



Rea & associates *a brighter way*

Ridgedale Local School District

Marion County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2015



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ridgedale Local School District, Marion County, prepared by Rea & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

May 11, 2016

Ridgedale Local School District
Marion County, Ohio
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February 26, 2016

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ridgedale Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ridgedale Local School District, Marion County, Ohio, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 2, the District restated the net position balance to account for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of District Contributions* on pages 5–14, 59, 60–61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Dublin, Ohio

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Ridgedale Local School District
Marion County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

The discussion and analysis of the Ridgedale Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- Net position increased \$874,569, which represents a 17 percent increase from 2014.
- During the fiscal year, outstanding debt decreased from \$120,154 to \$75,502 due to principal payments.
- The District implemented GASB 68, which reduced beginning net position as previously reported by \$10 million.

Using this Annual Report

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

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 17. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

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

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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Ridgedale Local School District
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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2015 compared to 2014:

Table 1
Net Position

	Governmental Activities	
	2015	2014 Restated
Assets		
Current and Other Assets	\$ 7,488,115	\$ 7,077,586
Capital Assets	1,625,071	1,687,506
<i>Total Assets</i>	<u>9,113,186</u>	<u>8,765,092</u>
Deferred Outflows of Resources		
Pension	<u>662,992</u>	<u>515,190</u>
Liabilities		
Other Liabilities	728,590	779,909
Long-Term Liabilities		
Due Within One Year	84,214	107,363
Due in More Than One Year		
Net Pension Liability	9,188,387	10,918,890
Other Amounts	210,370	299,229
<i>Total Liabilities</i>	<u>10,211,561</u>	<u>12,105,391</u>
Deferred Inflows of Resources		
Property Taxes and Other	2,031,021	2,178,910
Pension	<u>1,663,046</u>	<u>0</u>
<i>Total Deferred Inflows of Resources</i>	<u>3,694,067</u>	<u>2,178,910</u>
Net Position		
Net Investment in Capital Assets	1,549,569	1,567,352
Restricted	247,725	215,133
Unrestricted	<u>(5,926,744)</u>	<u>(6,786,504)</u>
<i>Total Net Position</i>	<u>\$ (4,129,450)</u>	<u>\$ (5,004,019)</u>

During fiscal year 2015, the District adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$5,399,681 to \$(5,004,019).

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At year end, capital assets represented 18 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net invested in capital assets was \$1,549,569 at June 30, 2015. These capital assets are used to provide services to students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$247,725 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit of \$5,926,744 which is caused primarily by the implementation of GASB 68.

Current and other assets of the District increased \$410,529 from 2014 due to an increase in pooled cash and investments due to a slight increase in revenue, which was primarily caused by an increase in open enrollment tuition received, combined with cost savings recognized throughout the District. Due to the implementation of GASB 68, the District saw a \$1,730,503 decrease in net pension liability and a \$1,663,046 increase in deferred inflows for pension.

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Marion County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

Table 2
Changes in Net Position

	Governmental Activities	
	2015	2014
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,602,089	\$ 1,501,623
Operating Grants	693,621	684,969
<i>Total Program Revenues</i>	<u>2,295,710</u>	<u>2,186,592</u>
<i>General Revenues:</i>		
Property Taxes	3,373,772	3,292,040
Grants and Entitlements Not Restricted	3,394,995	3,288,373
Payments in Lieu of Taxes	106,268	111,630
Other	47,845	77,264
<i>Total General Revenues</i>	<u>6,922,880</u>	<u>6,769,307</u>
<i>Total Revenues</i>	<u>9,218,590</u>	<u>8,955,899</u>
Program Expenses		
Instruction:		
Regular	2,909,504	3,179,382
Special	732,357	660,087
Vocational	167,971	241,978
Student Intervention Services	5,424	5,505
Other	1,190,963	1,067,098
Support Services:		
Pupils	230,505	340,367
Instructional Staff	253,028	294,566
Board of Education	65,585	64,099
Administration	716,725	668,896
Fiscal	294,499	274,951
Business	820	0
Operation and Maintenance of Plant	680,780	700,268
Pupil Transportation	461,105	530,956
Central	32,885	43,734
Operation of Non-Instructional Services:		
Food Service Operations	367,902	352,571
Extracurricular Activities	224,912	243,067
Debt Service:		
Interest and Fiscal Charges	9,056	12,442
<i>Total Expenses</i>	<u>8,344,021</u>	<u>8,679,967</u>
<i>Increase (Decrease) in Net Position</i>	<u>\$ 874,569</u>	<u>\$ 275,932</u>

