of Education and management  
Ridgedale Local School District  
Marion County, Ohio  
3103 Hillman Ford Road  
Morral, OH 43337

**Independent Auditor's 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, in accordance with the 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ridgedale Local School District, Marion County, Ohio (the "School District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 13, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rea & Associates, Inc.*

Dublin, Ohio

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# Dave Yost • Auditor of State

**RIDGEDALE LOCAL SCHOOL DISTRICT**

**MARION COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 26, 2017**