



OHIO AUDITOR OF STATE
KEITH FABER



**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Ridgemont Local School District
Hardin County
560 W. Taylor Street
Mount Victory, OH 43340

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ridgemont Local School District, Hardin County, Ohio (the District), as of and for the fiscal years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ridgemont Local School District, Hardin County, Ohio, as of June 30, 2018 and 2017, and the respective changes in cash financial position and budgetary comparison for the General Fund thereof for the fiscal years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3C to the financial statements for the fiscal year ended June 30, 2017, the July 1, 2016 Governmental Activities net position, Non-major Governmental Funds balance, and the Private Purpose Trust Fund balance were restated by the District. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

June 4, 2019

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

The management's discussion and analysis of the Ridgemont Local School District's (the "District") financial performance provides an overall review of the District's cash basis financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- At June 30, 2018, the District's net cash position of governmental activities increased \$226,034, which represents a 3.77% increase from fiscal year 2017.
- General cash receipts accounted for \$6,400,197 in cash receipts or 79.44% of all cash receipts. Program specific cash receipts in the form of charges for services and sales and grants and contributions accounted for \$1,656,046 or 20.56% of total cash receipts of \$8,056,243.
- The District had \$7,830,209 in cash disbursements related to governmental activities; \$1,656,046 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and grants and entitlements) of \$6,400,197 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$7,139,977 in cash receipts and other financing sources and \$6,561,990 in cash disbursements and other financing uses. During fiscal year 2018, the general fund's fund cash balance increased \$578,521 from \$4,272,400 to \$4,850,921.

Using the Cash Basis Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position - cash basis and the statement of activities - cash basis answer the question, "How did the District do financially during fiscal year 2018?" These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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(Continued)

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services and not collected), liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) and deferred inflows and outflows of resources are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position - cash basis and statement of activities - cash basis, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. The relationship (or differences) between governmental activities (reported in the statement of net position - cash basis and statement of activities - cash basis) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-17 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position - cash basis. These activities are excluded from the District's other financial statements because the cash position cannot be utilized by the District to finance its operations.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The District as a Whole

The table below provides a summary of the District's net cash position at June 30, 2018 and June 30, 2017.

	Net Cash Position	
	Governmental Activities 2018	Governmental Activities 2017
	<u> </u>	<u> </u>
<u>Assets</u>		
Current assets	\$ 6,226,423	\$ 6,000,389
<u>Net Cash Position</u>		
Restricted	1,392,621	1,745,108
Unrestricted	<u>4,833,802</u>	<u>4,255,281</u>
Total net cash position	<u>\$ 6,226,423</u>	<u>\$ 6,000,389</u>

Total net cash position of the District increased \$226,034, which represents a 3.77% increase from net cash position at June 30, 2017. A portion of the District's net cash position, \$1,392,621, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$4,833,802 may be used to meet the District's ongoing obligations to the students and creditors.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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The table below shows the change in net cash position for fiscal years 2018 and 2017.

	Change in Net Cash Position	
	Governmental Activities 2018	Governmental Activities 2017
	<u>2018</u>	<u>2017</u>
<u>Cash receipts:</u>		
Program cash receipts:		
Charges for services and sales	\$ 1,037,126	\$ 924,005
Operating grants and contributions	612,981	539,966
Capital grants and contributions	5,939	5,787
General cash receipts:		
Property taxes	2,258,115	2,251,079
Income taxes	1,056,218	1,013,600
Grants and entitlements		
Unrestricted	2,984,499	2,958,821
Investment earnings	71,925	31,115
Other	29,440	57,760
Total cash receipts	<u>8,056,243</u>	<u>7,782,133</u>

The increase in charges for services can be attributed to an increase in tuition due to higher open enrollment. The increase in investment earnings can be attributed to higher interest and better performance by the District's investments.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)

Change in Net Cash Position (Continued)

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
<u>Cash disbursements:</u>		
Current:		
Instruction:		
Regular	\$ 2,799,903	\$ 2,704,746
Special	756,085	703,651
Vocational	272,691	214,403
Other	5,847	81,724
Support services:		
Pupil	253,369	300,523
Instructional staff	33,786	76,624
Board of education	28,025	27,914
Administration	745,984	771,239
Fiscal	272,170	277,604
Operations and maintenance	699,135	667,266
Pupil transportation	521,657	364,352
Central	5,205	4,772
Operation of non-instructional services:		
Other non-instructional services	2,573	2,667
Food service operations	271,679	267,551
Extracurricular activities	263,801	227,699
Facilities acquisition and construction	552,514	1,024,576
Debt service:		
Principal retirement	28,717	37,320
Interest and fiscal charges	<u>317,068</u>	<u>308,465</u>
Total cash disbursements	<u>7,830,209</u>	<u>8,063,096</u>
Change in net cash position	226,034	(280,963)
Net cash position at beginning of year	<u>6,000,389</u>	<u>6,281,352</u>
Net cash position at end of year	<u>\$ 6,226,423</u>	<u>\$ 6,000,389</u>

Governmental Activities

Net cash position of the District's governmental activities increased \$226,034. Total governmental cash disbursements of \$7,830,209 were offset by program cash receipts of \$1,656,046 and general cash receipts of \$6,400,197. Program cash receipts supported 21.15% of the total governmental cash disbursements.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(Continued)

The primary sources of cash receipts for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These cash receipt sources represent 78.19% of total governmental cash receipts.

The largest cash disbursement category of the District is for instructional programs. Instruction cash disbursements totaled \$3,834,526 or 48.97% of total governmental cash disbursements for fiscal year 2018.

The statement of activities - cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2018 and 2017. That is, it identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
Cash disbursements:				
Instruction:				
Regular	\$ 2,799,903	\$ 1,944,327	\$ 2,704,746	\$ 1,935,468
Special	756,085	382,440	703,651	405,804
Vocational	272,691	246,406	214,403	187,759
Other	5,847	5,264	81,724	75,783
Support services:				
Pupil	253,369	204,103	300,523	269,147
Instructional staff	33,786	24,367	76,624	58,397
Board of education	28,025	28,025	27,914	27,914
Administration	745,984	745,984	771,239	771,239
Fiscal	272,170	272,170	277,604	277,604
Operations and maintenance	699,135	699,135	667,266	667,266
Pupil transportation	521,657	513,839	364,352	358,384
Central	5,205	5,205	4,772	4,772
Operation of non-instructional services:				
Other non-instructional services	2,573	2,573	2,667	2,462
Food service operations	271,679	30,931	267,551	38,265
Extracurricular activities	263,801	171,095	227,699	142,713
Facilities acquisition and construction	552,514	552,514	1,024,576	1,024,576
Debt service:				
Principal retirement	28,717	28,717	37,320	37,320
Interest and fiscal charges	317,068	317,068	308,465	308,465
Total	<u>\$ 7,830,209</u>	<u>\$ 6,174,163</u>	<u>\$ 8,063,096</u>	<u>\$ 6,593,338</u>

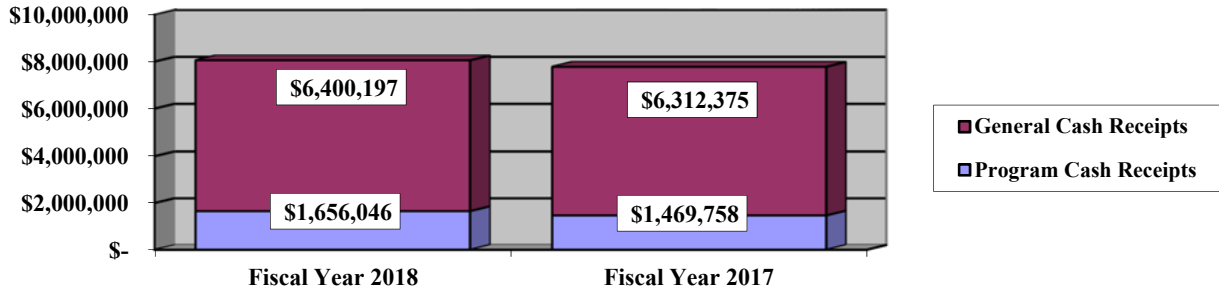
The dependence upon tax and other general cash receipts for governmental activities is apparent, 67.24% of instructional activities are supported through taxes and other general cash receipts. For all governmental activities, general cash receipt support is 78.85%. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for the District's students.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(Continued)

The graph below presents the District's governmental activities cash receipts for fiscal years 2018 and 2017.

Governmental Activities - General and Program Cash Receipts



The District's Funds

The District's governmental funds reported a combined fund cash balance of \$6,226,423, which is higher than last year's total fund cash balance of \$6,000,389. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2018 and June 30, 2017.

	Fund Cash Balance <u>June 30, 2018</u>	Fund Cash Balance <u>June 30, 2017</u>	Increase (decrease)
General	\$ 4,850,921	\$ 4,272,400	\$ 578,521
Other governmental	<u>1,375,502</u>	<u>1,727,989</u>	<u>(352,487)</u>
Total	<u>\$ 6,226,423</u>	<u>\$ 6,000,389</u>	<u>\$ 226,034</u>

General Fund

The District's general fund cash balance increased \$578,521 during fiscal year 2018.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(Continued)

The table that follows assists in illustrating the financial activities and fund cash balance of the general fund.