Ridgedale Local School District
Marion County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$515,190 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$361,086. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$	8,344,021
Pension expense under GASB 68		(361,086)
2015 contractually required contribution		576,345
Adjusted 2015 program expenses		8,559,280
Total 2014 program expenses under GASB 27		8,679,967
Decrease in program expenses not related pension	\$	(120,687)

Certain foundation payments for special education and transportation were reclassified to program revenue from general revenue for fiscal year 2015. For comparability purposes, fiscal year 2014 was also updated in Tables 2 and 3 to reflect this change.

The District saw a \$262,691 increase in total revenues over 2014. The \$100,466 increase in charges for services was primarily caused by an increase in tuition received for open enrollment. Grants and entitlements not restricted increased \$106,622 due to increases in homestead and rollback and State foundation receipts.

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Ridgedale Local School District
Marion County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2015	2014	2015	2014
Instruction:				
Regular	\$ 2,909,504	\$ 3,179,382	\$ 1,548,885	\$ 1,908,684
Special	732,357	660,087	423,675	344,237
Vocational	167,971	241,978	139,203	218,476
Student Intervention Services	5,424	5,505	5,424	5,505
Other	1,190,963	1,067,098	1,190,963	1,067,098
Support Services:				
Pupils	230,505	340,367	157,984	283,307
Instructional Staff	253,028	294,566	227,699	265,401
Board of Education	65,585	64,099	65,585	64,099
Administration	716,725	668,896	696,710	643,353
Fiscal	294,499	274,951	294,499	274,951
Business	820	0	820	0
Operation and Maintenance of Plant	680,780	700,268	680,780	700,268
Pupil Transportation	461,105	530,956	449,478	513,230
Central	32,885	43,734	31,709	43,005
Operation of Non-Instructional Services:				
Food Service Operations	367,902	352,571	(14,538)	(31,576)
Extracurricular Activities	224,912	243,067	140,379	180,895
Debt Service:				
Interest and Fiscal Charges	9,056	12,442	9,056	12,442
<i>Total Expenses</i>	\$ 8,344,021	\$ 8,679,967	\$ 6,048,311	\$ 6,493,375

The dependence upon general revenues for governmental activities is apparent. Over 72 percent of governmental activities are supported through taxes and other general revenues; such revenues are 75 percent of total governmental revenues. Grants and entitlements not restricted to specific programs and property tax revenues are by far the primary support for the District students.

Governmental Funds

Information about the District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$9,077,599 and expenditures of \$8,589,314 for fiscal year 2015.

The general fund's net change in fund balance for fiscal year 2015 was an increase of \$466,964. This was caused by a \$111,161 increase in revenue, which was primarily caused by increases in open enrollment tuition and charges for services received, combined with cost savings recognized throughout the District.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

General Fund Budgeting Highlights

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

During the course of fiscal year 2015, the District amended its general fund budget. The District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenue was \$407 lower than the final budget basis revenue of \$8,264,023.

Final appropriations of \$8,501,725 were \$586,499 higher than the actual expenditures of \$7,915,226, as cost savings were recognized for instructional programs and administration expenditures throughout the year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$1,625,071 invested in capital assets. Table 4 shows fiscal year 2015 balances compared with 2014.

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

	Governmental Activities	
	2015	2014
Land	\$ 50,442	\$ 50,442
Land Improvements	155,615	159,339
Buildings and Improvements	1,211,282	1,263,020
Furniture and Equipment	119,063	103,548
Vehicles	88,669	111,157
<i>Totals</i>	\$ 1,625,071	\$ 1,687,506

The \$62,435 decrease in capital assets was attributable to depreciation expense exceeding current year acquisitions. See Note 7 for more information about the capital assets of the District.

