



Rea & associates *a brighter way*

# Ridgedale Local School District

## Marion County, Ohio

### *Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2014





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ridgedale Local School District, Marion County, prepared by Rea & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

May 8, 2015

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**Ridgedale Local School District**  
**Marion County, Ohio**  
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*June 30, 2014*

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February 17, 2015

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

## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ridgedale Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2014, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ridgedale Local School District, Marion County, Ohio, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

*Kea & Associates, Inc.*

Millersburg, Ohio



**Ridgedale Local School District**  
**Marion County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

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The discussion and analysis of the Ridgedale Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

***Financial Highlights***

Key financial highlights for 2014 are as follows:

- Net position increased \$275,932, which represents a 5 percent increase from 2013.
- During the year, outstanding debt decreased from \$176,661 to \$120,154 due to principal payments.

***Using this Annual Report***

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

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

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

*Statement of Net Position and the Statement of Activities*

While the basic financial statements contain the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

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

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

***Fund Financial Statements***

The major funds financial statements begin on page 12. 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*** Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

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

The District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate *Statements of Fiduciary Net Position* and *Changes in Fiduciary Net Position* on pages 17 and 18. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

**The District as a Whole**

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2014 compared to 2013:

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

	Governmental Activities	
	2014	2013
<b>Assets</b>		
Current and Other Assets	\$ 7,077,586	\$ 6,367,499
Capital Assets	1,687,506	1,870,604
<i>Total Assets</i>	8,765,092	8,238,103
<b>Liabilities</b>		
Other Liabilities	779,909	816,702
Long-Term Liabilities	406,592	465,295
<i>Total Liabilities</i>	1,186,501	1,281,997
<b>Deferred Inflows of Resources</b>	2,178,910	1,832,357
<b>Net Position</b>		
Net Investment in Capital Assets	1,567,352	1,693,943
Restricted	215,133	171,862
Unrestricted	3,617,196	3,257,944
<i>Total Net Position</i>	\$ 5,399,681	\$ 5,123,749

At year end, capital assets represented 19 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net invested in capital assets was \$1,567,352 at June 30, 2014. These capital assets are used to provide services to students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$215,133 or 4 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position of \$3,617,196 may be used to meet the government's ongoing obligations to students and creditors.

Current and other assets of the District increased \$710,087 from 2013 due to higher assessed values causing property tax receivable to increase.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

Table 2 shows the changes in net position for fiscal year 2014 and 2013.

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

	Governmental Activities	
	2014	2013
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,501,623	\$ 1,468,697
Operating Grants	495,637	510,137
<i>Total Program Revenues</i>	<u>1,997,260</u>	<u>1,978,834</u>
<i>General Revenues:</i>		
Property Taxes	3,292,040	2,783,726
Grants and Entitlements Not Restricted	3,477,705	3,470,316
Payments in Lieu of Taxes	111,630	139,130
Other	77,264	33,511
<i>Total General Revenues</i>	<u>6,958,639</u>	<u>6,426,683</u>
<i>Total Revenues</i>	<u>8,955,899</u>	<u>8,405,517</u>
<b>Program Expenses</b>		
<i>Instruction:</i>		
Regular	3,179,382	3,138,938
Special	660,087	711,879
Vocational	241,978	205,859
Student Intervention Services	5,505	5,850
Other	1,067,098	1,109,802
<i>Support Services:</i>		
Pupils	340,367	257,705
Instructional Staff	294,566	278,210
Board of Education	64,099	47,601
Administration	668,896	754,143
Fiscal	274,951	267,739
Operation and Maintenance of Plant	700,268	669,113
Pupil Transportation	530,956	537,600
Central	43,734	46,235
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	352,571	371,946
Extracurricular Activities	243,067	204,764
<i>Debt Service:</i>		
Interest and Fiscal Charges	12,442	19,571
<i>Total Expenses</i>	<u>8,679,967</u>	<u>8,626,955</u>
<i>Increase (Decrease) in Net Position</i>	275,932	(221,438)
<i>Net Position at Beginning of Year</i>	<u>5,123,749</u>	<u>5,345,187</u>
<i>Net Position at End of Year</i>	<u>\$ 5,399,681</u>	<u>\$ 5,123,749</u>

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

Net position of the District's governmental activities increased \$275,932. Total governmental expenses of \$8,679,967 were offset by program revenues of \$1,997,260 and general revenues of \$6,958,639. Program revenues supported 23 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 76 percent of total governmental revenue. Property taxes increased \$508,314 over fiscal year 2013 due to an increase in assessed values and an increase in the amount available for advance.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,154,050 or 59 percent of total governmental expenses for fiscal year 2014.