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Cash receipts</u>				
Taxes	\$ 2,966,447	\$ 2,918,064	\$ 48,383	1.66 %
Tuition	776,732	682,579	94,153	13.79 %
Earnings on investments	71,925	31,115	40,810	131.16 %
Intergovernmental	3,080,694	3,082,585	(1,891)	(0.06) %
Other receipts	<u>96,028</u>	<u>104,501</u>	<u>(8,473)</u>	<u>(8.11) %</u>
Total	<u>\$ 6,991,826</u>	<u>\$ 6,818,844</u>	<u>\$ 172,982</u>	<u>2.54 %</u>
<u>Cash disbursements</u>				
Instruction	\$ 3,550,723	\$ 3,384,926	\$ 165,797	4.90 %
Support services	2,472,596	2,383,850	88,746	3.72 %
Non-instructional services	2,573	1,663	910	54.72 %
Extracurricular activities	205,885	162,301	43,584	26.85 %
Facilities acquisition and construction	<u>12,316</u>	<u>5,643</u>	<u>6,673</u>	<u>118.25 %</u>
Total	<u>\$ 6,244,093</u>	<u>\$ 5,938,383</u>	<u>\$ 305,710</u>	<u>5.15 %</u>

Overall cash receipts increased \$172,982 or 2.54% during fiscal year 2018. Earnings on investments increased \$40,810 from fiscal year 2017 due to stronger investment performance. Tuition increased \$94,153 from fiscal year 2017 due to increased enrollment.

Overall cash disbursements increased \$305,710 or 5.15% during fiscal year 2018. The increase in extracurricular activities is due to increased costs related to wages for sports activities. All other disbursements remained comparable to fiscal year 2017.

General Fund Budgeting Highlights

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

For the general fund, final budgetary basis receipts and other financing sources of \$7,095,994 were \$162,228 higher than original budget estimates of \$6,933,766. The actual budgetary basis receipts and other financing sources of were the same as the final budget estimates. The final budgetary basis disbursements and other financing uses of \$7,418,725 were \$500,000 more than original budget estimates of \$6,918,725. The actual budgetary basis disbursements and other financing uses of \$6,628,001 were \$790,724 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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(Continued)

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements. The District had facilities acquisition and construction cash disbursements of \$552,514 during fiscal year 2018.

Debt Administration

At June 30, 2018, the District had \$6,720,000 in current interest bonds. Of this total, \$115,000 is due within one year and \$6,605,000 is due in more than one year. The following table summarizes the debt outstanding.

	Outstanding Debt, Year End	
	Governmental Activities	Governmental Activities
	<u>2018</u>	<u>2017</u>
Current interest bonds	\$ 6,720,000	\$ 6,720,000
Capital appreciation bonds	-	28,717
Accreted interest	<u>-</u>	<u>72,183</u>
Total	<u>\$ 6,720,000</u>	<u>\$ 6,820,900</u>

See Note 7 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

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

The electors of the District approved the issuance of bonds in the amount of \$6,975,000 at the election held on March 6, 2012. The bonds are unlimited tax general obligation bonds issued for the purpose of constructing a new PK-12 school building under the Classroom Facilities Assistance Program of the OFCC and locally funded initiatives.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Melissa Pollom, Treasurer, Ridgemont Local Schools, 560 W. Taylor Street, Mount Victory, OH 43340.

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**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2018**

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 6,226,423
Total assets.	<u>\$ 6,226,423</u>
 Net Cash Position:	
Restricted for:	
Debt service.	\$ 144,203
Capital projects	587,804
Classroom facilities maintenance	200,168
Unclaimed monies	17,119
Food service operations	16,559
Locally funded programs	8,841
Federally funded programs	27,713
Other purposes	390,214
Unrestricted	<u>4,833,802</u>
Total net cash position	<u>\$ 6,226,423</u>

See accompanying notes to the basic financial statements.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Cash Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 2,799,903	\$ 787,894	\$ 61,743	\$ 5,939	\$ (1,944,327)
Special	756,085	14,331	359,314		(382,440)
Vocational	272,691		26,285		(246,406)
Other	5,847		583		(5,264)
Support services:					
Pupil	253,369		49,266		(204,103)
Instructional staff	33,786		9,419		(24,367)
Board of education	28,025				(28,025)
Administration	745,984				(745,984)
Fiscal	272,170				(272,170)
Operations and maintenance	699,135				(699,135)
Pupil transportation	521,657		7,818		(513,839)
Central	5,205				(5,205)
Operation of non-instructional services:					
Other non-instructional services	2,573				(2,573)
Food service operations	271,679	142,668	98,080		(30,931)
Extracurricular activities	263,801	92,233	473		(171,095)
Facilities acquisition and construction	552,514				(552,514)
Principal retirement	28,717				(28,717)
Interest and fiscal charges	317,068				(317,068)
Total governmental activities	\$ 7,830,209	\$ 1,037,126	\$ 612,981	\$ 5,939	(6,174,163)
General Cash Receipts:					
Property taxes levied for:					
					1,910,229
					315,773
					32,113
					1,056,218
Grants and entitlements:					
					2,984,499
					71,925
					29,440
					<u>6,400,197</u>
					Change in net cash position 226,034
					<u>Net cash position at beginning of year 6,000,389</u>
					<u>Net cash position at end of year \$ 6,226,423</u>

See accompanying notes to the basic financial statements.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents.	\$ 4,850,921	\$ 1,375,502	\$ 6,226,423
Total assets	\$ 4,850,921	\$ 1,375,502	\$ 6,226,423
Fund Cash Balances:			
Nonspendable:			
Unclaimed monies	\$ 17,119		\$ 17,119
Restricted:			
Debt service		\$ 144,203	144,203
Capital improvements		587,804	587,804
Classroom facilities maintenance		200,168	200,168
Food service operations		16,559	16,559
Locally funded programs		8,841	8,841
Federally funded programs		27,713	27,713
Other purposes.		390,214	390,214
Committed:			
Student and staff support	46,789		46,789
Student instruction	30,849		30,849
Assigned:			
Student instruction	11,312		11,312
Student and staff support.	34,830		34,830
Unassigned	4,710,022		4,710,022
Total fund cash balances	\$ 4,850,921	\$ 1,375,502	\$ 6,226,423

See accompanying notes to the basic financial statements.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:			
From local sources:			
Property taxes	\$ 1,910,229	\$ 347,886	\$ 2,258,115
Income taxes	1,056,218		1,056,218
Tuition	776,732		776,732
Earnings on investments	71,925	5,939	77,864
Charges for services		142,668	142,668
Extracurricular	42,820	51,138	93,958
Classroom materials and fees	23,768		23,768
Rental income	424		424
Contributions and donations	145	2,500	2,645
Other local revenues	28,871	473	29,344
Intergovernmental - intermediate		504	504
Intergovernmental - state	3,080,694	50,885	3,131,579
Intergovernmental - federal		462,424	462,424
Total receipts	<u>6,991,826</u>	<u>1,064,417</u>	<u>8,056,243</u>
Cash disbursements:			
Current:			
Instruction:			
Regular	2,742,303	57,600	2,799,903
Special	535,886	220,199	756,085
Vocational	272,491	200	272,691
Other	43	5,804	5,847
Support services:			
Pupil	202,682	50,687	253,369
Instructional staff	25,099	8,687	33,786
Board of education	28,025		28,025
Administration	725,984	20,000	745,984
Fiscal	264,809	7,361	272,170
Operations and maintenance	699,135		699,135
Pupil transportation	521,657		521,657
Central	5,205		5,205
Operation of non-instructional services:			
Other operation of non-instructional	2,573		2,573
Food service operations		271,679	271,679
Extracurricular activities	205,885	57,916	263,801
Facilities acquisition and construction	12,316	540,198	552,514
Debt service:			
Principal retirement		28,717	28,717
Interest and fiscal charges		317,068	317,068
Total disbursements	<u>6,244,093</u>	<u>1,586,116</u>	<u>7,830,209</u>
Excess (deficiency) of receipts over (under) disbursements	<u>747,733</u>	<u>(521,699)</u>	<u>226,034</u>
Other financing sources (uses):			
Transfers in		55,000	55,000
Transfers (out)	(55,000)		(55,000)
Advances in	148,151	262,363	410,514
Advances (out)	(262,363)	(148,151)	(410,514)
Total other financing sources (uses)	<u>(169,212)</u>	<u>169,212</u>	
Net change in fund cash balances	578,521	(352,487)	226,034
Fund cash balances at beginning of year	<u>4,272,400</u>	<u>1,727,989</u>	<u>6,000,389</u>
Fund cash balances at end of year	<u>\$ 4,850,921</u>	<u>\$ 1,375,502</u>	<u>\$ 6,226,423</u>

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
From local sources:				
Property taxes	\$ 1,865,585	\$ 1,910,229	\$ 1,910,229	
Income taxes.	1,031,533	1,056,218	1,056,218	
Tuition.	758,579	776,732	776,732	
Earnings on investments	70,244	71,925	71,925	
Classroom materials and fees	15,941	16,322	16,322	
Rental income	414	424	424	
Contributions and donations	142	145	145	
Other local revenues	28,120	28,793	28,793	
Intergovernmental - state	3,008,695	3,080,693	3,080,693	
Total receipts	<u>6,779,253</u>	<u>6,941,481</u>	<u>6,941,481</u>	
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	2,786,831	2,998,079	2,772,384	225,695
Special.	613,815	660,344	537,371	122,973
Vocational.	274,847	295,681	275,637	20,044
Other.	56,702	61,000	43	60,957
Support services:				
Pupil.	208,044	223,814	202,980	20,834
Instructional staff	50,167	53,970	25,099	28,871
Board of education	30,405	32,710	28,025	4,685
Administration.	720,578	775,200	726,256	48,944
Fiscal	262,715	282,630	265,859	16,771
Operations and maintenance.	820,767	882,983	738,670	144,313
Pupil transportation	581,272	625,334	545,485	79,849
Central.	5,112	5,500	5,205	295
Other operation of non-instructional services	4,225	4,545	2,573	1,972
Extracurricular activities.	168,716	181,505	172,468	9,037
Facilities acquisition and construction	11,898	12,800	12,316	484
Total disbursements	<u>6,596,094</u>	<u>7,096,095</u>	<u>6,310,371</u>	<u>785,724</u>
 Excess of receipts over disbursements	 183,159	 (154,614)	 631,110	 785,724
Other financing sources (uses):				
Transfers (out).	(60,000)	(60,000)	(55,000)	5,000
Advances in.	154,435	154,435	154,435	
Advances (out)	(262,630)	(262,630)	(262,630)	
Sale of capital assets	78	78	78	
Total other financing sources (uses)	<u>(168,117)</u>	<u>(168,117)</u>	<u>(163,117)</u>	<u>5,000</u>
 Net change in fund cash balance	 15,042	 (322,731)	 467,993	 790,724
Fund cash balance at beginning of year	4,111,304	4,111,304	4,111,304	
Prior year encumbrances appropriated	130,725	130,725	130,725	
Fund cash balance at end of year.	<u><u>\$ 4,257,071</u></u>	<u><u>\$ 3,919,298</u></u>	<u><u>\$ 4,710,022</u></u>	<u><u>\$ 790,724</u></u>