Ridgedale Local School District
Marion County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Debt

At June 30, 2015, the District had \$75,502 in debt outstanding. See Notes 8 and 9 for additional details. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt at Year End

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Capital Leases	\$ 75,502	\$ 118,773
Loan Payable	0	1,381
<i>Total</i>	<u>\$ 75,502</u>	<u>\$ 120,154</u>

Contacting the District's Financial Management

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

Ridgedale Local School District
Marion County, Ohio
Statement of Net Position
June 30, 2015

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental</u>	<u>Ridgedale</u>
	<u>Activities</u>	<u>Community</u>
		<u>School</u>
Assets		
Equity in Pooled Cash and Investments	\$ 3,703,934	\$ 182,019
Receivables:		
Intergovernmental	128,622	12,384
Property Taxes	3,655,559	0
Nondepreciable Capital Assets	50,442	0
Depreciable Capital Assets (Net)	1,574,629	0
<i>Total Assets</i>	<u>9,113,186</u>	<u>194,403</u>
Deferred Outflows of Resources		
Pension	662,992	0
Liabilities		
Accounts Payable	32,230	0
Accrued Wages and Benefits	565,308	0
Intergovernmental Payable	131,052	0
Long-Term Liabilities:		
Due Within One Year	84,214	0
Due In More Than One Year		
Net Pension Liability (See Note 11)	9,188,387	
Other Amounts Due in More Than One Year	210,370	
<i>Total Liabilities</i>	<u>10,211,561</u>	<u>0</u>
Deferred Inflows of Resources		
Property Taxes Levied for the Next Year	2,031,021	0
Pension	1,663,046	0
<i>Total Deferred Inflows of Resources</i>	<u>3,694,067</u>	<u>0</u>
Net Position		
Net Investment in Capital Assets	1,549,569	0
Restricted For:		
Capital Outlay	623	0
Other Purposes	247,102	723
Unrestricted	(5,926,744)	193,680
<i>Total Net Position</i>	<u>\$ (4,129,450)</u>	<u>\$ 194,403</u>

See accompanying notes to the basic financial statements.

Ridgedale Local School District
Marion County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Net (Expense) Revenue and Changes in Net Position				
	Program Revenues			Primary Government	Component Unit
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	Ridgedale Community School
Governmental Activities					
Instruction:					
Regular	\$ 2,909,504	\$ 1,356,720	\$ 3,899	\$ (1,548,885)	\$ 0
Special	732,357	20,045	288,637	(423,675)	0
Vocational	167,971	0	28,768	(139,203)	0
Student Intervention Services	5,424	0	0	(5,424)	0
Other	1,190,963	0	0	(1,190,963)	0
Support Services:					
Pupils	230,505	0	72,521	(157,984)	0
Instructional Staff	253,028	0	25,329	(227,699)	0
Board of Education	65,585	0	0	(65,585)	0
Administration	716,725	0	20,015	(696,710)	0
Fiscal	294,499	0	0	(294,499)	0
Business	820	0	0	(820)	0
Operation and Maintenance of Plant	680,780	0	0	(680,780)	0
Pupil Transportation	461,105	0	11,627	(449,478)	0
Central	32,885	0	1,176	(31,709)	0
Operation of Non-Instructional Services:					
Food Service Operations	367,902	163,314	219,126	14,538	0
Extracurricular Activities	224,912	62,010	22,523	(140,379)	0
Debt Service:					
Interest and Fiscal Charges	9,056	0	0	(9,056)	0
<i>Total Primary Government</i>	<u>8,344,021</u>	<u>1,602,089</u>	<u>693,621</u>	<u>(6,048,311)</u>	<u>0</u>
Component Unit					
Ridgedale Community School	235,905	0	6,281	0	(229,624)
<i>Totals</i>	<u>\$ 8,579,926</u>	<u>\$ 1,602,089</u>	<u>\$ 699,902</u>	<u>(6,048,311)</u>	<u>(229,624)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes				3,373,772	0
Grants and Entitlements Not Restricted to Specific Programs				3,394,995	221,417
Payments in Lieu of Taxes				106,268	0
Investment Earnings				14,540	28
Miscellaneous				33,305	0
<i>Total General Revenues</i>				<u>6,922,880</u>	<u>221,445</u>
<i>Change in Net Position</i>				874,569	(8,179)
<i>Net Position Beginning of Year - Restated, See Note 2 - P</i>				(5,004,019)	202,582
<i>Net Position End of Year</i>				<u>\$ (4,129,450)</u>	<u>\$ 194,403</u>

See accompanying notes to the basic financial statements.