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

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

	Total Cost of Service		Net Cost of Service	
	2014	2013	2014	2013
<b>Instruction:</b>				
Regular	\$ 3,179,382	\$ 3,138,938	\$ 1,908,684	\$ 1,906,102
Special	660,087	711,879	498,591	574,179
Vocational	241,978	205,859	235,728	195,859
Student Intervention Services	5,505	5,850	5,505	5,850
Other	1,067,098	1,109,802	1,067,098	1,109,802
<b>Support Services:</b>				
Pupils	340,367	257,705	283,307	178,365
Instructional Staff	294,566	278,210	265,401	274,610
Board of Education	64,099	47,601	64,099	47,601
Administration	668,896	754,143	643,353	702,492
Fiscal	274,951	267,739	274,951	267,739
Operation and Maintenance of Plant	700,268	669,113	700,268	669,113
Pupil Transportation	530,956	537,600	530,956	537,600
Central	43,734	46,235	43,005	46,235
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	352,571	371,946	(31,576)	(23,791)
Extracurricular Activities	243,067	204,764	180,895	136,794
<b>Debt Service:</b>				
Interest and Fiscal Charges	12,442	19,571	12,442	19,571
<b>Total Expenses</b>	<b>\$ 8,679,967</b>	<b>\$ 8,626,955</b>	<b>\$ 6,682,707</b>	<b>\$ 6,648,121</b>

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

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The dependence upon general revenues for governmental activities is apparent. Nearly 77 percent of governmental activities are supported through taxes and other general revenues; such revenues are 78 percent of total governmental revenues. Grants and entitlements not restricted to specific programs are by far the primary support for the District students.

***Governmental Funds***

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,966,082 and expenditures of \$8,575,111 for fiscal year 2014.

The general fund's net change in fund balance for fiscal year 2014 was an increase of \$345,487. Property and other local taxes increased by \$497,739 due to an increase in the amount available for advance and an increase in the assessed values.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2014, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenue was \$43,369 lower than the final budget basis revenue of \$8,022,664. Final budget revenues were \$342,150 higher than original budget revenues of \$7,680,514. Budget revenues were increased as the District received more property taxes and State foundation revenue than originally anticipated.

Original appropriations of \$8,144,436 were \$56,433 higher than final appropriations of \$8,088,003. Final appropriations of \$8,088,003 were \$217,061 higher than the actual expenditures of \$7,870,942, as cost savings were recognized for instructional programs and administration expenditures throughout the year.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

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***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2014, the District had \$1,687,506 invested in capital assets. Table 4 shows fiscal year 2014 balances compared with 2013.

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

	Governmental Activities	
	2014	2013
Land	\$ 50,442	\$ 50,442
Land Improvements	159,339	171,061
Buildings and Improvements	1,263,020	1,318,539
Furniture and Fixtures	103,548	170,222
Vehicles	111,157	160,340
<i>Totals</i>	\$ 1,687,506	\$ 1,870,604

The \$183,098 decrease in capital assets was attributable to depreciation expense. See Note 7 for more information about the capital assets of the District.

**Debt**

At June 30, 2014, the District had \$120,154 in debt outstanding. See Note 8 for additional details. Table 5 summarizes debt outstanding.

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

	Governmental Activities	
	2014	2013
Capital Leases	\$ 118,773	\$ 159,169
Loan Payable	1,381	17,492
<i>Total</i>	\$ 120,154	\$ 176,661

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

This financial report is designed to provide our citizens, taxpayers, 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 any questions about this report or need additional financial information, contact Ms. Stephanie Schee, Treasurer of Ridgedale Local School District, 3103 Hillman-Ford Road, Morral, Ohio 43337.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Statement of Net Position*  
*June 30, 2014*

