



Dave Yost • Auditor of State

RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Riverdale Local School District
Hancock County
20613 State Route 37
Mount Blanchard, Ohio 45867

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Riverdale Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate

remaining fund information of Riverdale Local School District, Hancock County, Ohio, as of June 30, 2016, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 7, 2017

RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2016

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | \$ <u>3,270,997</u> |
| Net Position: | |
| Restricted for Debt Service | 408,612 |
| Restricted for Other Purposes | 500,349 |
| Unrestricted | <u>2,362,036</u> |
| Total Net Position | \$ <u>3,270,997</u> |

See Accompanying Notes to the Basic Financial Statements

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

| | | Program Receipts | | Net (Disbursements) Receipts and Changes in Net Position |
|---|-------------------------------|---|---|---|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 5,913,886 | \$ 528,573 | \$ 118 | (5,385,195) |
| Special | 1,224,238 | 36,987 | 455,264 | (731,987) |
| Vocational | 233,171 | | 82,463 | (150,708) |
| Student Intervention Services | 15,125 | | | (15,125) |
| Support Services: | | | | |
| Pupils | 251,832 | | | (251,832) |
| Instructional Staff | 333,495 | | 39,550 | (293,945) |
| Board of Education | 52,564 | | | (52,564) |
| Administration | 639,175 | | | (639,175) |
| Fiscal | 279,871 | | | (279,871) |
| Business | 34,720 | | | (34,720) |
| Operation and Maintenance of Plant | 1,184,706 | | 32,576 | (1,152,130) |
| Pupil Transportation | 865,895 | | | (865,895) |
| Central | 63,635 | | | (63,635) |
| Operation of Non-Instructional Services | 395,951 | 188,566 | 173,982 | (33,403) |
| Extracurricular Activities | 488,550 | 208,699 | | (279,851) |
| Capital Outlay | 57,985 | | | (57,985) |
| Debt Service: | | | | |
| Principal | 214,314 | | | (214,314) |
| Interest and Fiscal Charges | 220,670 | | | (220,670) |
| Totals | \$ 12,469,783 | \$ 962,825 | \$ 783,953 | (10,723,005) |
| General Receipts: | | | | |
| Taxes: | | | | |
| Property Taxes, Levied for General Purposes | | | | 2,720,188 |
| Property Taxes, Levied for Debt Service | | | | 349,348 |
| Property Taxes, Levied for Other | | | | 37,418 |
| Income Taxes | | | | 1,518,311 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 6,579,117 |
| Gifts and Donations | | | | 2,400 |
| Investment Earnings | | | | 16,084 |
| Miscellaneous | | | | 91,274 |
| Proceeds from Sale of Capital Assets | | | | 135 |
| Refund of Prior Year Expenditures | | | | 559 |
| Total General Receipts | | | | 11,314,834 |
| Change in Net Position | | | | 591,829 |
| Net Position Beginning of Year | | | | 2,679,168 |
| Net Position End of Year | | | \$ | 3,270,997 |

See Accompanying Notes to the Basic Financial Statements

RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY

STATEMENTS OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2016

| | <u>General Fund</u> | <u>Bond Retirement Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-----------------------------|---------------------------------|---------------------------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ <u>2,362,036</u> | \$ <u>408,612</u> | \$ <u>500,349</u> | \$ <u>3,270,997</u> |
| Fund Balances | | | | |
| Restricted | | 408,612 | 500,349 | 908,961 |
| Assigned | 447,996 | | | 447,996 |
| Unassigned | <u>1,914,040</u> | | | <u>1,914,040</u> |
| Total Fund Balances | \$ <u>2,362,036</u> | \$ <u>408,612</u> | \$ <u>500,349</u> | \$ <u>3,270,997</u> |