Ridgedale Local School District
Marion County, Ohio
Balance Sheet
Governmental Funds
June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Investments	\$ 3,451,045	\$ 252,889	\$ 3,703,934
Receivables:			
Interfund	6,759	0	6,759
Intergovernmental	89,734	38,888	128,622
Property Taxes	3,655,559	0	3,655,559
<i>Total Assets</i>	<u>\$ 7,203,097</u>	<u>\$ 291,777</u>	<u>\$ 7,494,874</u>
Liabilities			
Accounts Payable	\$ 29,586	\$ 2,644	\$ 32,230
Accrued Wages and Benefits	540,889	24,419	565,308
Intergovernmental Payable	126,213	4,839	131,052
Interfund Payable	0	6,759	6,759
<i>Total Liabilities</i>	<u>696,688</u>	<u>38,661</u>	<u>735,349</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	2,031,021	0	2,031,021
Unavailable Revenue	515,262	21,110	536,372
<i>Total Deferred Inflows of Resources</i>	<u>2,546,283</u>	<u>21,110</u>	<u>2,567,393</u>
Fund Balances			
Restricted	0	234,238	234,238
Assigned	276,865	0	276,865
Unassigned	3,683,261	(2,232)	3,681,029
<i>Total Fund Balances</i>	<u>3,960,126</u>	<u>232,006</u>	<u>4,192,132</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 7,203,097</u>	<u>\$ 291,777</u>	<u>\$ 7,494,874</u>

See accompanying notes to the basic financial statements.

Ridgedale Local School District
Marion County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances		\$ 4,192,132
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,625,071
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 74,244	
Excess Costs	20,088	
Property Taxes	442,040	536,372
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		
Deferred Outflows - Pension	662,992	
Deferred Inflows - Pension	(1,663,046)	
Net Pension Liability	(9,188,387)	(10,188,441)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Capital Lease Obligation	(75,502)	
Compensated Absences	(219,082)	(294,584)
<i>Net Position of Governmental Activities</i>		\$ (4,129,450)

See accompanying notes to the basic financial statements.

Ridgedale Local School District
Marion County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	\$ 3,250,725	\$ 0	\$ 3,250,725
Intergovernmental	3,585,002	464,495	4,049,497
Investment Income	14,540	0	14,540
Tuition and Fees	1,270,207	0	1,270,207
Extracurricular Activities	20,152	58,268	78,420
Charges for Services	85,200	163,315	248,515
Contributions and Donations	5,000	22,523	27,523
Payments in Lieu of Taxes	106,268	0	106,268
Miscellaneous	22,388	9,516	31,904
<i>Total Revenues</i>	<u>8,359,482</u>	<u>718,117</u>	<u>9,077,599</u>
Expenditures			
Current:			
Instruction:			
Regular	3,041,260	11,273	3,052,533
Special	610,619	130,217	740,836
Vocational	164,325	9,394	173,719
Student Intervention Services	5,685	0	5,685
Other	1,190,963	0	1,190,963
Support Services:			
Pupils	169,771	72,555	242,326
Instructional Staff	260,854	13,484	274,338
Board of Education	65,919	0	65,919
Administration	695,717	18,444	714,161
Fiscal	296,844	0	296,844
Business	820	0	820
Operation and Maintenance of Plant	702,763	0	702,763
Pupil Transportation	447,416	0	447,416
Central	25,907	1,192	27,099
Extracurricular Activities	159,947	66,629	226,576
Operation of Non-Instructional Services:			
Food Service Operations	0	373,608	373,608
Debt Service:			
Principal Retirement	44,652	0	44,652
Interest and Fiscal Charges	9,056	0	9,056
<i>Total Expenditures</i>	<u>7,892,518</u>	<u>696,796</u>	<u>8,589,314</u>
<i>Net Change in Fund Balance</i>	466,964	21,321	488,285
<i>Fund Balances Beginning of Year</i>	<u>3,493,162</u>	<u>210,685</u>	<u>3,703,847</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,960,126</u>	<u>\$ 232,006</u>	<u>\$ 4,192,132</u>

See accompanying notes to the basic financial statements.