See accompanying notes to the basic financial statements.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
JUNE 30, 2018

	Agency
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 75,154
Total assets.	\$ 75,154
 Net position:	
Held for student activities.	\$ 75,154
Total net cash position.	\$ 75,154

See accompanying notes to the basic financial statements.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Ridgemont Local School District (the “District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under an elected Board of Education (5 members) elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines. Average daily membership (ADM) as of June 30, 2018 was 506. The District employed 4 administrators, 37 certificated employees and 29 non-certified employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.D, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided. Following are the more significant of the District’s accounting policies.

A. Reporting Entity

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

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the Purpose of applying modern technology with the aid of computers and other electronic equipment to Administrative and instructional functions among member school districts. The Organization is governed by a board of directors consisting of 14 members: the Superintendent of the Fiscal Agent, two Superintendents from each county that is represented, one treasurer representative, a student services representative, and non-voting independent district representative. The degree of control exercised by any participating member is limited to its representation on the board. Financial information can be obtained from Don Walls, Director, at 129 E. Court St., Sidney, Ohio 45365.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Ohio Hi-Point Career Center

The Ohio Hi-Point Career Center is a distinct political subdivision of the State of Ohio. The Career Center is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. The Board possesses its own budgeting and taxing authority. Financial information is available from Eric Adelsberger, Treasurer, of the Ohio Hi-Point Career Center, 2280 State Route 540, Suite A, Bellefontaine, Ohio 43311.

INSURANCE POOL

Hardin County School Employees' Health Welfare Benefit Plan and Trust

The Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the "Trust") is a public entity shared risk pool consisting of six school districts and the District. The Trust is organized as a Voluntary Employee Benefit association under Section 501(C)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to an Administrative Committee, which advises of the Trustee, Ohio Bank, concerning aspects of the administration of the Trust.

Each school district and the District decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information may be obtained from Rick Combs, who services as Director, 9525 T.R. 50, Dola, Ohio, 45835.

RELATED ORGANIZATION

Ridgemont Public Library

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

B. Basis of Presentation

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

All assets and net cash assets associated with the operation of the District are included on the statement of net position.

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

C. Fund Accounting

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is disbursed or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

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

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Monies are due to students for activities they have participated in.

D. Basis of Accounting

Although Ohio Administrative Code § 117-2-03(B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

E. Budgetary Process

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

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

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

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

F. Cash and Investments

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

During fiscal year 2018, the 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 District measures its 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 fiscal year 2018, 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.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during year 2018 amounted to \$71,925, which includes \$11,674 assigned from other funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Inventory and Prepaid Items

The District reports cash disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

I. Interfund Balances

On fund financial statements, the District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying fund financial statements under the cash basis of accounting. Advances are eliminated in the governmental activities column on the statement of net position.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave. Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

K. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal and interest payments.

L. Fund Cash Balance

Fund cash balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund cash balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact.

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

Committed - The committed fund cash balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the 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 cash 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.

Assigned - Amounts in the assigned fund cash balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund cash 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 District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund cash 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 only used to report a deficit fund cash balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund cash balance is available. Similarly, within unrestricted fund cash 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 cash balance classifications could be used.

M. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District did not have any restricted assets at June 30, 2018.

N. Net Cash Position

Net cash position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net cash position restricted for other purposes include amounts restricted for food service operations. The District did not have any net cash position restricted by enabling legislation at June 30, 2018.

O. Interfund Activity

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

P. 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 2018.

Q. Pensions/Other Postemployment Benefits (OPEB)

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

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 10 to the basic financial statements.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

B. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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 twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

At year end, the District had \$50 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all District deposits was \$4,117,986 and the bank balance of all District deposits was \$4,380,015. Of the bank balance, \$30,546 was exposed to custodial risk as discussed below because those deposits were uninsured and uncollateralized and \$4,349,469 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2018, the District's financial institutions did not participate in the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2018, the District had the following investment and maturity:

Investment type	NAV	Maturity 6 months or less
STAR Ohio	\$ 2,183,541	\$ 2,183,541

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. The District has no policy limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not address credit risk beyond the requirements of State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute 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 District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2018:

<u>Investment type</u>	<u>NAV</u>	<u>% to Total</u>
STAR Ohio	\$ 2,183,541	100.00

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position as of June 30, 2018:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 4,117,986
Investments	2,183,541
Cash on hand	50
Total	\$ 6,301,577
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,226,423
Agency fund	75,154
Total	\$ 6,301,577

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS

- A. Advances for the fiscal year ended June 30, 2018, as reported on the fund statements, consist of the following:

<u>Advances in</u>	<u>Advances out</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 148,151
Nonmajor governmental	General	<u>262,363</u>
Total		<u>\$ 410,514</u>

The primary purpose of the advances is to cover costs in specific funds where expected funds were not received by June 30. New advances are expected to be repaid once the anticipated funds are received.

Interfund advances between governmental funds are eliminated on the government-wide financial statements; therefore, no advances are reported on the statements of activities.

- B. Transfers for the fiscal year ended June 30, 2018, as reported on the fund statements, consist of the following:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
Nonmajor governmental	General	<u>\$ 55,000</u>

Transfers are used to move cash receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them and to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

NOTE 6 - PROPERTY TAXES AND INCOME TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 6 - PROPERTY TAXES AND INCOME TAXES - (Continued)

The District receives property taxes from Hardin and Logan Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2018, are available to finance fiscal year 2018 operations. 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.

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 100,381,350	95.21	\$ 90,505,960	94.29
Public utility personal	<u>5,047,540</u>	<u>4.79</u>	<u>5,484,670</u>	<u>5.71</u>
Total	<u>\$ 105,428,890</u>	<u>100.00</u>	<u>\$ 95,990,630</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.90		\$ 35.20	

- B.** The School District levies a continuing voted income tax of 1 percent for current expenses on the income of residents and of estates. The District also levies an additional .75 percent income tax levy for current operating expenses renewable for a five-year period, which was last passed in 2015 for the period from January 1, 2016 through December 31, 2020. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

NOTE 7 - LONG-TERM OBLIGATIONS

- A.** During fiscal year 2018, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/17</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/18</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
<i>General obligation bonds:</i>					
School facilities construction & improvement bonds - Series 2012					
Current interest bonds	\$ 6,720,000	\$ -	\$ -	\$ 6,720,000	\$ 115,000
Capital appreciation bonds	28,717	-	(28,717)	-	-
Accreted interest	<u>72,183</u>	<u>14,100</u>	<u>(86,283)</u>	<u>-</u>	<u>-</u>
Total long-term obligations	<u>\$ 6,820,900</u>	<u>\$ 14,100</u>	<u>\$ (115,000)</u>	<u>\$ 6,720,000</u>	<u>\$ 115,000</u>

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)

School Facilities Construction and Improvement Bonds - Series 2012: During fiscal year 2013, the District issued general obligation bonds to provide funds for the construction of school facilities under the Classroom Facilities Assistance Program of the OFCC and locally funded initiatives; renovating and improving existing school facilities, furnishing and equipping the facilities; improving the sites; and acquiring land (hereinafter called "Construction Project"). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the OFCC. The OFCC will make quarterly disbursements to the District as the project is completed. As of June 30, 2018, the total estimated cost of the Construction Project is \$20,044,763, of which the OFCC will pay \$15,234,020.

The original issue was comprised of current interest serial and term bonds, par value \$6,860,000, and capital appreciation bonds, par value \$114,538. The interest rates on the current interest bonds range from 2.00% to 4.00%. The capital appreciation bonds have matured as of June 30, 2018. Accreted interest totaled \$72,183, as of June 30, 2017. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2050.

Principal and interest requirements to retire debt outstanding at year end on the series 2012 general obligations bonds are as follows:

Fiscal Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2019	\$ 115,000	\$ 229,635	\$ 344,635
2020	115,000	227,335	342,335
2021	120,000	224,985	344,985
2022	120,000	222,435	342,435
2023	135,000	219,060	354,060
2024 - 2028	725,000	1,032,300	1,757,300
2029 - 2033	850,000	914,040	1,764,040
2034 - 2038	985,000	768,141	1,753,141
2039 - 2043	1,170,000	579,125	1,749,125
2044 - 2048	1,405,000	339,563	1,744,563
2049 - 2051	980,000	59,800	1,039,800
Total	<u>\$ 6,720,000</u>	<u>\$ 4,816,419</u>	<u>\$ 11,536,419</u>

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018, are a voted debt margin of \$2,063,360 (including available funds of \$144,203) and an unvoted debt margin of \$95,991.