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental</u>	<u>Ridgedale</u>
	<u>Activities</u>	<u>Community</u>
		<u>School</u>
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 3,254,753	\$ 174,767
Receivables:		
Intergovernmental	178,158	27,815
Property Taxes	3,644,675	0
Nondepreciable Capital Assets	50,442	0
Depreciable Capital Assets (Net)	1,637,064	0
<i>Total Assets</i>	<u>8,765,092</u>	<u>202,582</u>
<b>Liabilities</b>		
Accounts Payable	65,204	0
Accrued Wages and Benefits	558,414	0
Intergovernmental Payable	156,291	0
Long Term Liabilities:		
Due Within One Year	107,363	0
Due In More Than One Year	299,229	0
<i>Total Liabilities</i>	<u>1,186,501</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>		
Property Taxes Levied for the Next Year	<u>2,178,910</u>	<u>0</u>
<b>Net Position</b>		
Net Investment in Capital Assets	1,567,352	0
Restricted For:		
Capital Outlay	623	0
Other Purposes	214,510	19,848
Unrestricted	3,617,196	182,734
<i>Total Net Position</i>	<u>\$ 5,399,681</u>	<u>\$ 202,582</u>

See accompanying notes to the basic financial statements.



**Ridgedale Local School District**  
**Marion County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2014

	Net (Expense) Revenue and Changes in Net Position				
	Program Revenues		Primary Government	Component Unit	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	Ridgedale Community School
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 3,179,382	\$ 1,270,698	\$ 0	\$ (1,908,684)	\$ 0
Special	660,087	11,961	149,535	(498,591)	0
Vocational	241,978	0	6,250	(235,728)	0
Student Intervention Services	5,505	0	0	(5,505)	0
Other	1,067,098	0	0	(1,067,098)	0
Support Services:					
Pupils	340,367	0	57,060	(283,307)	0
Instructional Staff	294,566	0	29,165	(265,401)	0
Board of Education	64,099	0	0	(64,099)	0
Administration	668,896	0	25,543	(643,353)	0
Fiscal	274,951	0	0	(274,951)	0
Operation and Maintenance of Plant	700,268	0	0	(700,268)	0
Pupil Transportation	530,956	0	0	(530,956)	0
Central	43,734	0	729	(43,005)	0
Operation of Non-Instructional Services:					
Food Service Operations	352,571	157,352	226,795	31,576	0
Extracurricular Activities	243,067	61,612	560	(180,895)	0
Debt Service:					
Interest and Fiscal Charges	12,442	0	0	(12,442)	0
<i>Total Primary Government</i>	<u>8,679,967</u>	<u>1,501,623</u>	<u>495,637</u>	<u>(6,682,707)</u>	<u>0</u>
<b>Component Unit</b>					
Ridgedale Community School	228,799	0	7,815	0	(220,984)
<i>Totals</i>	<u>\$ 8,908,766</u>	<u>\$ 1,501,623</u>	<u>\$ 503,452</u>	<u>(6,682,707)</u>	<u>(220,984)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes				3,292,040	0
Grants and Entitlements Not Restricted to Specific Programs				3,477,705	200,899
Payments in Lieu of Taxes				111,630	0
Investment Earnings				11,434	29
Miscellaneous				65,830	1,882
<i>Total General Revenues</i>				<u>6,958,639</u>	<u>202,810</u>
<i>Change in Net Position</i>				275,932	(18,174)
<i>Net Position Beginning of Year</i>				5,123,749	220,756
<i>Net Position End of Year</i>				<u>\$ 5,399,681</u>	<u>\$ 202,582</u>

See accompanying notes to the basic financial statements.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2014*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 3,039,006	\$ 215,747	\$ 3,254,753
Receivables:			
Interfund	42,520	0	42,520
Intergovernmental	95,488	82,670	178,158
Property Taxes	3,644,675	0	3,644,675
<i>Total Assets</i>	<u>\$ 6,821,689</u>	<u>\$ 298,417</u>	<u>\$ 7,120,106</u>
<b>Liabilities</b>			
Accounts Payable	\$ 62,919	\$ 2,285	\$ 65,204
Accrued Wages and Benefits	532,990	25,424	558,414
Intergovernmental Payable	148,194	8,097	156,291
Interfund Payable	0	42,520	42,520
<i>Total Liabilities</i>	<u>744,103</u>	<u>78,326</u>	<u>822,429</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes Levied for the Next Year	2,178,910	0	2,178,910
Unavailable Revenue	405,514	9,406	414,920
<i>Total Deferred Inflows of Resources</i>	<u>2,584,424</u>	<u>9,406</u>	<u>2,593,830</u>
<b>Fund Balances</b>			
Restricted	0	217,515	217,515
Committed	17,397	0	17,397
Assigned	103,330	0	103,330
Unassigned	3,372,435	(6,830)	3,365,605
<i>Total Fund Balances</i>	<u>3,493,162</u>	<u>210,685</u>	<u>3,703,847</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 6,821,689</u>	<u>\$ 298,417</u>	<u>\$ 7,120,106</u>