Ridgedale Local School District
Marion County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015*

Net Change in Fund Balances - Total Governmental Funds	\$	488,285
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 43,245	
Current Year Depreciation	<u>(105,680)</u>	(62,435)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	123,047	
Excess Costs	7,628	
Intergovernmental	<u>(9,223)</u>	121,452
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		44,652
 Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		576,345
 Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(361,086)
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		<u>67,356</u>
 <i>Change in Net Position of Governmental Activities</i>	 \$	 <u><u>874,569</u></u>

See accompanying notes to the basic financial statements.

Ridgedale Local School District
Marion County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 3,533,691	\$ 3,214,999	\$ 3,214,999	\$ 0
Intergovernmental	3,347,323	3,574,724	3,574,725	1
Investment Income	7,114	4,524	4,524	0
Tuition and Fees	1,203,710	1,270,207	1,270,207	0
Extracurricular Activities	4,162	4,150	3,742	(408)
Charges for Services	65,269	85,200	85,200	0
Miscellaneous	118,649	110,219	110,219	0
<i>Total Revenues</i>	<u>8,279,918</u>	<u>8,264,023</u>	<u>8,263,616</u>	<u>(407)</u>
Expenditures				
Current:				
Instruction:				
Regular	3,182,380	3,167,088	3,024,598	142,490
Special	628,236	654,222	614,901	39,321
Vocational	280,569	289,348	161,712	127,636
Student Intervention Services	6,060	5,786	5,685	101
Other	1,124,673	1,067,300	1,190,870	(123,570)
Support Services:				
Pupils	287,485	304,905	192,022	112,883
Instructional Staff	237,994	279,704	264,426	15,278
Board of Education	58,942	85,522	70,890	14,632
Administration	741,125	849,024	720,895	128,129
Fiscal	277,433	277,924	269,998	7,926
Business	40	11,000	820	10,180
Operation and Maintenance of Plant	748,660	696,853	700,467	(3,614)
Pupil Transportation	532,348	557,814	455,280	102,534
Central	40,538	39,291	25,893	13,398
Extracurricular Activities	175,914	171,210	163,061	8,149
Debt Service:				
Principal Retirement	45,422	44,652	44,652	0
Interest and Fiscal Charges	515	82	9,056	(8,974)
<i>Total Expenditures</i>	<u>8,368,334</u>	<u>8,501,725</u>	<u>7,915,226</u>	<u>586,499</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(88,416)</u>	<u>(237,702)</u>	<u>348,390</u>	<u>586,092</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	4,681	57,220	57,220	0
<i>Net Change in Fund Balance</i>	(83,735)	(180,482)	405,610	586,092
<i>Fund Balance Beginning of Year</i>	3,022,884	3,022,884	3,022,884	0
Prior Year Encumbrances Appropriated	7,023	7,023	7,023	0
<i>Fund Balance End of Year</i>	<u>\$ 2,946,172</u>	<u>\$ 2,849,425</u>	<u>\$ 3,435,517</u>	<u>\$ 586,092</u>

See accompanying notes to the basic financial statements.

Ridgedale Local School District
Marion County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 57,326	\$ 41,408
Liabilities		
Accounts Payable	0	\$ 566
Undistributed Monies	0	8
Due to Students	0	40,834
<i>Total Liabilities</i>	0	\$ 41,408
Net Position		
Endowments	35,849	
Held in Trust for Scholarships	21,477	
<i>Total Net Position</i>	\$ 57,326	

See accompanying notes to the basic financial statements.

Ridgedale Local School District
Marion County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 940
Investment Earnings	182
	1,122
<i>Total Additions</i>	<i>1,122</i>
Deductions	
Payments in Accordance with Trust Agreements	3,500
	(2,378)
<i>Change in Net Position</i>	<i>(2,378)</i>
<i>Net Position Beginning of Year</i>	<i>59,704</i>
<i>Net Position End of Year</i>	<i>\$ 57,326</i>

See accompanying notes to the basic financial statements.