NOTE 8 - RISK MANAGEMENT

A. Employee Life, Death, Medical/Surgical, Dental and Vision

The District provides life, accidental death and dismemberment, medical/surgical, dental, and vision insurance to most employees through Hardin County School Employees' Health and Welfare Benefit Plan and Trust (See Note 2.A for detail). Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies by employee depending on the terms of the union contract.

B. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2018, the District maintained comprehensive insurance coverage with a private carrier for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully registered. The District has entered into contracts with various insurance agencies for the following amounts of coverage and deductibles:

Type of Coverage		Coverage	Deductible
General Liability	\$ 5,000,000	General Aggregate	
	3,000,000	Each Occurrence	
Vehicle Policy	3,000,000	Liability	
		Property Damage	\$ 250
	1,000,000	Uninsured Motorist	
Buildings and Contents	28,485,084	Per Occurrence	1,000
Violence	1,000,000	General Aggregate	
Blanket Bond	100,000	Per Individual	
Crime (Inside and Outside the Premises)	25,000	Each Occurrence	1,000

Settled claims have not exceeded commercial coverage in any of the past three years. Also, the District has no significantly reduced coverage in the past year.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8 - RISK MANAGEMENT – (Continued)

C. Workers' Compensation

The District pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

NOTE 9 - PENSION PLANS

Net Pension Liability

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 net pension liability represents the 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.

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

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.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The 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 under Employers/Audit Resources.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9 - PENSION PLANS - (Continued)

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 thirty 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$125,001 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - County licensed teachers 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 website at 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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9 - PENSION PLANS - (Continued)

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% of the 14% member rate goes to the DC Plan and the remaining 2% 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.

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 that 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 fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$320,584 for fiscal year 2018.

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9 - PENSION PLANS - (Continued)

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.02738780%	0.01944666%	
Proportion of the net pension liability current measurement date	<u>0.02659260%</u>	<u>0.02045952%</u>	
Change in proportionate share	<u>-0.00079520%</u>	<u>0.00101286%</u>	
Proportionate share of the net pension liability	\$ 1,588,849	\$ 4,860,203	\$ 6,449,052

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, 2017, 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	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 9 - PENSION PLANS - (Continued)

For 2017, the mortality rates were based on 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 disable 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 most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined 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 a weighted averaged 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 Equity	22.50	4.75
International Equity	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 earning 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 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 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.

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NOTE 9 - PENSION PLANS - (Continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 2,204,910	\$ 1,588,849	\$ 1,072,773

Actuarial Assumptions - STRS Ohio

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	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 fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, 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 July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's 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:

**RIDGEMONT LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 9 - PENSION PLANS - (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS; investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 6,966,935	\$ 4,860,203	\$ 3,085,596

**RIDGEMONT LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 10 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 net OPEB liability represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates annually.

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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 under Employers/Audit Resources.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Chapter 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, 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 pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. 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 2018, the District's surcharge obligation was \$14,665.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$19,123 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.02908119%	0.01944666%	
Proportion of the net OPEB liability current measurement date	<u>0.02697710%</u>	<u>0.02045952%</u>	
Change in proportionate share	<u>-0.00210409%</u>	<u>0.00101286%</u>	
Proportionate share of the net OPEB liability	\$ 723,994	\$ 798,255	\$ 1,522,249

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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 OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five-year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	10.00	3.00
 Total	 100.00 %	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$ 874,316	\$ 723,994	\$ 604,902

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$ 587,467	\$ 723,994	\$ 904,691

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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 Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 <u>100.00 %</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**RIDGEMONT LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 1,071,644	\$ 798,255	\$ 582,188

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 554,593	\$ 798,255	\$ 1,118,942

NOTE 11 - OTHER EMPLOYEE BENEFITS

Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. For administrators and teachers, such days shall accumulate equal to a maximum of 230 days, and for classified employees, up to a maximum of 175 days. Upon retirement, payment is made at the rate of one fourth of the accumulated sick leave limited to a maximum of 55 paid days.

NOTE 12 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the cash basis, 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 cash receipts, disbursements and change in fund balance - budget and actual (budget basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**RIDGEMONT LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 12 - BUDGETARY BASIS OF ACCOUNTING (Continued)

The major differences between the budget basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a cash disbursement, as opposed to assigned or committed fund cash balance for that portion of outstanding encumbrances (cash basis); and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis). This includes the unclaimed monies fund, the uniform school supplies fund, the rotary fund and the public school fund.

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

Net Change in Fund Cash Balance

	<u>General fund</u>
Budget basis	\$ 467,993
Funds budgeted elsewhere	3,386
Adjustment for encumbrances	107,142
Cash basis	\$ 578,521

NOTE 13 - CONTINGENCIES

A. Grants

The 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 are 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2018, if applicable, cannot be determined at this time.

B. Litigation

The District is not party to legal proceedings that would have a material effect, if any, on the financial condition of the District.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 13 – CONTINGENCIES (Continued)

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2017-2018 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As a result of these FTE reviews performed in fiscal year 2018, the District received a \$1,736 decrease in fiscal year 2018 from ODE. This amount has not been included in the financial statements.

NOTE 14 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund cash receipt amounts, as defined by 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 year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements and offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	88,265
Current year qualifying disbursements	<u>(88,265)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u>\$ -</u>

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 15 - OTHER COMMITMENTS

The 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 cash balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 107,142
Other governmental	<u>661,168</u>
Total	<u>\$ 768,310</u>

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**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)

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

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- At June 30, 2017, the District's net cash position of governmental activities decreased \$280,963, which represents a 4.47% decrease from the restated cash position of fiscal year 2016. This decrease can primarily be attributed to the monies disbursed during fiscal year 2017 for the renovation and improvement of existing school facilities under the Ohio School Facilities Commission and locally funded initiatives.
- General cash receipts accounted for \$6,312,375 in cash receipts or 81.11% of all cash receipts. Program specific cash receipts in the form of charges for services and sales and grants and contributions accounted for \$1,469,758 or 18.89% of total cash receipts of \$7,782,133.
- The District had \$8,063,096 in cash disbursements related to governmental activities; \$1,469,758 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and grants and entitlements) of \$6,312,375 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the classroom facilities fund. The general fund had \$6,869,168 in cash receipts and other financing sources and \$6,142,153 in cash disbursements and other financing uses. During fiscal year 2017, the general fund's fund cash balance increased \$727,015 from \$3,545,385 to \$4,272,400.
- The classroom facilities fund had \$4,345 in cash receipts and \$818,963 in cash disbursements and other financing uses. The classroom facilities fund's cash balance decreased \$814,618 from fiscal year 2016.

Using the Cash Basis Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the classroom facilities fund are reported as major funds.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position - cash basis and the statement of activities - cash basis answer the question, "How did the District do financially during fiscal year 2017?" These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services and not collected), liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) and deferred inflows and outflows of resources are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position - cash basis and statement of activities - cash basis, the governmental activities include the District's programs and services, including instruction; support services which include operation and maintenance of plant, and pupil transportation; extracurricular activities; and food service operations.

The District's statement of net position - cash basis and statement of activities - cash basis can be found on pages 63-64 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 59. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the classroom facilities fund.

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. The relationship (or differences) between governmental activities (reported in the statement of net position - cash basis and statement of activities - cash basis) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 65-67 of this report.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position - cash basis. These activities are excluded from the District's other financial statements because the cash position cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The District as a Whole

The table below provides a summary of the District's net cash position at June 30, 2017 and June 30, 2016.

	Net Cash Position	
	Governmental Activities 2017	Restated Governmental Activities 2016
	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current assets	\$ 6,000,389	\$ 6,281,352
<u>Net Cash Position</u>		
Restricted	1,745,108	2,355,423
Unrestricted	<u>4,255,281</u>	<u>3,925,929</u>
Total net cash position	<u>\$ 6,000,389</u>	<u>\$ 6,281,352</u>

Total net cash position of the District decreased \$280,963, which represents a 4.47% decrease from net cash position at June 30, 2016. This decrease can primarily be attributed to \$1,024,576 spent during fiscal year 2017 on facilities acquisition and construction for the renovation and improvement of existing school facilities under the Ohio School Facilities Commission. A portion of the District's net cash position, \$1,745,108, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$4,255,281 may be used to meet the District's ongoing obligations to the students and creditors.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)

The table below shows the change in net cash position for fiscal years 2017 and 2016.

	Change in Net Cash Position	
	Governmental Activities	Governmental Activities
	<u>2017</u>	<u>2016</u>
<u>Cash receipts:</u>		
Program cash receipts:		
Charges for services and sales	\$ 924,005	\$ 889,492
Operating grants and contributions	539,966	732,747
Capital grants and contributions	5,787	7,289
General cash receipts:		
Property taxes	2,251,079	2,274,435
Income taxes	1,013,600	999,677
Grants and entitlements		
Unrestricted	2,958,821	2,934,002
Restricted for Ohio School Facilities	-	723,579
Investment earnings	31,115	14,353
Other	<u>57,760</u>	<u>125,099</u>
Total cash receipts	<u>7,782,133</u>	<u>8,700,673</u>

-Continued

The decrease in operating grants can be attributed to a decrease in Title I grants received. The most significant decrease was in the amount of grants received from the OFCC restricted for the construction project, which no grants were received in fiscal year 2017.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)

Change in Net Cash Position (Continued)

	Governmental Activities <u>2017</u>	Resated Governmental Activities <u>2016</u>
<u>Cash disbursements:</u>		
Current:		
Instruction:		
Regular	\$ 2,704,746	\$ 2,572,831
Special	703,651	701,881
Vocational	214,403	192,285
Other	81,724	15,337
Support services:		
Pupil	300,523	297,789
Instructional staff	76,624	113,272
Board of education	27,914	28,686
Administration	771,239	761,298
Fiscal	277,604	272,748
Operations and maintenance	667,266	626,900
Pupil transportation	364,352	398,158
Central	4,772	4,375
Operation of non-instructional services:		
Other non-instructional services	2,667	4,271
Food service operations	267,551	277,718
Extracurricular activities	227,699	207,898
Facilities acquisition and construction	1,024,576	5,537,499
Debt service:		
Principal retirement	37,320	48,501
Interest and fiscal charges	<u>308,465</u>	<u>297,284</u>
Total cash disbursements	<u>8,063,096</u>	<u>12,358,731</u>
Change in net cash position	(280,963)	(3,658,058)
Net cash position at beginning of year	<u>6,281,352</u>	<u>9,939,410</u>
Net cash position at end of year	<u>\$ 6,000,389</u>	<u>\$ 6,281,352</u>

Governmental Activities

Net cash position of the District's governmental activities decreased \$280,963. Total governmental cash disbursements of \$8,063,096 were mostly offset by program cash receipts of \$1,469,758 and general cash receipts of \$6,312,375. Program cash receipts supported 18.89% of the total governmental cash disbursements.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)

The primary sources of cash receipts for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These cash receipt sources represent 80.00% of total governmental cash receipts.