See accompanying notes to the basic financial statements.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
June 30, 2014

<b>Total Governmental Fund Balances</b>		\$ 3,703,847
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,687,506
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 83,467	
Excess Costs	12,460	
Property Taxes	318,993	414,920
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Loan Payable	(1,381)	
Capital Lease Obligation	(118,773)	
Compensated Absences	(286,438)	(406,592)
<i>Net Position of Governmental Activities</i>		<b>\$ 5,399,681</b>

See accompanying notes to the basic financial statements.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property and Other Local Taxes	\$ 3,290,340	\$ 0	\$ 3,290,340
Intergovernmental	3,547,271	498,005	4,045,276
Investment Income	11,434	236	11,670
Tuition and Fees	1,206,805	0	1,206,805
Extracurricular Activities	19,354	57,266	76,620
Charges for Services	0	157,352	157,352
Contributions and Donations	3,097	560	3,657
Payments in Lieu of Taxes	111,630	0	111,630
Miscellaneous	58,390	4,342	62,732
<i>Total Revenues</i>	<u>8,248,321</u>	<u>717,761</u>	<u>8,966,082</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	3,119,210	0	3,119,210
Special	524,534	151,201	675,735
Vocational	236,569	0	236,569
Student Intervention Services	5,505	0	5,505
Other	1,067,098	0	1,067,098
Support Services:			
Pupils	284,201	54,931	339,132
Instructional Staff	266,656	28,968	295,624
Board of Education	64,099	0	64,099
Administration	632,319	25,302	657,621
Fiscal	277,563	0	277,563
Operation and Maintenance of Plant	689,385	0	689,385
Pupil Transportation	476,165	0	476,165
Central	30,607	767	31,374
Extracurricular Activities	159,974	62,019	221,993
Operation of Non-Instructional Services:			
Food Service Operations	0	349,089	349,089
Debt Service:			
Principal Retirement	56,507	0	56,507
Interest and Fiscal Charges	12,442	0	12,442
<i>Total Expenditures</i>	<u>7,902,834</u>	<u>672,277</u>	<u>8,575,111</u>
<i>Net Change in Fund Balance</i>	345,487	45,484	390,971
<i>Fund Balances Beginning of Year</i>	<u>3,147,675</u>	<u>165,201</u>	<u>3,312,876</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,493,162</u>	<u>\$ 210,685</u>	<u>\$ 3,703,847</u>

See accompanying notes to the basic financial statements.

**Ridgedale Local School District**  
**Marion County, Ohio**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2014*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	390,971
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Current Year Depreciation		(183,098)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	\$ 1,700	
Excess Costs	5,031	
Intergovernmental	2,625	9,356
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		56,507
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		2,196
<i>Change in Net Position of Governmental Activities</i>	<b>\$</b>	<b>275,932</b>