Ridgedale Local School District
Marion County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 1 - DESCRIPTION OF THE DISTRICT

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

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

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

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

Ridgedale Local School District
Marion County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Ridgedale Community School

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

JOINTLY GOVERNED ORGANIZATIONS

Tri-Rivers Educational Computer Association

The District is a participant in MetaSolutions (formerly known as TRECA, Tri-Rivers Educational Computer Association), which is a computer consortium that merged with Metropolitan Education Consortium (MEC). MetaSolutions is an association of public Districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. The Governing Board of MetaSolutions consists of one representative from each county elected by majority vote of all charter member Districts within each county, one representative from the city districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2015, the District paid \$16,847 to MetaSolutions for various services. Financial information can be obtained from MetaSolutions, 100 Executive Drive, Marion, Ohio 43302.

North Central Regional Professional Development Center

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

Ridgedale Local School District
Marion County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Tri-Rivers Career Center

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

Sheakley Uniservice Workers’ Compensation Group Rating Plan

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

Ridgedale Local School District
Marion County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

B. Fund Accounting

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

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

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

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

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

C. Basis of Presentation and Measurement Focus

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

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

Ridgedale Local School District
Marion County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

D. Basis of Accounting

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

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

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

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

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

Ridgedale Local School District
Marion County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11).

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

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

E. Budgetary Data

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2015 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Marion County Budget Commission for tax rate determination.

Ridgedale Local School District
Marion County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2015.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2015. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications. Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

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The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2015.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$14,540, which includes \$1,357 assigned from other funds.

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

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

G. Capital Assets

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

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

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

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

H. Compensated Absences

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

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

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

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

I. Pensions

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

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Fund Balance

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

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

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

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

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

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

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

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2015, there was no net position restricted by enabling legislation.

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

M. Estimates

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

N. Interfund Activity

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

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P. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2015, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

Net Position June 30, 2014	\$ 5,399,681
Adjustments:	
Net Pension Liability	(10,918,890)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>515,190</u>
Restated Net Position, July 1, 2014	<u>\$ (5,004,019)</u>

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

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

Cash on Hand At June 30, 2015, the District had \$360 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments."

Deposits At June 30, 2015, the carrying amount of all District deposits was \$3,597,149. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2015, \$2,834,926 of the District's bank balance of \$3,788,106 was exposed to custodial risk as discussed below, while \$953,180 was covered by the FDIC, which includes \$203,180 held in a STAR Plus account.

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

Investments As of June 30, 2015, the District had the following investments:

Investment Type	Fair Value	Investment Maturity 6 Months or Less	Percent of Total	Standard & Poor's Rating
STAR Ohio	\$ 201,446	\$ 201,446	98.19%	AAAm
Money Market Mutual Fund	3,713	3,713	1.81%	Aaa
Totals	<u>\$ 205,159</u>	<u>\$ 205,159</u>	<u>100.00%</u>	

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

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2015, is 53 days.

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

Concentration of Credit Risk The District places no limit on the amount that may be invested in any one issuer. The table above includes the percentage of each investment type held by the District at June 30, 2015.

Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2015:

<u>Cash and Investments per Note</u>	
Carrying Amount of Deposits	\$ 3,597,149
Investments	205,159
Cash on Hand	360
Total	\$ 3,802,668
<u>Cash and Investments per Statement of Net Position</u>	
Governmental Activities	\$ 3,703,934
Private Purpose Trust Fund	57,326
Agency Fund	41,408
Total	\$ 3,802,668

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NOTE 4 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Wyandot, Crawford and Marion Counties. The County 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, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 in the general fund was \$1,182,498. The amount available for advance at June 30, 2014, in the general fund was \$1,146,772. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

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The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 126,389,590	89.80%	\$ 135,184,000	89.31%
Public Utility Personal Property	14,358,800	10.20%	16,185,010	10.69%
	\$ 140,748,390	100.00%	\$ 151,369,010	100.00%
Tax rate per \$1,000 assessed valuation	\$ 44.70		\$ 44.70	

NOTE 5 - RECEIVABLES

Receivables at June 30, 2015 consisted of property taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. All are expected to be received within one year.