Facilities acquisition and construction cash disbursements totaled \$1,024,576 or 12.71% of total governmental cash disbursements for fiscal year 2017. The largest cash disbursement category of the District is for instructional programs. Instruction cash disbursements totaled \$3,704,524 or 45.94% of total governmental cash disbursements for fiscal year 2017.

The statement of activities - cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2017 and 2016. That is, it identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

Governmental Activities				
	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
Cash disbursements:				
Instruction:				
Regular	\$ 2,704,746	\$ 1,935,468	\$ 2,572,831	\$ 1,831,841
Special	703,651	405,804	701,881	297,588
Vocational	214,403	187,759	192,285	167,203
Other	81,724	75,783	15,337	10,904
Support services:				
Pupil	300,523	269,147	297,789	234,943
Instructional staff	76,624	58,397	113,272	48,960
Board of education	27,914	27,914	28,686	28,686
Administration	771,239	771,239	761,298	761,298
Fiscal	277,604	277,604	272,748	272,748
Operations and maintenance	667,266	667,266	626,900	626,900
Pupil transportation	364,352	358,384	398,158	392,457
Central	4,772	4,772	4,375	4,290
Operation of non-instructional services:				
Other non-instructional services	2,667	2,462	4,271	4,271
Food service operations	267,551	38,265	277,718	37,445
Extracurricular activities	227,699	142,713	207,898	126,385
Facilities acquisition and construction	1,024,576	1,024,576	5,537,499	5,537,499
Debt service:				
Principal retirement	37,320	37,320	48,501	48,501
Interest and fiscal charges	308,465	308,465	297,284	297,284
Total	<u>\$ 8,063,096</u>	<u>\$ 6,593,338</u>	<u>\$ 12,358,731</u>	<u>\$ 10,729,203</u>

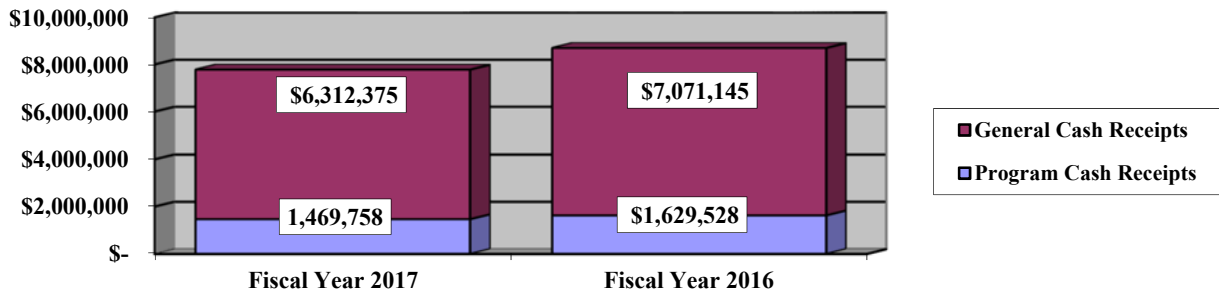
**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)

The dependence upon tax and other general cash receipts for governmental activities is apparent, 70.31% of instructional activities are supported through taxes and other general cash receipts. For all governmental activities, general cash receipt support is 81.77%. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for the District's students.

The graph below presents the District's governmental activities cash receipts for fiscal years 2017 and 2016.

Governmental Activities - General and Program Cash Receipts



The District's Funds

The District's governmental funds reported a combined fund cash balance of \$6,000,389, which is lower than last year's restated total fund cash balance of \$6,281,352. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2017 and June 30, 2016.

	Fund Cash Balance <u>June 30, 2017</u>	Restated Fund Cash Balance <u>June 30, 2016</u>	Increase (decrease)
General	\$ 4,272,400	\$ 3,545,385	\$ 727,015
Classroom facilities	756,534	1,571,152	(814,618)
Other governmental	<u>971,455</u>	<u>1,164,815</u>	<u>(193,360)</u>
Total	<u>\$ 6,000,389</u>	<u>\$ 6,281,352</u>	<u>\$ (280,963)</u>

General Fund

The District's general fund cash balance increased \$727,015 during fiscal year 2017.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)

The table that follows assists in illustrating the financial activities and fund cash balance of the general fund.

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Cash receipts</u>				
Taxes	\$ 2,918,064	\$ 2,920,619	\$ (2,555)	(0.09) %
Tuition	682,579	663,895	18,684	2.81 %
Earnings on investments	31,115	14,353	16,762	116.78 %
Intergovernmental	3,082,585	3,022,556	60,029	1.99 %
Other receipts	<u>104,501</u>	<u>140,196</u>	<u>(35,695)</u>	<u>(25.46) %</u>
Total	<u>\$ 6,818,844</u>	<u>\$ 6,761,619</u>	<u>\$ 57,225</u>	<u>0.85 %</u>
<u>Cash disbursements</u>				
Instruction	\$ 3,384,926	\$ 3,146,749	\$ 238,177	7.57 %
Support services	2,383,850	2,349,854	33,996	1.45 %
Non-instructional services	1,663	4,271	(2,608)	(61.06) %
Extracurricular activities	162,301	148,789	13,512	9.08 %
Facilities acquisition and construction	<u>5,643</u>	<u>1,687</u>	<u>3,956</u>	<u>234.50 %</u>
Total	<u>\$ 5,938,383</u>	<u>\$ 5,651,350</u>	<u>\$ 287,033</u>	<u>5.08 %</u>

Overall cash receipts increased \$57,225 or 0.85% during fiscal year 2017. Earnings on investments increased \$16,762 from fiscal year 2016.

Overall cash disbursements increased \$287,033 or 5.08% during fiscal year 2017. The increase in instruction services is due to increased costs related to teaching personnel. All other disbursements remained comparable to fiscal year 2016.

Classroom Facilities Fund

The classroom facilities fund had \$4,345 in cash receipts, \$818,963 in cash disbursements and other financing uses, and a cash fund balance of \$756,534 at June 30, 2017.

General Fund Budgeting Highlights

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

For the general fund, final budgetary basis receipts and other financing sources of \$6,842,217 were \$33,766 lower than original budget estimates of \$6,875,983. The actual budgetary basis receipts and other financing sources were the same as the final budget estimates. The final budgetary basis disbursements and other financing uses of \$6,614,620 were the same as original budget estimates. The actual budgetary basis disbursements and other financing uses of \$6,246,141 were \$368,479 less than the final budget estimates.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements. The District had facilities acquisition and construction cash disbursements of \$1,024,576 during fiscal year 2017.

Debt Administration

At June 30, 2017, the District had \$6,720,000 in current interest bonds, \$28,717 in capital appreciation bonds and \$72,183 in accreted interest. Of this total, \$100,900 is due within one year and \$6,720,000 is due in more than one year. The following table summarizes the debt outstanding.

	Outstanding Debt, Year End	
	Governmental Activities	Governmental Activities
	<u>2017</u>	<u>2016</u>
Current interest bonds	\$ 6,720,000	\$ 6,720,000
Capital appreciation bonds	28,717	66,037
Accreted interest	<u>72,183</u>	<u>112,543</u>
Total	<u>\$ 6,820,900</u>	<u>\$ 6,898,580</u>

See Note 7 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

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

The electors of the District approved the issuance of bonds in the amount of \$6,975,000 at the election held on March 6, 2012. The bonds are unlimited tax general obligation bonds issued for the purpose of constructing a new PK-12 school building under the Classroom Facilities Assistance Program of the OFCC and locally funded initiatives.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Melissa Pollem, Treasurer, Ridgemont Local Schools, 560 W. Taylor Street, Mount Victory, OH 43340.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2017**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 6,000,389
Total assets.	\$ 6,000,389
 Net Cash Position:	
Restricted for:	
Debt service.	\$ 138,437
Capital projects	972,063
Classroom facilities maintenance	163,909
Unclaimed monies	17,119
Food service operations	12,490
Locally funded programs	17,840
Federally funded programs	29,295
Student activities	3,265
Other purposes	390,690
Unrestricted	4,255,281
Total net cash position	\$ 6,000,389