See accompanying notes to the basic financial statements.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 2,991,529	\$ 3,124,795	\$ 3,107,903	\$ (16,892)
Intergovernmental	3,396,839	3,548,161	3,528,980	(19,181)
Investment Income	9,983	10,427	10,371	(56)
Tuition and Fees	1,161,617	1,213,364	1,206,805	(6,559)
Extracurricular Activities	4,184	4,371	4,347	(24)
Miscellaneous	116,362	121,546	120,889	(657)
<i>Total Revenues</i>	<u>7,680,514</u>	<u>8,022,664</u>	<u>7,979,295</u>	<u>(43,369)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,178,244	3,082,817	3,071,511	11,306
Special	573,376	593,813	554,122	39,691
Vocational	245,975	289,364	237,715	51,649
Student Intervention Services	5,696	5,786	5,505	281
Other	1,126,229	1,101,139	1,088,411	12,728
Support Services:				
Pupils	256,413	272,066	247,803	24,263
Instructional Staff	281,630	273,111	272,173	938
Board of Education	59,288	57,200	57,297	(97)
Administration	699,156	736,430	675,679	60,751
Fiscal	270,345	250,453	261,267	(10,814)
Operation and Maintenance of Plant	673,628	666,541	651,008	15,533
Pupil Transportation	508,628	478,540	491,549	(13,009)
Central	31,316	40,871	30,264	10,607
Extracurricular Activities	163,168	170,923	157,689	13,234
Debt Service:				
Principal Retirement	58,470	56,507	56,507	0
Interest and Fiscal Charges	12,874	12,442	12,442	0
<i>Total Expenditures</i>	<u>8,144,436</u>	<u>8,088,003</u>	<u>7,870,942</u>	<u>217,061</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(463,922)</u>	<u>(65,339)</u>	<u>108,353</u>	<u>173,692</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	67,018	69,625	69,625	0
Advances In	24,884	25,852	25,852	0
Transfers Out	(35,698)	(34,499)	(34,499)	0
<i>Total Other Financing Sources (Uses)</i>	<u>56,204</u>	<u>60,978</u>	<u>60,978</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(407,718)	(4,361)	169,331	173,692
<i>Fund Balance Beginning of Year</i>	<u>2,853,553</u>	<u>2,853,553</u>	<u>2,853,553</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,445,835</u>	<u>\$ 2,849,192</u>	<u>\$ 3,022,884</u>	<u>\$ 173,692</u>

See accompanying notes to the basic financial statements.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2014*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 59,704	\$ 41,104
<b>Liabilities</b>		
Accounts Payable	0	\$ 1,659
Due to Students	0	39,445
<i>Total Liabilities</i>	0	\$ 41,104
<b>Net Position</b>		
Endowments	38,227	
Held in Trust for Scholarships	21,477	
<i>Total Net Position</i>	\$ 59,704	

See accompanying notes to the basic financial statements.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 1,521
Investment Earnings	151
	1,672
<i>Total Additions</i>	<i>1,672</i>
 <b>Deductions</b>	
Payments in Accordance with Trust Agreements	1,000
	672
<i>Change in Net Position</i>	<i>672</i>
<i>Net Position Beginning of Year</i>	<i>59,032</i>
<i>Net Position End of Year</i>	<i>\$ 59,704</i>

See accompanying notes to the basic financial statements.



**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 1 - DESCRIPTION OF THE DISTRICT**

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

The District was established in 1957. The District serves an area of approximately one hundred twenty-five square miles. It is located in Crawford, Marion, and Wyandot Counties. The District is the 544<sup>th</sup> largest in the State of Ohio (among 896 local and community schools) in terms of enrollment. It is staffed by classified employees, certified teaching personnel and administrative employees who provide services to students and other community members. The District currently operates two buildings on one campus.

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

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

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

***Ridgedale Community School***

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

***JOINTLY GOVERNED ORGANIZATIONS***

***Tri-Rivers Educational Computer Association***

The District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public Districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. The Governing Board of TRECA consists of one representative from each county elected by majority vote of all charter member Districts within each county, one representative from the city districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2014, the District paid \$30,203 to TRECA for various services. Financial information can be obtained from the Tri-Rivers Educational Computer Association, 100 Executive Drive, Marion, Ohio 43302.

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

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

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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***Tri-Rivers Career Center***

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

***Ohio School Board Association Workers’ Compensation Group Rating Plan***

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

The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

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

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

***A. Basis of Presentation***

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

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

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

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

***B. Fund Accounting***

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

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

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

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

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

***C. Basis of Presentation and Measurement Focus***

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

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

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

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

***D. Basis of Accounting***

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

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

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

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

***Deferred Inflows of Resources and Deferred Outflows of Resources*** A deferred inflow of resources is an acquisition of assets by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of assets by the District that is applicable to a future reporting period.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources in governmental funds.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as a deferred inflow of resources.

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

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

***E. Budgetary Data***

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2014 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Marion County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2014.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2014. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications. Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

***F. Cash and Investments***

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2014.

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

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$11,434, which includes \$236 assigned from other funds.

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

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

***G. Capital Assets***

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

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

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

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

***H. Compensated Absences***

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



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

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

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

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

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

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

***J. Fund Balance***

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

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

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

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

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

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

***K. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2014, there was no net position restricted by enabling legislation.