See Accompanying Notes to the Basic Financial Statements

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

| | <u>General Fund</u> | <u>Bond Retirement Fund</u> | <u>All Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-------------------------------------|---|---|
| Receipts: | | | | |
| Property and Other Local Taxes | \$ 2,720,188 | \$ 349,348 | \$ 37,418 | \$ 3,106,954 |
| Income Tax | 1,518,311 | | | 1,518,311 |
| Intergovernmental | 6,732,088 | 48,737 | 581,548 | 7,362,373 |
| Interest | 16,084 | | 697 | 16,781 |
| Tuition and Fees | 554,460 | | | 554,460 |
| Rent | 11,100 | | | 11,100 |
| Extracurricular Activities | 50,352 | | 158,347 | 208,699 |
| Gifts and Donations | 2,400 | | | 2,400 |
| Customer Sales and Services | | | 188,566 | 188,566 |
| Miscellaneous | 91,274 | | | 91,274 |
| Total Receipts | <u>11,696,257</u> | <u>398,085</u> | <u>966,576</u> | <u>13,060,918</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,913,886 | | | 5,913,886 |
| Special | 883,228 | | 341,010 | 1,224,238 |
| Vocational | 233,171 | | | 233,171 |
| Student Intervention Services | 15,125 | | | 15,125 |
| Support Services: | | | | |
| Pupils | 251,832 | | | 251,832 |
| Instructional Staff | 286,654 | | 46,841 | 333,495 |
| Board of Education | 52,564 | | | 52,564 |
| Administration | 639,175 | | | 639,175 |
| Fiscal | 269,795 | 9,114 | 962 | 279,871 |
| Business | 34,720 | | | 34,720 |
| Operation and Maintenance of Plant | 1,123,959 | | 60,747 | 1,184,706 |
| Pupil Transportation | 865,895 | | | 865,895 |
| Central | 63,635 | | | 63,635 |
| Operation of Non-Instructional Services | 8,000 | | 387,951 | 395,951 |
| Extracurricular Activities | 335,290 | | 153,260 | 488,550 |
| Capital Outlay | 57,843 | | 142 | 57,985 |
| Debt Service: | | | | |
| Principal | | 214,314 | | 214,314 |
| Interest | | 220,670 | | 220,670 |
| Total Disbursements | <u>11,034,772</u> | <u>444,098</u> | <u>990,913</u> | <u>12,469,783</u> |
| Excess of Receipts Over (Under) Disbursements | <u>661,485</u> | <u>(46,013)</u> | <u>(24,337)</u> | <u>591,135</u> |
| Other Financing Sources and (Uses): | | | | |
| Transfers In | 4 | | 11,318 | 11,322 |
| Proceeds from Sale of Capital Assets | 135 | | | 135 |
| Refund of Prior Year Expenditures | 14 | | 545 | 559 |
| Transfers Out | (11,318) | | (4) | (11,322) |
| Total Other Financing Sources and (Uses) | <u>(11,165)</u> | <u>0</u> | <u>11,859</u> | <u>694</u> |
| Net Change in Fund Balances | 650,320 | (46,013) | (12,478) | 591,829 |
| Fund Balance at Beginning of Year | 1,711,716 | 454,625 | 512,827 | 2,679,168 |
| Fund Balance at End of Year | <u>\$ 2,362,036</u> | <u>\$ 408,612</u> | <u>\$ 500,349</u> | <u>\$ 3,270,997</u> |