See accompanying notes to the basic financial statements.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Cash</u>	<u>Program Cash Receipts</u>				<u>Net</u>
	<u>Disbursements</u>	<u>Charges for</u>	<u>Operating Grants</u>	<u>Capital Grants</u>		<u>(Disbursements)</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>and Contributions</u>		<u>Receipts and</u>
						<u>Changes in</u>
						<u>Net Cash Position</u>
						<u>Total</u>
Governmental activities:						
Instruction:						
Regular	\$ 2,704,746	\$ 712,226	\$ 51,265	\$ 5,787		\$ (1,935,468)
Special	703,651		297,847			(405,804)
Vocational	214,403		26,644			(187,759)
Other	81,724		5,941			(75,783)
Support services:						
Pupil	300,523		31,376			(269,147)
Instructional staff	76,624		18,227			(58,397)
Board of education	27,914					(27,914)
Administration	771,239					(771,239)
Fiscal	277,604					(277,604)
Operations and maintenance	667,266					(667,266)
Pupil transportation	364,352		5,968			(358,384)
Central	4,772					(4,772)
Operation of non-instructional services:						
Other non-instructional services	2,667		205			(2,462)
Food service operations	267,551	133,693	95,593			(38,265)
Extracurricular activities	227,699	78,086	6,900			(142,713)
Facilities acquisition and construction	1,024,576					(1,024,576)
Principal retirement	37,320					(37,320)
Interest and fiscal charges	308,465					(308,465)
Total governmental activities	\$ 8,063,096	\$ 924,005	\$ 539,966	\$ 5,787		(6,593,338)
						(6,593,338)
General Cash Receipts:						
Property taxes levied for:						
General purposes						1,904,464
Debt service						314,801
Special revenue						31,814
Income taxes levied for general purposes						1,013,600
Grants and entitlements:						
Unrestricted						2,958,821
Earnings on investments						31,115
Miscellaneous						57,760
Total general cash receipts						6,312,375
Change in net cash position						(280,963)
Net cash position at beginning of year (Restated)						6,281,352
Net cash position at end of year						\$ 6,000,389

See accompanying notes to the basic financial statements

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 4,272,400	\$ 756,534	\$ 971,455	\$ 6,000,389
Total assets	<u>\$ 4,272,400</u>	<u>\$ 756,534</u>	<u>\$ 971,455</u>	<u>\$ 6,000,389</u>
Fund Cash Balances:				
Nonspendable:				
Unclaimed monies	\$ 17,119			\$ 17,119
Restricted:				
Debt service			\$ 138,437	138,437
Capital improvements		\$ 756,534	215,529	972,063
Classroom facilities maintenance			163,909	163,909
Food service operations			12,490	12,490
Locally funded programs			17,840	17,840
Federally funded programs			29,295	29,295
Student activities			3,265	3,265
Other purposes.			390,690	390,690
Assigned:				
Student instruction	12,548			12,548
Student and staff support.	131,384			131,384
Subsequent year's appropriations	332,731			332,731
Other purposes.	45			45
Unassigned	<u>3,778,573</u>			<u>3,778,573</u>
Total fund cash balances	<u>\$ 4,272,400</u>	<u>\$ 756,534</u>	<u>\$ 971,455</u>	<u>\$ 6,000,389</u>

See accompanying notes to the basic financial statements.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Cash receipts:				
From local sources:				
Property taxes	\$ 1,904,464		\$ 346,615	\$ 2,251,079
Income taxes	1,013,600			1,013,600
Tuition	682,579			682,579
Earnings on investments	31,115	\$ 4,345	1,442	36,902
Charges for services	-		133,693	133,693
Extracurricular	23,279		56,867	80,146
Classroom materials and fees	27,587			27,587
Rental income	496			496
Contributions and donations	50		6,750	6,800
Other local revenues	53,089		700	53,789
Intergovernmental - intermediate	-		3,000	3,000
Intergovernmental - state	3,082,585		67,259	3,149,844
Intergovernmental - federal	-		338,493	338,493
Total receipts	<u>6,818,844</u>	<u>4,345</u>	<u>954,819</u>	<u>7,778,008</u>
Cash disbursements:				
Current:				
Instruction:				
Regular	2,631,391		73,355	2,704,746
Special	480,235		223,416	703,651
Vocational	213,169		1,234	214,403
Other	60,131		21,593	81,724
Support services:				
Pupil	250,307		50,216	300,523
Instructional staff	47,523		29,101	76,624
Board of education	27,914			27,914
Administration	751,239		20,000	771,239
Fiscal	270,477		7,127	277,604
Operations and maintenance	667,266			667,266
Pupil transportation	364,352			364,352
Central	4,772			4,772
Operation of non-instructional services:				
Other operation of non-instructional	1,663		1,004	2,667
Food service operations	-		267,551	267,551
Extracurricular activities	162,301		65,398	227,699
Facilities acquisition and construction	5,643	806,066	212,867	1,024,576
Debt service:				
Principal retirement			37,320	37,320
Interest and fiscal charges			308,465	308,465
Total disbursements	<u>5,938,383</u>	<u>806,066</u>	<u>1,318,647</u>	<u>8,063,096</u>
Excess (deficiency) of receipts over (under) disbursements	<u>880,461</u>	<u>(801,721)</u>	<u>(363,828)</u>	<u>(285,088)</u>
Other financing sources (uses):				
Sale of assets	4,125			4,125
Transfers in			55,000	55,000
Transfers (out)	(55,000)			(55,000)
Advances in	46,199		148,151	194,350
Advances (out)	(148,770)	(12,897)	(32,683)	(194,350)
Total other financing sources (uses)	<u>(153,446)</u>	<u>(12,897)</u>	<u>170,468</u>	<u>4,125</u>
Net change in fund cash balances	727,015	(814,618)	(193,360)	(280,963)
Fund cash balances at beginning of year (restated)	<u>3,545,385</u>	<u>1,571,152</u>	<u>1,164,815</u>	<u>6,281,352</u>
Fund cash balances at end of year	<u>\$ 4,272,400</u>	<u>\$ 756,534</u>	<u>\$ 971,455</u>	<u>\$ 6,000,389</u>

See accompanying notes to the basic financial statements.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary basis receipts:				
From local sources:				
Property taxes	\$ 1,913,938	\$ 1,904,464	\$ 1,904,464	
Income taxes.	1,018,642	1,013,600	1,013,600	
Tuition.	685,974	682,579	682,579	
Earnings on investments	31,270	31,115	31,115	
Classroom materials and fees	20,044	19,945	19,945	
Rental income	498	496	496	
Contributions and donations	50	50	50	
Other local revenues	53,353	53,089	53,089	
Intergovernmental - state	3,097,920	3,082,586	3,082,586	
Total receipts	<u>6,821,689</u>	<u>6,787,924</u>	<u>6,787,924</u>	
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	2,735,707	2,735,707	2,633,427	102,280
Special.	492,714	492,714	482,234	10,480
Vocational.	225,804	225,804	216,435	9,369
Other.	60,500	60,500	60,131	369
Support services:				
Pupil.	257,530	257,530	250,396	7,134
Instructional staff	48,700	48,700	47,523	1,177
Board of education	31,410	31,410	27,914	3,496
Administration.	776,742	776,742	753,440	23,302
Fiscal	283,791	283,791	271,527	12,264
Operations and maintenance.	801,944	801,944	691,214	110,730
Pupil transportation	533,798	533,798	455,196	78,602
Central.	5,500	5,500	4,772	728
Other operation of non-instructional services	4,500	4,500	1,708	2,792
Extracurricular activities.	139,980	139,980	135,146	4,834
Facilities acquisition and construction	6,000	6,000	5,643	357
Total disbursements	<u>6,404,620</u>	<u>6,404,620</u>	<u>6,036,706</u>	<u>367,914</u>
Excess of receipts over disbursements	<u>417,069</u>	<u>383,304</u>	<u>751,218</u>	<u>367,914</u>
Other financing sources (uses):				
Refund of prior year's expenditures	2,394	2,394	2,394	
Transfers (out).	(55,000)	(55,000)	(55,000)	
Advances in.	47,774	47,774	47,774	
Advances (out)	(155,000)	(155,000)	(154,435)	565
Sale of capital assets	4,125	4,125	4,125	
Total other financing sources (uses)	<u>(155,707)</u>	<u>(155,707)</u>	<u>(155,142)</u>	<u>565</u>
Net change in fund cash balance	261,362	227,597	596,076	368,479
Fund cash balance at beginning of year	3,490,608	3,490,608	3,490,608	
Prior year encumbrances appropriated	24,620	24,620	24,620	
Fund cash balance at end of year.	<u>\$ 3,776,590</u>	<u>\$ 3,742,825</u>	<u>\$ 4,111,304</u>	<u>\$ 368,479</u>

See accompanying notes to the basic financial statements.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
JUNE 30, 2017

	Agency
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 72,378
Total assets.	\$ 72,378
 Net position:	
Held for student activities.	\$ 72,378
Total net cash position.	\$ 72,378

See accompanying notes to the basic financial statements.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Ridgemont Local School District (the “District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under an elected Board of Education (5 members) elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines. Average daily membership (ADM) as of June 30, 2017 was 499. The District employed 4 administrators, 37 certificated employees and 29 non-certified employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.D, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided. Following are the more significant of the District’s accounting policies.

A. Reporting Entity

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

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the Purpose of applying modern technology with the aid of computers and other electronic equipment to Administrative and instructional functions among member school districts. The Organization is governed by a board of directors consisting of 14 members: the Superintendent of the Fiscal Agent, two Superintendents from each county that is represented, one treasurer representative, a student services representative, and non-voting independent district representative. The degree of control exercised by any participating member is limited to its representation on the board. Financial information can be obtained from Don Walls, Director, at 129 E. Court St., Sidney, Ohio 45365.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

Ohio Hi-Point Career Center

The Ohio Hi-Point Career Center is a distinct political subdivision of the State of Ohio. The Career Center is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. The Board possesses its own budgeting and taxing authority. Financial information is available from Eric Adelsberger, Treasurer, of the Ohio Hi-Point Career Center, 2280 State Route 540, Suite A, Bellefontaine, Ohio 43311.