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

***L. Estimates***

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

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***M. Interfund Activity***

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

***N. 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 2014.

***O. Implementation of New Accounting Policies***

For the fiscal year ended June 30, 2014, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the District's fiscal year 2014 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**NOTE 3 - 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.

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

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

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

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

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

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Protection of the 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.

**Cash on Hand** At June 30, 2014, the District had \$360 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments."

**Deposits** At June 30, 2014, the carrying amount of all District deposits was \$2,953,858. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2014, \$1,256,990 of the District's bank balance of \$3,009,880 was exposed to custodial risk as discussed below, while \$1,752,890 was covered by the FDIC, which includes \$202,775 held in a STAR Plus account.

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

**Investments** As of June 30, 2014, the District had the following investments:

Investment Type	Fair Value	Investment Maturity	Percent of Total	Standard and Poor's Credit Rating
		6 Months or Less		
STAR Ohio	\$ 272,963	\$ 272,963	68.01%	AAAm
Money Market Mutual Fund	128,380	128,380	31.99%	Aaa
Total Investments	<u>\$ 401,343</u>	<u>\$ 401,343</u>	<u>100.00%</u>	

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

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2014, is 51 days.

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

**Concentration of Credit Risk** The District places no limit on the amount that may be invested in any one issuer. The table above includes the percentage of each investment type held by the District at June 30, 2014.

**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 above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and Investments per Note</u>	
Carrying Amount of Deposits	\$ 2,953,858
Investments	401,343
Cash on Hand	360
Total	<u>\$ 3,355,561</u>
<u>Cash and Investments per Statement of Net Position</u>	
Governmental Activities	\$ 3,254,753
Private Purpose Trust Fund	59,704
Agency Fund	41,104
Total	<u>\$ 3,355,561</u>

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**NOTE 4 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Wyandot, Crawford and Marion Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$1,146,772 in the general fund. The amount available for advance at June 30, 2013, was \$964,335 in the general fund. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

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The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 98,546,420	87.25%	\$ 126,389,590	89.80%
Public Utility Personal	14,396,760	12.75%	14,358,800	10.20%
<b>Total</b>	<b>\$ 112,943,180</b>	<b>100.00%</b>	<b>\$ 140,748,390</b>	<b>100.00%</b>
 Tax rate per \$1,000 of assessed valuation	 \$ 45.69		 \$ 44.70	

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2014 consisted of property taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. All are expected to be received within one year.

**NOTE 6 – INTERFUND BALANCES**

Interfund balances at June 30, 2014 consisted of the following:

	Interfund Receivable	Interfund Payable
Fund:		
General	\$ 42,520	\$ 0
Other Governmental		
IDEA-B	0	40,729
Title I	0	1,791
Total Other Governmental	0	42,520
<b>Total</b>	<b>\$ 42,520</b>	<b>\$ 42,520</b>

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



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**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 06/30/13	Additions	Deductions	Balance 06/30/14
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$ 50,442	\$ 0	\$ 0	\$ 50,442
<i>Capital Assets, being depreciated</i>				
Land Improvements	640,780	0	0	640,780
Buildings and Improvements	4,200,302	0	0	4,200,302
Furniture and Equipment	345,431	0	0	345,431
Vehicles	996,041	0	0	996,041
<i>Total Capital Assets, being depreciated</i>	6,182,554	0	0	6,182,554
<i>Less: Accumulated Depreciation</i>				
Land Improvements	(469,719)	(11,722)	0	(481,441)
Buildings and Improvements	(2,881,763)	(55,519)	0	(2,937,282)
Furniture and Equipment	(175,209)	(66,674)	0	(241,883)
Vehicles	(835,701)	(49,183)	0	(884,884)
<i>Total Accumulated Depreciation</i>	(4,362,392)	(183,098)	0	(4,545,490)
<i>Total Capital Assets Being Depreciated, Net</i>	1,820,162	(183,098)	0	1,637,064
<i>Governmental Activities Capital Assets, Net</i>	\$ 1,870,604	\$ (183,098)	\$ 0	\$ 1,687,506

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

Instruction:	
Regular	\$ 55,931
Special	3,074
Vocational	5,616
Support Services:	
Administration	18,098
Fiscal	840
Operations and Maintenance	4,894
Pupil Transportation	56,459
Central	12,528
Extracurricular Activities	21,225
Food Service Operations	4,433
<i>Total Depreciation Expense</i>	\$ 183,098