See Accompanying Notes to the Basic Financial Statements

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR FISCAL YEAR ENDED JUNE 30, 2016**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|------------------------|---------------------|---------------------|---|
| Receipts: | | | | |
| Property and Other Local Taxes | \$ 2,711,276 | \$ 2,720,188 | \$ 2,720,188 | \$ - |
| Income Tax | 1,225,054 | 1,518,311 | 1,518,311 | - |
| Intergovernmental | 6,235,235 | 6,747,834 | 6,732,088 | (15,746) |
| Interest | 9,250 | 15,959 | 16,084 | 125 |
| Tuition and Fees | 456,324 | 538,160 | 517,710 | (20,450) |
| Rent | 12,500 | 12,500 | 11,100 | (1,400) |
| Miscellaneous | 38,005 | 78,005 | 66,439 | (11,566) |
| Total Receipts | <u>10,687,644</u> | <u>11,630,957</u> | <u>11,581,920</u> | <u>(49,037)</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,520,920 | 6,009,828 | 5,862,660 | 147,168 |
| Special | 972,076 | 1,037,494 | 883,406 | 154,088 |
| Vocational | 200,439 | 238,499 | 233,342 | 5,157 |
| Student Intervention Services | 5,800 | 15,763 | 15,166 | 597 |
| Support Services: | | | | |
| Pupils | 250,488 | 266,614 | 252,678 | 13,936 |
| Instructional Staff | 304,449 | 335,413 | 291,002 | 44,411 |
| Board of Education | 63,082 | 82,289 | 56,314 | 25,975 |
| Administration | 629,929 | 671,370 | 640,642 | 30,728 |
| Fiscal | 270,995 | 278,411 | 271,252 | 7,159 |
| Business | 36,600 | 44,085 | 34,720 | 9,365 |
| Operation and Maintenance of Plant | 1,010,103 | 1,288,161 | 1,131,396 | 156,765 |
| Pupil Transportation | 799,892 | 907,729 | 866,925 | 40,804 |
| Central | 68,538 | 68,538 | 63,788 | 4,750 |
| Extracurricular Activities | 280,474 | 315,319 | 298,286 | 17,033 |
| Capital Outlay | 75,843 | 75,843 | 57,843 | 18,000 |
| Total Disbursements | <u>10,489,628</u> | <u>11,635,356</u> | <u>10,959,420</u> | <u>675,936</u> |
| Excess of Receipts Over (Under) Disbursements | <u>198,016</u> | <u>(4,399)</u> | <u>622,500</u> | <u>626,899</u> |
| Other Financing Sources and (Uses): | | | | |
| Proceeds from Sale of Capital Assets | | 135 | 135 | - |
| Refund of Prior Year Expenditures | 239 | 239 | 14 | (225) |
| Transfers Out | | (11,318) | (11,318) | - |
| Total Other Financing Sources and (Uses) | <u>239</u> | <u>(10,944)</u> | <u>(11,169)</u> | <u>(225)</u> |
| Net Change in Fund Balances | 198,255 | (15,343) | 611,331 | 626,674 |
| Fund Balance at Beginning of Year | 1,479,228 | 1,479,228 | 1,479,228 | - |
| Prior Year Encumbrances Appropriated | 215,885 | 215,885 | 215,885 | - |
| Fund Balance at End of Year | <u>\$ 1,893,368</u> | <u>\$ 1,679,770</u> | <u>\$ 2,306,444</u> | <u>\$ 626,674</u> |

See Accompanying Notes to the Basic Financial Statements

RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY

STATEMENT OF NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2016

| | <u>Private Purpose Trust</u> | <u>Agency Fund</u> |
|--|----------------------------------|--------------------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$ <u>20,000</u> | \$ <u>107,980</u> |
| Liabilities | | |
| Undistributed Monies | | \$ <u>107,980</u> |
| Net Position: | | |
| Held in Trust for Scholarships | \$ <u>20,000</u> | |

See Accompanying Notes to the Basic Financial Statements

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

| | <u>Private Purpose Trust</u> |
|--|----------------------------------|
| Additions: | |
| Interest | \$ 463 |
| Deductions: | |
| Payments in Accordance with Trust Agreements | <u>500</u> |
| Change in Net Position | (37) |
| Net Position Beginning of Year | <u>20,037</u> |
| Net Position End of Year | <u>\$ <u>20,000</u></u> |

See Accompanying Notes to the Basic Financial Statements

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY:

Riverdale 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 Board oversees the operations of one instructional/support facility staffed by forty-five non-certified and eighty certified full-time teaching personnel who provide services to 1,040 students and other community members.

The Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the 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. 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 access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District participates in two jointly governed organizations, two group purchasing pools, and has one related organization. These organizations are the Western Ohio Computer Organization; the Millstream Career and Technology Center; the Ohio SchoolComp Workers' Compensation Group Rating Plan, Hardin County School Employees' Health and Welfare Benefit Plan and Trust; and the Forest-Jackson Public Library. These organizations are presented in Notes 14, 15, and 16 to the basic financial statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

Following are the more significant of the District's accounting policies.

A. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

B. 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 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 fiscal year end. The statement of activities presents a comparison between direct cash disbursements and program cash receipts for each program or function of the District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts, which are not classified as program cash receipts, are presented as general cash receipts of the District, with certain limited exceptions. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts of the District.

Fund Financial Statements

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

C. Fund Accounting

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

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Funds

A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- A. Total assets, receipts, or disbursements of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- B. Total assets, receipts, or disbursements of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

The funds of the financial reporting entity are described below:

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 is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund - The Bond Retirement Fund is used to account for property tax revenues to pay the principal and related interest on the school improvement bonds.

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

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 funds are two private purpose trusts, which account for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Monies are due to students for activities they have participated in.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The primary level of budgetary control is at the fund level for all funds.

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. During fiscal year 2016, interest revenue credited to the General Fund was \$16,084 which includes \$5,091 assigned from other funds.

For presentation on the 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 that are not purchased from the pool are reported as investments.

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Compensated-Absences

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

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Pension

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

J. Long-Term Obligations

These cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

K. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 cash disbursements to the funds that initially paid for them are not presented in the financial statements.

L. 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 management and are either unusual in nature or infrequent in occurrence.

M. Net Position

Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, and federal and state grants.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance

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

Nonspendable - The nonspendable classification 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" includes items that are not expected to be converted to cash.

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 are imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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 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 the Board of Education.

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.

The District first applies restricted resources when an expenditure is 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 can be used.

3. COMPLIANCE

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

Also, contrary to various Ohio Rev. Code provisions, the District did not obtain supporting documentation for excused absences.

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The Uniform School Supply and Principal Funds are not considered part of the General Fund on a budgetary perspective; these funds are reported as part of the General Fund only on an OCBOA basis. The General Fund encumbrances outstanding at year end (budgetary basis) amounted to \$29,882.

5. DEPOSITS

Monies held by the District are classified by State statute into three categories.

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

Inactive deposits are public deposits that the Board 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 monies are those monies that 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 held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 agreement be at least two percent and to 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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**RIVERDALE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

5. DEPOSITS (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions. 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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer, or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. At year end, the District had \$75 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits - Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of District cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At fiscal year end, the carrying amount of the District's deposits was \$3,398,902 and the bank balance was \$3,499,512. Of the bank balance, \$270,000 was covered by federal depository insurance and \$3,229,512 was uninsured. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the Federal District Insurance Corporation.

6. 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 distributions are received by the District in the second half of the fiscal year. Second half tax distributions are received in the first half of the following fiscal year.

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

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

6. PROPERTY TAXES (Continued)

Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected 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 Hancock, Wyandot, and Hardin Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2016 taxes were collected are:

| | 2015 Second- Half Collections | | 2016 First- Half Collections | |
|--|--|----------------|---|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$148,776,790 | 97% | \$160,103,440 | 96% |
| Public Utility | 5,067,140 | 3% | 6,812,520 | 4% |
| Total Assessed Value | <u>\$153,843,930</u> | <u>100%</u> | <u>\$166,915,960</u> | <u>100%</u> |

7. INCOME TAX

The District levies a voted tax of 1.0 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2006, and will continue for three years. This tax was subsequently renewed by voters in November 2007, May 2010 and November 2013 for an additional three years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

8. RISK MANAGEMENT

Hardin County School Employees' Health and Welfare Benefit Plan and Trust

The District participates in the Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the Plan), a public entity shared risk pool consisting of six local school districts. The District pays monthly premiums to the Plan for Employee medical, dental and vision benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment for all Plan liabilities to its employees, dependents and designated beneficiaries accrued as a result of withdrawal.