INSURANCE POOL

Hardin County School Employees' Health Welfare Benefit Plan and Trust

The Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the "Trust") is a public entity shared risk pool consisting of six school districts and the District. The Trust is organized as a Voluntary Employee Benefit association under Section 501(C)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to an Administrative Committee, which advises of the Trustee, Ohio Bank, concerning aspects of the administration of the Trust.

Each school district and the District decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information may be obtained from Rick Combs, who services as Director, 9525 T.R. 50, Dola, Ohio, 45835.

RELATED ORGANIZATION

Ridgemont Public Library

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

B. Basis of Presentation

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

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

All assets and net cash assets associated with the operation of the District are included on the statement of net position.

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

C. Fund Accounting

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is disbursed or transferred according to the general laws of Ohio.

Classroom facilities fund - The classroom facilities capital projects fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Facilities Construction Commission (OFCC) for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on Net 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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Monies are due to students for activities they have participated in.

D. Basis of Accounting

Although Ohio Administrative Code § 117-2-03(B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

E. Budgetary Process

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

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

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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

F. Cash and Investments

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

During fiscal year 2017, the 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 District measures its 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 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.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during year 2017 amounted to \$31,115, which includes \$5,569 assigned from other funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Inventory and Prepaid Items

The District reports cash disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

I. Interfund Balances

On fund financial statements, the District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying fund financial statements under the cash basis of accounting. Advances are eliminated in the governmental activities column on the statement of net position.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave. Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

K. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal and interest payments.

L. Fund Cash Balance

Fund cash balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund cash balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact.

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

Committed - The committed fund cash balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the 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 cash 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.

Assigned - Amounts in the assigned fund cash balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund cash 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 District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

Unassigned - Unassigned fund cash 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 only used to report a deficit fund cash balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund cash balance is available. Similarly, within unrestricted fund cash 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 cash balance classifications could be used.

M. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District did not have any restricted assets at June 30, 2017.

N. Net Cash Position

Net cash position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net cash position restricted for other purposes include amounts restricted for food service operations. The District did not have any net cash position restricted by enabling legislation at June 30, 2017.

O. Interfund Activity

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

P. 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.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

Q. Pensions

For purposes of measuring the net pension liability, 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, “*Tax Abatement Disclosures*”.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments 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 District.

B. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

C. Restatement of Net Position/Fund Cash Balance

The District reclassified the private-purpose trust fund to a nonmajor governmental fund to better conform to GASB standards, as no formal trust agreements existed. The private-purpose trust fund was eliminated, and the net cash position/ fund cash balance was increased \$397,663 from \$5,883,689 to \$6,281,352.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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 twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

At year end, the District had \$50 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits was \$4,287,230. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$233,276 of the District's bank balance of \$4,534,575 was exposed to custodial risk as discussed below, while \$4,301,299 was covered by the FDIC.

C. Investments

As of June 30, 2017, the District had the following investment and maturity:

<u>Investment type</u>	<u>NAV</u>	<u>Maturity</u> 6 months or less
STAR Ohio	<u>\$ 1,785,487</u>	<u>\$ 1,785,487</u>

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. The District has no policy limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not address credit risk beyond the requirements of State statutes.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute 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 District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

<u>Investment type</u>	<u>NAV</u>	<u>% to Total</u>
STAR Ohio	\$ 1,785,487	100.00

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position as of June 30, 2017:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 4,287,230
Investments	1,785,487
Cash on hand	50
Total	\$ 6,072,767
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,000,389
Agency fund	72,378
Total	\$ 6,072,767

NOTE 5 - INTERFUND TRANSACTIONS

A. Advances for the fiscal year ended June 30, 2017, as reported on the fund statements, consist of the following:

<u>Advances in</u>	<u>Advances out</u>	<u>Amount</u>
General	Classroom facilities	\$ 12,897
General	Nonmajor governmental	32,683
Nonmajor governmental	General	148,770
Total		\$ 194,350

**RIDGEMONT LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

The primary purpose of the advances is to cover costs in specific funds where expected funds were not received by June 30. New advances are expected to be repaid once the anticipated funds are received.

Interfund advances between governmental funds are eliminated on the government-wide financial statements; therefore, no advances are reported on the statements of activities.

- B.** Transfers for the fiscal year ended June 30, 2017, as reported on the fund statements, consist of the following:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
Nonmajor governmental	General	<u>\$ 55,000</u>

Transfers are used to move cash receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them and to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

NOTE 6 - PROPERTY TAXES AND INCOME TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Hardin and Logan Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2017, are available to finance fiscal year 2017 operations. 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.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 6 - PROPERTY TAXES AND INCOME TAXES (Continued)

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

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 98,398,740	95.25	\$ 100,381,350	95.21
Public utility personal	<u>4,910,420</u>	<u>4.75</u>	<u>5,047,540</u>	<u>4.79</u>
Total	<u>\$ 103,309,160</u>	<u>100.00</u>	<u>\$ 105,428,890</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.90		\$ 34.90	

- B.** The School District levies a continuing voted income tax of 1 percent for current expenses on the income of residents and of estates. The District also levies an additional .75 percent income tax levy for current operating expenses renewable for a five-year period, which was last passed in 2015 for the period from January 1, 2016 through December 31, 2020. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

NOTE 7 - LONG-TERM OBLIGATIONS

- A.** During fiscal year 2017, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/16</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/17</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
<i>General obligation bonds:</i>					
School facilities construction & improvement bonds - Series 2012					
Current interest bonds	\$ 6,720,000	\$ -	\$ -	\$ 6,720,000	\$ -
Capital appreciation bonds	66,037	-	(37,320)	28,717	28,717
Accreted interest	<u>112,543</u>	<u>37,320</u>	<u>(77,680)</u>	<u>72,183</u>	<u>72,183</u>
Total long-term obligations	<u>\$ 6,898,580</u>	<u>\$ 37,320</u>	<u>\$ (115,000)</u>	<u>\$ 6,820,900</u>	<u>\$ 100,900</u>

School Facilities Construction and Improvement Bonds - Series 2012: During fiscal year 2013, the District issued general obligation bonds to provide funds for the construction of school facilities under the Classroom Facilities Assistance Program of the OFCC and locally funded initiatives; renovating and improving existing school facilities, furnishing and equipping the facilities; improving the sites; and acquiring land (hereinafter called "Construction Project"). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the OFCC. The OFCC will make quarterly disbursements to the District as the project is completed. As of June 30, 2016, the total estimated cost of the Construction Project is \$20,044,763, of which the OFCC will pay \$15,234,020.

The original issue was comprised of current interest serial and term bonds, par value \$6,860,000, and capital appreciation bonds, par value \$114,538. The interest rates on the current interest bonds range from 2.00% to 4.00%. The capital appreciation bonds mature on December 1, 2015, December 1, 2016, and December 1, 2017 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date and the approximate initial offering yield to maturity is 1.40%, 1.65%, and 1.90%, respectively. Accreted interest totaled \$72,183 as of June 30, 2017. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2050.

Principal and interest requirements to retire debt outstanding at year end on the series 2012 general obligations bonds are as follows:

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ -	\$ 230,785	\$ 230,785	\$ 28,717	\$ 86,283	\$ 115,000
2019	115,000	229,635	344,635	-	-	-
2020	115,000	227,335	342,335	-	-	-
2021	120,000	224,985	344,985	-	-	-
2022	120,000	222,435	342,435	-	-	-
2023 - 2027	705,000	1,053,750	1,758,750	-	-	-
2028 - 2032	825,000	939,300	1,764,300	-	-	-
2033 - 2037	955,000	800,434	1,755,434	-	-	-
2038 - 2042	1,130,000	620,576	1,750,576	-	-	-
2043 - 2047	1,350,000	392,869	1,742,869	-	-	-
2048 - 2051	1,285,000	105,100	1,390,100	-	-	-
Total	<u>\$ 6,720,000</u>	<u>\$ 5,047,204</u>	<u>\$ 11,767,204</u>	<u>\$ 28,717</u>	<u>\$ 86,283</u>	<u>\$ 115,000</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)

The Ohio Revised Code further provides that when a board of education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the 9% limit to finance additional facilities, the State Department of Education may declare that district a “special needs” district. This permits the incurrence of additional debt based upon projected 5-year growth of the school district’s assessed valuation. The District was determined to be a “special needs” district by the State Superintendent on January 28, 2011.

NOTE 8 - RISK MANAGEMENT

A. Employee Life, Death, Medical/Surgical, Dental and Vision

The District provides life, accidental death and dismemberment, medical/surgical, dental, and vision insurance to most employees through Hardin County School Employees’ Health and Welfare Benefit Plan and Trust (See Note 2.A for detail). Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies by employee depending on the terms of the union contract.

B. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2017, the District maintained comprehensive insurance coverage with a private carrier for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully registered. The District has entered into contracts with various insurance agencies for the following amounts of coverage and deductibles:

<u>Type of Coverage</u>		<u>Coverage</u>	<u>Deductible</u>	
General Liability	\$ 5,000,000	General Aggregate		
	3,000,000	Each Occurrence		
Vehicle Policy	3,000,000	Liability		
	1,000,000	Property Damage	\$ 250	
	1,000,000	Uninsured Motorist		
Buildings and Contents		Per Occurrence	1,000	
Violence	1,000,000	General Aggregate		
Blanket Bond	25,000	Per Individual		
Crime	25,000	Each Occurrence	1,000	

Settled claims have not exceeded commercial coverage in any of the past three years. Also, the District has no significantly reduced coverage in the past year.

C. Workers’ Compensation

The District pays the State Workers’ Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9 - PENSION PLANS

Net Pension Liability

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 net pension liability represents the 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.