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**NOTE 8 - LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during the fiscal year 2014 were as follows:

	Balance 06/30/13	Additions	Reductions	Balance 06/30/14	Amounts Due in One Year
Capital Leases Payable	\$ 159,169	\$ 0	\$ (40,396)	\$ 118,773	\$ 40,876
Loan Payable	17,492	0	(16,111)	1,381	1,381
Compensated Absences	288,634	27,567	(29,763)	286,438	65,106
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 465,295</u>	<u>\$ 27,567</u>	<u>\$ (86,270)</u>	<u>\$ 406,592</u>	<u>\$ 107,363</u>

On July 20, 2011, the District obtained a loan for the purchase of modular trailers in the amount of \$46,175. The loan will mature on July 20, 2014. The District will pay 5.0 percent interest on the loan. The loan will be paid from the general fund.

Principal and interest requirements to retire the loan outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	<u>\$ 1,381</u>	<u>\$ 6</u>	<u>\$ 1,387</u>

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

**NOTE 9 – CAPITALIZED LEASES**

In prior years, the District entered into leases for a school bus and copier equipment. These leases met the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee.

The school bus and copier equipment were capitalized in the governmental capital assets in the amount of \$77,594 and \$144,608, respectively, the present value of the minimum lease payments at the inception of each lease. A corresponding liability was recorded in the statement of net position and is reduced for each required principal payment. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds.

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

		Bus	Copiers
Fiscal Year Ending June 30,	2015	\$ 17,234	\$ 35,088
	2016	0	35,088
	2017	0	35,088
	2018	0	14,620
		17,234	119,884
Less: amount representing interest		494	17,851
Present value of minimum lease payments		\$ 16,740	\$ 102,033

**NOTE 10 - RISK MANAGEMENT**

***A. Ohio School Boards Association Workers' Compensation Group Rating Plan***

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

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

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***B. Comprehensive***

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2014, the District contracted with Verne Hart Insurance Agency for liability, property and fleet insurance. Coverage's provided by Verne Hart Insurance Agency are as follows:

<u>Description</u>	<u>Amount</u>
Building and Contents	
Replacement Cost	\$ 21,690,790
Deductible	1,000
Liability	
School Board Errors and Omissions Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	1,000,000
Deductible	5,000
Law Enforcement Professional Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	1,000,000
Sexual Misconduct and Molestation Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	1,000,000
General Liability	
Per occurrence combined single limit	1,000,000
Annual aggregate limit - General	2,000,000
Products/completed operations aggregate limit	2,000,000
Stop Gap	
Basic	1,000,000
Aggregate	3,000,000
Automotive Liability	
Liability	
Per occurrence combined single limit	1,000,000
Medical payments limit	500
Each uninsured/underinsured motorists coverage	1,000,000
Non-owned and hired liability	1,000,000
Auto Physical Damage (actual cash value)	
Comprehensive deductible	1,000
Collision deductible	1,000

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

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**NOTE 11 – PENSION PLANS**

***A. School Employees Retirement System***

Plan Description - The District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$122,103, \$144,696 and \$122,196, respectively; 72 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

***B. State Teachers Retirement System of Ohio***

Plan Description - The District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$386,003, \$400,697 and \$374,192, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$31,678 made by the District and \$24,890 made by the plan members.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 12 - POSTEMPLOYMENT BENEFITS**

***A. School Employees Retirement System***

Plan Description – The District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B 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. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated 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 according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. 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.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$16,727, \$14,374, and \$5,513, respectively; 72 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$7,084, \$8,174 and \$7,245, respectively; 72 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

***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 financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (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 fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$29,693, \$30,823, and \$28,784, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

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

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



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

**Net Change in Fund Balance**

	<u>General Fund</u>
GAAP basis	\$ 345,487
Net adjustment for revenue accruals	(146,596)
Advances In	25,852
Net adjustment for expenditure accruals	(32,696)
Funds budgeted elsewhere **	(15,693)
Adjustment for encumbrances	(7,023)
 Budget basis	 \$ 169,331

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

**NOTE 14 – FUND BALANCE**

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

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

	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
Restricted for:			
Capital Outlay	\$ 0	\$ 623	\$ 623
Food Services	0	147,409	147,409
Instruction	0	66	66
Student Activities	0	40,402	40,402
Other Purposes	0	29,015	29,015
Total Restricted	0	217,515	217,515
Committed for:			
Termination Benefits	17,397	0	17,397
Assigned for:			
Instruction	280	0	280
Subsequent Year Appropriations	103,050	0	103,050
Total Assigned	103,330	0	103,330
Unassigned	3,372,435	(6,830)	3,365,605
Total Fund Balance	\$ 3,493,162	\$ 210,685	\$ 3,703,847

**Ridgedale Local School District**  
**Marion County, Ohio**  
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**NOTE 15 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, if applicable, cannot be determined at this time.