Phelan Insurance Agency, Inc. Liberty Mutual Insurance

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the District contracted for the following insurance coverages:

**RIVERDALE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

8. RISK MANAGEMENT (Continued)

Coverage's provided by Phelan Insurance Agency, Inc. Liberty Mutual Insurance are as follows:

| <u>Type of Coverage</u> | <u>Deductible</u> | <u>Liability Limit</u> |
|--|-------------------|------------------------|
| Building and Contents-replacement cost | \$2,500 | \$48,794,635 |
| Inland Marine: | | |
| Computer Equipment | 500 | 1,021,507 |
| Musical Instruments | 500 | 134,237 |
| Uniforms | 500 | 3,416 |
| Scheduled Equipment | 500 | 124,514 |
| Crime: | | |
| Public Employee Dishonesty | 500 | 50,000 |
| Theft, Disappearance and Destruction | 500 | 10,000 |
| Automobile: | | |
| Liability | 1,000 | 1,000,000 |
| Uninsured Motorists | 1,000 | 1,000,000 |
| General Liability | | |
| Per occurrence | | 1,000,000 |
| Aggregate | | 2,000,000 |
| Excess Liability: | | |
| Per occurrence | | 2,000,000 |
| Aggregate | | 2,000,000 |
| Educators Legal Liability | | |
| Each Wrongful Act | | 1,000,000 |
| Aggregate | | 2,000,000 |

Settled claims have not exceeded this commercial coverage in any of the past three years.

Ohio SchoolComp Workers' Compensation Group Rating Plan

For fiscal year 2016, the District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool sponsored by the Ohio School Boards Association (OSBA) and the Ohio Association of School Business Officials (OASBO). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

9. DEFINED PENSION BENEFIT PLANS

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

9. DEFINED PENSION BENEFIT PLANS (Continued)

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14.0 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$181,833 for fiscal year 2016.

Plan Description - State Teachers Retirement System (STRS)

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

**RIVERDALE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

9. DEFINED PENSION BENEFIT PLANS (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11% of the 12% member rate goes to the DC Plan and 1% goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. Through June 30, 2015, the employer rate was 14% and the member rate was 12% of covered payroll. The statutory employer rate for fiscal 2016 and subsequent years is 14%. The statutory member contribution rate increased to 13% on July 1, 2015 and will increase to 14% on July 1, 2016.

The District's contractually required contribution to STRS was \$581,700 for fiscal year 2016.

**RIVERDALE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

9. DEFINED PENSION BENEFIT PLANS (Continued)

Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District's net pension liability is expected to be significant.

Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

| | SERS | STRS | Total |
|--|-------------|--------------|--------------|
| Proportionate Share of the Net Pension Liability | \$2,193,544 | \$10,247,880 | \$12,441,424 |
| Proportion of the Net Pension Liability | 3.844210% | 3.7080190% | |

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

**RIVERDALE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

9. DEFINED PENSION BENEFIT PLANS (Continued)

| | |
|--|--|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 4.00 percent to 22 percent |
| COLA or Ad Hoc COLA | 3 percent |
| Investment Rate of Return | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal |

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash | 1.00 % | 0.00 % |
| US Stocks | 22.50 | 5.00 |
| Non-US Stocks | 22.50 | 5.50 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 10.00 |
| Real Assets | 10.00 | 5.00 |
| Multi-Asset Strategies | 15.00 | 7.50 |
| | | |
| Total | <u>100.00 %</u> | |