NOTE 6 – INTERFUND BALANCES

Interfund balances at June 30, 2015 consisted of the following:

	Interfund Receivable	Interfund Payable
General	\$ 6,759	\$ 0
Other Governmental:		
IDEA-B	0	4,601
Title I	0	1,818
Improving Teacher Quality	0	340
Total Other Governmental	0	6,759
Total	\$ 6,759	\$ 6,759

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

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NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 06/30/14	Additions	Deductions	Balance 06/30/15
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$ 50,442	\$ 0	\$ 0	\$ 50,442
<i>Capital Assets, being depreciated</i>				
Land Improvements	640,780	10,890	0	651,670
Buildings and Improvements	4,200,302	11,180	0	4,211,482
Furniture and Equipment	345,431	21,175	0	366,606
Vehicles	996,041	0	0	996,041
<i>Total Capital Assets, being depreciated</i>	<u>6,182,554</u>	<u>43,245</u>	<u>0</u>	<u>6,225,799</u>
<i>Less: Accumulated Depreciation</i>				
Land Improvements	(481,441)	(14,614)	0	(496,055)
Buildings and Improvements	(2,937,282)	(62,918)	0	(3,000,200)
Furniture and Equipment	(241,883)	(5,660)	0	(247,543)
Vehicles	(884,884)	(22,488)	0	(907,372)
<i>Total Accumulated Depreciation</i>	<u>(4,545,490)</u>	<u>(105,680) *</u>	<u>0</u>	<u>(4,651,170)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>1,637,064</u>	<u>(62,435)</u>	<u>0</u>	<u>1,574,629</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 1,687,506</u>	<u>\$ (62,435)</u>	<u>\$ 0</u>	<u>\$ 1,625,071</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 27,113
Special	1,488
Vocational	2,523
Support Services:	
Administration	30,682
Fiscal	407
Operations and Maintenance	3,871
Pupil Transportation	19,962
Central	6,063
Extracurricular Activities	3,298
Food Service Operations	10,273
<i>Total Depreciation Expense</i>	<u>\$ 105,680</u>

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NOTE 8 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during the fiscal year 2015 were as follows:

	Restated Balance 06/30/14	Additions	Reductions	Balance 06/30/15	Amounts Due in One Year
<i>Net Pension Liability</i>					
STRS	\$ 9,012,028	\$ 0	\$ (1,446,483)	\$ 7,565,545	\$ 0
SERS	1,906,862	0	(284,020)	1,622,842	0
<i>Total Net Pension Liability</i>	<u>10,918,890</u>	<u>0</u>	<u>(1,730,503)</u>	<u>9,188,387</u>	<u>0</u>
Capital Leases Payable	118,773	0	(43,271)	75,502	29,164
Loan Payable	1,381	0	(1,381)	0	0
Compensated Absences	286,438	6,268	(73,624)	219,082	55,050
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$ 11,325,482</u>	<u>\$ 6,268</u>	<u>\$ (1,848,779)</u>	<u>\$ 9,482,971</u>	<u>\$ 84,214</u>

On July 20, 2011, the District obtained a loan for the purchase of modular trailers in the amount of \$46,175. The loan matured on July 20, 2014 from the general fund.

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

The District pays obligations related to employee compensation from the fund benefitting from their service.

NOTE 9 – CAPITALIZED LEASES

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

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

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

			Copiers
Fiscal Year Ending June 30,	2016	\$	35,088
	2017		35,088
	2018		14,620
			84,796
Less: amount representing interest			9,294
Present value of minimum lease payments		\$	75,502

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2015, the District contracted with Verne Hart Insurance Agency for liability, property and fleet insurance. Coverage's provided by Verne Hart Insurance Agency are as follows:

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

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

The net pension liability represents the 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.

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

Plan Description - School Employees Retirement System (SERS)

Plan Description –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.

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Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$145,545 for fiscal year 2015. Of this amount \$4,944 is reported as an intergovernmental payable.

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.

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.

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With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$430,800 for fiscal year 2015. Of this amount \$72,980 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, 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 contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 7,565,545	\$ 1,622,842	\$ 9,188,387
Proportion of the Net Pension Liability	0.03110390%	0.03206600%	
Pension Expense	\$ 266,339	\$ 94,747	\$ 361,086

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 72,835	\$ 13,812	\$ 86,647
District contributions subsequent to the measurement date	<u>430,800</u>	<u>145,545</u>	<u>576,345</u>
Total Deferred Outflows of Resources	<u>\$ 503,635</u>	<u>\$ 159,357</u>	<u>\$ 662,992</u>