***B. Litigation***

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

**NOTE 16 - STATUTORY RESERVES**

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

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

	Capital Acquisition
Set Aside Restricted Balance June 30, 2013	\$ 0
Current Year Set Aside Requirement	127,092
Current Year Qualifying Disbursements	(271,372)
Total	(144,280)
Balance carried forward to fiscal year 2015	\$ 0
Set Aside Restricted Balance as of June 30, 2014	\$ 0

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

**Ridgedale Local School District**  
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**NOTE 17 – ACCOUNTABILITY**

The following fund had a GAAP deficit fund balances at June 30, 2014:

<b>Fund:</b>	<b>Amount</b>
Title I	\$ 6,830

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

**NOTE 18 - RIDGEDALE COMMUNITY SCHOOL**

***A. Significant Accounting Policies***

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

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

***Measurement Focus and Basis of Accounting*** - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

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

**Ridgedale Local School District**  
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***Cash and Investments*** - Cash held by the School is reflected as “equity in pooled cash and cash investments” on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2014, the School had no investments.

***Intergovernmental Revenues*** - The School currently participates in the State Foundation Program and the State Special Education Program. Revenue received from this program is recognized as operation revenues (foundation payments) in the accounting period in which they are earned and become measurable.

Grants and entitlements are recognized as general revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Federal and State grant revenue for the fiscal year 2014 was \$7,815.

The School participates in the IDEA Part B grant.

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

***Net Position*** - Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School had restricted net position of \$19,848 and unrestricted net position of \$182,734 at June 30, 2014.

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

***B. Deposits***

At June 30, 2014, the carrying amount of the School’s deposits was \$174,767. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2014, \$58,942 of the School’s bank balance of \$308,942 was exposed to custodial risk as discussed above, while \$250,000 was covered by Federal Deposit Insurance Corporation.

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

**Ridgedale Local School District**  
**Marion County, Ohio**  
*Notes to the Basic Financial Statements*  
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***C. Risk Management***

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2014, the School was named on the sponsor's policy for property and general liability insurance.

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

***D. Service Contracts***

***Tri-Rivers Educational Computer Association*** - The School entered into an agreement on August 19, 2013, with the Tri-Rivers Educational Computer Association (TRECA) for planning, instructional, administrative and technical services required for the operation of the School. Under this contract, TRECA is required to provide the following services:

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

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

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

**Ridgedale Local School District**  
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The following payments were made in fiscal year 2014 from the School to TRECA:

Professional and technical services	<u>\$ 23,389</u>
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***Ridgedale Local School District*** - The Community School Sponsorship Contract between the School and Ridgedale Local School District (the “Sponsor”) outlined the specific payments to be made by the School to Ridgedale Local School District during fiscal year 2014. In addition, the Community School Sponsorship Contract stated that the two parties agreed to pay other mutually agreed upon amounts, including fees for any services provided to the School by Ridgedale Local School District. The School paid the Sponsor \$161,025 during fiscal year 2014 for professional and technical services.

Additionally, the contract allows, based on mutual agreement, for the payment of \$1,500 per student per year from the School to the Sponsor. This payment was \$44,310 in fiscal year 2014.

***E. Contingencies***

***Grants*** - The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2014.

***State Foundation Funding*** – The Ohio Department of Education conducts an annual review of enrollment data and full-time equivalency (FTE) calculations made by the community school. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. Adjustments to the state funding received during fiscal year 2014 are immaterial and are not reflected in the 2014 financial statements but will be included in the financial activity for fiscal year 2015.

February 17, 2015

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

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ridgedale Local School District, Marion County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 17, 2015.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Rea & Associates, Inc.*

Millersburg, Ohio





# Dave Yost • Auditor of State

**RIDGEDALE LOCAL SCHOOL DISTRICT**

**MARION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 19, 2015**