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

9. DEFINED PENSION BENEFIT PLANS (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

| | 1% Decrease █ (6.75%) | Current Discount Rate █ (7.75%) | 1% Increase █ (8.75%) |
|--|--------------------------|---------------------------------------|--------------------------|
| School District's proportionate share of the net pension liability | \$3,041,657 | \$2,193,544 | \$1,479,362 |

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

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

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

9. DEFINED PENSION BENEFIT PLANS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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

| | 1% Decrease █ (6.75%) | Current █ Discount Rate (7.75%) | 1% Increase █ (8.75%) |
|--|--------------------------|---------------------------------------|--------------------------|
| School District's proportionate share of the net pension liability | \$14,235,078 | \$10,247,880 | \$6,876,109 |

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2016, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

10. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for classified retirees and their beneficiaries. For GASB Statement No. 45 purposes, this plan is considered a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required 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 2016, 0.0 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. Statute 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 2016, the actuarially determined amount was \$23,000.

The 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. Premiums vary depending on the plan selected, 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, 2016, 2015 and 2014 were \$0, \$9,490 and \$2,001, respectively; 100 percent has been contributed for fiscal year 2016, 2015 and 2014.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2016, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2016, 2015, and 2014 were \$33,549, \$8,564 and \$10,861, respectively; 95 percent has been contributed for fiscal year 2016 and 100 percent for fiscal years 2015 and 2014.

B. State Teachers Retirement System

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

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

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 2016, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$39,527, respectively; 100 percent has been contributed for fiscal years 2016, 2015 and 2014.

11. COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for all personnel. Upon retirement, payment is made for 30 percent of accrued, but unused sick leave credit to a maximum of 65 days for classified employees and 65 days for certified employees. If an employee retires at their earliest legal opportunity, an additional 10 days will be added to their maximum days of severance pay.

12. LONG-TERM OBLIGATIONS

During the year ended June 30, 2016, the following changes occurred in obligations:

| | Balance at 6/30/2015 | Additions | Deductions | Balance at 6/30/2016 | Amounts Due in One Year |
|-----------------------------|---------------------------------|------------------|-------------------|---------------------------------|--|
| Series 2011 Refunding Bonds | | | | | |
| Current Interest Bonds | \$3,105,000 | | \$165,000 | \$2,940,000 | \$330,000 |
| Capital Appreciation Bonds | 49,314 | | 49,314 | | |
| Accretion to Bonds | 115,686 | | 115,686 | | |
| | <u>\$3,270,000</u> | <u>\$0</u> | <u>\$330,000</u> | <u>\$2,940,000</u> | <u>\$330,000</u> |

On March 23, 2011, the District issued refunding bonds to retire building bonds issued in 2001 with the exception of the capital appreciation bonds. The refunding bonds consisted of \$3,240,000 in current interest bonds and \$199,999 in capital appreciation bonds. The capital appreciation bonds and accretion to bonds were extinguished during fiscal year 2016.

The interest bonds were issued for a thirteen-year period with a final maturity in December 2022. The bonds will be retired from the Bond Retirement Debt Service Fund.

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2016, are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|--------------------|------------------|--------------------|
| 2017 | \$330,000 | \$98,384 | \$428,384 |
| 2018 | 340,000 | 88,746 | 428,746 |
| 2019 | 350,000 | 77,959 | 427,959 |
| 2020 | 360,000 | 66,151 | 426,151 |
| 2021 | 375,000 | 53,234 | 428,234 |
| 2022-2024 | 1,185,000 | 71,219 | 1,256,219 |
| Total | <u>\$2,940,000</u> | <u>\$455,693</u> | <u>\$3,395,693</u> |

The District had a voted debt margin of \$11,877,922 and an unvoted debt margin of \$160,103.