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

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.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The 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 under Employers/Audit Resources.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9 - PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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 thirty 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the 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. None of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$121,170 for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - District licensed teachers 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.

**RIDGEMONT LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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, 11.5% of the 13% member rate goes to the DC Plan and the remaining 1.5% 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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 that 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 fiscal year 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$316,019 for fiscal year 2017.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9 - PENSION PLANS - (Continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS Ohio	Total
Proportion of the net pension liability prior measurement date	0.02677630%	0.01934701%	
Proportion of the net pension liability current measurement date	<u>0.02738780%</u>	<u>0.01944666%</u>	
Change in proportionate share	█ <u>0.00061150%</u>	█ <u>0.00009965%</u>	
Proportionate share of the net pension liability	\$ 2,004,534	\$ 6,509,383	\$ 8,513,917

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.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9 - PENSION PLANS - (Continued)

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 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined 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 a weighted averaged 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.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9 - PENSION PLANS - (Continued)

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 Equity	22.50	4.75
International Equity	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 earning 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 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 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>
District's proportionate share of the net pension liability	\$ 2,653,878	\$ 2,004,534	\$ 1,461,006

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9 - PENSION PLANS - (Continued)

Actuarial Assumptions - STRS Ohio

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 increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
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 paid on fifth anniversary of 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 not 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 Ohio's 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	1.00	3.00
Total	<u>100.00 %</u>	<u>7.61 %</u>

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.50% 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.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9 - PENSION PLANS - (Continued)

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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the 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%)
District's proportionate share of the net pension liability	\$ 8,650,441	\$ 6,509,383	\$ 4,703,275

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The 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 under Employers/Audit Resources.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)

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, no portion of covered payroll was allocated to health care. 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 District's surcharge obligation was \$13,669.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$13,669, \$14,250, and \$22,380, respectively. 100 percent has been contributed for fiscal years 2017, 2016 and 2015.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law 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 Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 11 - OTHER EMPLOYEE BENEFITS

Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. For administrators and teachers, such days shall accumulate equal to a maximum of 230 days, and for classified employees, up to a maximum of 175 days. Upon retirement, payment is made at the rate of one fourth of the accumulated sick leave limited to a maximum of 55 paid days.

NOTE 12 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the cash basis, 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 cash receipts, disbursements and change in fund balance - budget and actual (budget basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a cash disbursement, as opposed to assigned or committed fund cash balance for that portion of outstanding encumbrances (cash basis); and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis). This includes the unclaimed monies fund, the uniform school supplies fund and the public school fund.

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

Net Change in Fund Cash Balance

	<u>General fund</u>
Budget basis	\$ 596,076
Funds budgeted elsewhere	214
Adjustment for encumbrances	130,725
Cash basis	\$ 727,015

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 13 - CONTINGENCIES

A. Grants

The 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 are 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2017, if applicable, cannot be determined at this time.

B. Litigation

The District is not party to legal proceedings that would have a material effect, if any, on the financial condition of the District.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2016-2017 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As a result of these FTE reviews performed in fiscal year 2018, the District received a \$3,485 decrease in fiscal year 2018 from ODE. This amount has not been included in the financial statements.

NOTE 14 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund cash receipt amounts, as defined by 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 year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements and offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 14 - SET-ASIDES (Continued)

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	86,698
Current year qualifying disbursements	<u>(86,698)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

NOTE 15 - OTHER COMMITMENTS

The 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 cash balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 130,725
Classroom facilities	479,042
Other governmental	<u>226,549</u>
Total	<u>\$ 836,316</u>

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Ridgemont Local School District
Hardin County
560 W. Taylor Street
Mount Victory, OH 43340

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ridgemont Local School District, Hardin County, (the District) as of and for the fiscal years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 4, 2019, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted that the July 1, 2016 Governmental Activities net position, Nonmajor Governmental Funds balance, and the Private Purpose Trust Fund balance were restated by the District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2018-002 and 2018-003.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

June 4, 2019

**RIDGEMONT LOCAL SCHOOL DISTRICT
HARDIN COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2018 AND JUNE 30, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements and Management's Discussion For State and Local Governments* paragraph 69 states that private purpose trust funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. Paragraph 72 (GASB Codification 1300.113) states that private purpose trust funds, such as a fund used to report escheat property, should be used to report all trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

The Statement of Fiduciary Net Position – Cash Basis, reported Private Purpose Trust Fund additions of \$2,725, deductions of \$3,201, and net cash position of \$389,402 at June 30, 2018; and additions of \$2,610, deductions of \$10,395 and net position of \$389,878 at June 30, 2017. The Private Purpose Trust Funds consisted of the two funds that were not supported by trust agreements.

The accompanying financial statements and the accounting records have been adjusted to reclassify the Private Purpose Trust Funds to Special Revenue Funds.

Financial reporting errors may impact the user's understanding of the financial operations, the ability to make sound financial decisions, and result in the material misstatement of the financial statements. The errors identified should be reviewed by the Treasurer to help prevent similar errors in subsequent years.

OFFICIALS' RESPONSE: Ridgemont Local Schools acknowledges the finding regarding classification of funds 007 4190 881 9013 and 007 4310 891 999A as private purpose trust funds. Both funds have been re-classified as special revenue funds as of 5/31/2019.

FINDING NUMBER 2018-002

Noncompliance Citation

Ohio Rev. Code § 117.38 provides, in part, that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

FINDING NUMBER 2018-002
(Continued)

Ohio Admin. Code § 117-2-03(B) requires all school districts to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). The District prepared its financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its financial statements according to generally accepted accounting principles.

OFFICIALS' RESPONSE: The cost of reporting in GAAP form exceeds the value of the report in the opinion of the Board of Education.

FINDING NUMBER 2018-003

Finding For Recovery / Noncompliance Citation

Guidance released by the Ohio Department of Education entitled, *School District Treasurer Supplemental Contracts for Managing School Funds* states the following, "In spite of any additional duties in managing Federal or State funds, Federal and state law prohibits treasurers from receiving a supplemental contract for managing Federal or State funds. There are several Ohio statutes... which require that position."

Ohio Rev. Code § 3313.29 provides in part, the treasurer of each board of education shall keep an account of all school funds of the district. **Ohio Rev. Code § 3313.31** provides, in part, the treasurer shall be the chief fiscal officer of the school district and shall be responsible for the financial affairs of the district, subject to the direction of the district board of education.

Further, Ohio Attorney General 1974-045 states in relevant part, "In specific answer to your questions, it is my opinion and you are so advised that a board of education is without power to enter into a supplemental contract with its non-teaching employees. Such an agreement may not be treated as a binding contract for purposes of R.C. Chapter 3319. (Opinion No.156, Opinions of the Attorney General for 1959, page 70, approved and followed)."

Additionally, in *Hall v. Lakeview Local School District Board of Education*, 63 Ohio St. 3d 380, 588 N.E.2d 785 (1992)(1992), the Supreme Court of Ohio held that such contracts were not permissible. It states in relevant part that Boards of education, as creatures of statute, have no more authority than that conferred upon them by statute, or what is clearly implied therefrom. The statute does not contain a provision authorizing a board of education to enter into supplemental contracts with nonteaching employees. In comparison, R.C. 3319.08 specifically authorizes a board of education to enter into supplemental contracts with teachers whereby a teacher receives additional compensation for additional duties performed.

FINDING NUMBER 2018-003
(Continued)

The Court stated, “Clearly, if the General Assembly had intended to empower a board of education to enter into supplemental contracts with nonteaching employees, the General Assembly could have specifically so stated as it did with regard to teachers in R.C. 3319.08. Therefore, we find that a board of education does not have the authority to enter into supplemental contracts with nonteaching employees.”

The District’s former Treasurer, Fred Reinemeyer, had a supplemental contract for performing duties of the Title 1 Treasurer. He received compensation in the amount of \$1,255.19 in June 2018 and in the amount of \$1,218.63 in June 2017 paid from the District’s General Fund in accordance with the supplemental contracts.

The Treasurer’s contract identified the Treasurer as a teacher. Teachers are permitted to have supplemental contracts. However, the Treasurer was not licensed as a Teacher and did not pay into State Teachers Retirement System (STRS), and did not actively engage in teaching pupils. The Treasurer was paid to perform duties he was already responsible for under statute as identified in the guidance released by ODE on this topic entitled, “School District Treasurer Supplemental Contracts for Managing School Funds.”

In accordance with the foregoing facts and pursuant to **Ohio Revised Code § 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against the former Treasurer of the District, Fred Reinemeyer, in the amount of \$2,473; in favor of the District’s General Fund. Fred Reinemeyer’s bonding company was Erie Insurance Company.

This finding for recovery was repaid by the former Treasurer Fred Reinemeyer on May 16, 2019. The District deposited the receipt on May 21, 2019 and recorded the receipt in the General Fund with receipt number 191537.

OFFICIALS’ RESPONSE: The Board and administration at Ridgemont understand that the Treasurer should only have one contract to perform the duties of the Treasurer and will not be issuing any supplemental contracts to the Treasurer in the future.

Ridgemoat Local School District



Sally Henrick, Superintendent

Melissa Pollom, Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2018 and 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	<p>Ohio Rev. Code 117.38 and Ohio Admin. Code 117-2-03 (B) - Failed to file annual financial reports using generally accepted accounting principles.</p> <p>This was first reported for the fiscal year ended June 30, 2012</p>	Not Corrected	<p>The cost of reporting in GAAP form exceeds the value of the report in the opinion of the Board of Education.</p> <p>Repeated as Finding 2018-002</p>

OHIO AUDITOR OF STATE
KEITH FABER



RIDGEMONT LOCAL SCHOOL DISTRICT

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 18, 2019**