13. SET-ASIDE CALCULATION

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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The following cash basis information describes the set aside activity for capital improvements during fiscal year 2016.

| | <u>Capital Improvements</u> |
|------------------------------------|------------------------------------|
| Balance as of June 30, 2015 | |
| Current Year Set-aside Requirement | \$166,481 |
| Current Year Offsets | (40,437) |
| Qualifying Expenditures | <u>(126,044)</u> |
| Set-aside Balance June 30, 2016 | <u><u> </u></u> |

14. JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization - The District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of various public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. WOCO is governed by a board of directors consisting of the superintendents from eleven of the member school districts and the degree of control is limited to the representation on the board. Financial information can be obtained from Marcia Wierwille, who serves as the Fiscal Officer, at 129 East Court Street, 4th Floor, Sidney, Ohio 45365.

Millstream Career and Technology Center - The Millstream Career and Technology Center (the Career Center) is a distinct political subdivision of the State of Ohio established under Section 3313.90 of the Ohio Revised Code. The Career Center provides vocational instruction to students. The Career Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. Financial information can be obtained from Findlay City School District, Mike Barnhart, who serves as Treasurer, at 1100 Broad Avenue, Findlay, Ohio 45840-3377.

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

15. GROUP PURCHASING POOLS

Ohio SchoolComp Workers' Compensation Group Rating Plan

The District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) and the Ohio Association of School Business Officials (OASBO), as an insurance purchasing pool. The GRP's business and affairs are conducted by its Board of Directors. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

Hardin County School Employees' Health and Welfare Benefit Plan and Trust - The Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the Trust) is a public entity shared risk pool consisting of six school districts. The Trust is organized as a Voluntary Employee Benefit association under Section 501(c) (9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts.

Each participating school district's superintendent is appointed to an Administrative Committee, which advises the Trustee, Huntington Bank, concerning aspects of the Trust.

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

16. RELATED ORGANIZATIONS

Forest-Jackson Public Library - The Forest-Jackson Public Library (the Library) is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the District's Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Forest-Jackson Public Library, Diana Humphrey, Fiscal Officer, at 102 West Lima Street, Forest, Ohio 45843.

17. INTERFUND TRANSACTIONS

During fiscal year 2016, the General Fund made transfers in the amount of \$8,725 and \$2,593 to subsidize the Lunchroom and Athletic Funds. A transfer of \$4 was made from the Public School Support Fund to the General Fund.

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

18. CONTINGENCIES

A. Litigation

There are currently no matters in litigation with the District as defendant.

B. Federal and State Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2016, if applicable, cannot be determined at this time.

C. School District Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

19. FUND BALANCE

Fund balance is 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 governmental funds are presented below:

| <u>Fund Balance</u> | <u>General</u> | <u>Bond Retirement Fund</u> | <u>Other Governmental</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|--------------------|-------------------------------------|-------------------------------|---|
| Restricted for: | | | | |
| Regular Instruction | | | \$12,680 | \$12,680 |
| Special Instruction | | | 605 | 605 |
| Athletics | | | 31,116 | 31,116 |
| Food Service Operations | | | 149,757 | 149,757 |
| Facilities Maintenance | | | 306,191 | 306,191 |
| Debt Retirement | | \$408,612 | | 408,612 |
| Total Restricted | | <u>408,612</u> | <u>500,349</u> | <u>908,961</u> |
| Assigned for: | | | | |
| Educational Activities | \$54,755 | | | 54,755 |
| Appropriations | 363,359 | | | 363,359 |
| Unpaid Obligations (encumbrances) | 29,882 | | | 29,882 |
| Total Assigned | <u>447,996</u> | | | <u>447,996</u> |
| Unassigned | 1,914,040 | | | 1,914,040 |
| Total Fund Balance | <u>\$2,362,036</u> | <u>\$408,612</u> | <u>\$500,349</u> | <u>\$3,270,997</u> |



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

Riverdale Local School District
Hancock County
20613 State Route 37
Mount Blanchard, Ohio 45867

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Riverdale Local School District, Hancock County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 7, 2017, wherein we noted the District uses special purpose framework other than general accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant

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agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 and 2016-003.

District's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

June 7, 2017

RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2016-001

Noncompliance

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year.

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of **Ohio Rev. Code § 117.38**, requires the District to file annual financial reports which are prepared using generally accepted accounting principles in the United States of America.

Management decided to prepare the District's 2016 financial statements on a cash basis of accounting in a format similar to financial statements prescribed by Governmental Accounting Standard Number 34. This presentation differs from accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District by the Auditor of State.

We recommended the District prepare its statements in accordance with generally accepted accounting principles in the United States of America.

Officials' Response:

The District is not anticipating having its financial statements prepared in accordance with accounting principles generally accepted in the United State of America. However, the District did file GASB 34 Look-A-Like Statements (OCBOA) and plans to do so in the future.

FINDING NUMBER 2016-002

Material Weakness - Financial Reporting

The District's management is responsible for the fair presentation of the financial statements. A material error was noted in the financial statements which required an audit adjustment. In the General Fund, \$802,143 of expenditures were reported as other instruction instead of regular instruction. This amount was adjusted on the General Fund Budget vs Actual statements as well.

This error occurred due to insufficient monitoring by management. The accompanying financial statements have been adjusted to record the activity to the correct account classification. Additional errors were noted in smaller relative amounts and included on the summary of unadjusted differences.

To ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements by the Treasurer and the Board, to identify and correct errors and omissions.

Officials' Response:

The District is planning to implement better monitoring of posting and compilation errors.

FINDING NUMBER 2016-003

Noncompliance

Ohio Rev. Code § 2151.011(22) sets forth the provisions for a legitimate excused absence from a public school. **Ohio Rev. Code § 3317.031** requires school districts to maintain membership records; specifically, **§ 3317.031** provides that a membership record shall be kept by grade level in each city, local, exempted village, joint vocational, and cooperative education school district and such a record shall be kept by grade level in each educational service center that provides academic instruction to pupils, classes for pupils with disabilities, or any other direct instructional services to pupils. Such membership record shall show the following information for each pupil enrolled: Name, date of birth, name of parent, date entered school, date withdrawn from school, days present, days absent, and the number of days school was open for instruction while the pupil was enrolled. At the end of the school year this membership record shall show the total days present, the total days absent, and the total days due for all pupils in each grade. Such membership record shall show the pupils that are transported to and from school and it shall also show the pupils that are transported living within one mile of the school attended. This membership record shall also show any other information prescribed by the state board of education.

Ohio Rev. Code § 3317.031 further provides that this membership record shall be kept intact for at least five years and shall be made available to the state board of education or its representative in making an audit of the average daily membership or the transportation of the district or educational service center.

All excuses from parents, and other documents, regardless of format or condition, become official attendance records.

The District did not obtain support for documented excused elementary school absences.

The lack of documentation for excused absences prevents the determination as to whether or not an absence was excused in accordance with the provisions outlined above. The District should obtain documentation for all excused student absences. The documentation should be added to individual attendance records and retained for a period of at least five years, unless the District's retention schedule requires a longer retention period.

This matter will be referred to the Ohio Department of Education.

Officials' Response:

We did not receive a response from Officials to the finding reported above.

**RIVERDALE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|---|---|---|
| 2015-001 | Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles. | Not corrected. Repeated in this report as finding 2016-001. | The District is not anticipating having their financial statements prepared in accordance with accounting principles generally accepted in the United State of America. However, the District did file GASB 34 Look-A-Like Statements (OCBOA) and plans to do so in the future. |
| 2015-002 | Material weaknesses for posting and compilation errors. | Not corrected. Repeated in this report as finding 2016-002. | Prior audit's errors were corrected; however, a different reclassification was missed this audit. The District is planning to implement better monitoring of posting and compilation errors. |

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RIVERDALE LOCAL SCHOOL DISTRICT

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 27, 2017