Deferred Inflows of Resources

Net difference between projected and actual earnings on pension plan investments	<u>\$ 1,399,654</u>	<u>\$ 263,392</u>	<u>\$ 1,663,046</u>
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\$576,345 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	\$ (331,705)	\$ (62,395)	\$ (394,100)
2017	(331,705)	(62,395)	(394,100)
2018	(331,705)	(62,395)	(394,100)
2019	<u>(331,704)</u>	<u>(62,395)</u>	<u>(394,099)</u>
	<u>\$ (1,326,819)</u>	<u>\$ (249,580)</u>	<u>\$ (1,576,399)</u>

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Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

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:

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Asset Class	Target Allocation	Long Term Expected Real Rate of Return
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	 100.00 %	

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.

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%)
District's proportionate share of the net pension liability	\$ 2,315,313	\$ 1,622,842	\$ 1,040,414

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, 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.

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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, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates 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 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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, 2014. 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, 2014.

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:

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 10,830,902	\$ 7,565,545	\$ 4,804,151

NOTE 12 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$23,823, \$16,727 and \$14,374, respectively. For fiscal year 2015, 97 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

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B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$29,693, and \$30,823, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance

GAAP Basis	\$	466,964
Net Adjustment for Revenue Accruals		(17,236)
Net Adjustment for Expenditure Accruals		(83,424)
Funds Budgeted Elsewhere **		40,677
Adjustment for Encumbrances		<u>(1,371)</u>
Budget Basis	\$	<u>405,610</u>

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

NOTE 14 – FUND BALANCE

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

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

	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
Restricted for:			
Capital Outlay	\$ 0	\$ 623	\$ 623
Food Services	0	165,010	165,010
Student Activities	0	55,313	55,313
Other Purposes	0	13,292	13,292
Total Restricted	<u>0</u>	<u>234,238</u>	<u>234,238</u>
Assigned for:			
Subsequent Year Appropriations	<u>276,865</u>	<u>0</u>	<u>276,865</u>
Unassigned	3,683,261	(2,232)	3,681,029
<i>Total Fund Balance</i>	<u>\$ 3,960,126</u>	<u>\$ 232,006</u>	<u>\$ 4,192,132</u>

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NOTE 15 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

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

C. School District 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 districts, 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, 2015 Foundation funding for the 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 District.

NOTE 16 - STATUTORY RESERVES

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

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

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	<u>Capital Acquisition</u>
Set Aside Restricted Balance June 30, 2014	\$ 0
Current Year Set Aside Requirement	125,735
Current Year Qualifying Disbursements	(184,442)
Total	(58,707)
Balance carried forward to fiscal year 2016	\$ 0
Set Aside Restricted Balance as of June 30, 2015	\$ 0

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

NOTE 17 – ACCOUNTABILITY

The following funds had GAAP deficit fund balances at June 30, 2015:

<u>Fund</u>	<u>Amount</u>
Vocational Education Enhancement	\$ 1,046
Title I	1,186

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

NOTE 18 - RIDGEDALE COMMUNITY SCHOOL

A. Significant Accounting Policies

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

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

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For the Fiscal Year Ended June 30, 2015

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

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

Cash and Investments - Cash held by the School is reflected as "equity in pooled cash and investments" on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2015, the School had no investments.

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

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Federal and State grant revenue for the fiscal year 2015 was \$6,281.

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

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

Ridgedale Local School District
Marion County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

B. Deposits

At June 30, 2015, the carrying amount of the School's deposits was \$182,019. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, as of June 30, 2015, all of the School's bank balance of \$233,857 was covered by Federal Deposit Insurance Corporation.

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

C. Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2015, the School was named on the Sponsor's policy for property and general liability insurance.

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

D. Service Contracts

Tri-Rivers Educational Computer Association - The School entered into an agreement on July 1, 2014, with MetaSolutions (formerly known as Tri-Rivers Educational Computer Association-TRECA) for planning, instructional, administrative and technical services required for the operation of the School. Under this contract, MetaSolutions is required to provide the following services:

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

Ridgedale Local School District
Marion County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

5. Provide such other services, including but not limited to the standard hardware and software package, and the standard technical and administrative services, as are provided generally by MetaSolutions to Students.

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

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

The following payments were made in fiscal year 2015 from the School to MetaSolutions:

Professional and technical services \$ 17,353

Ridgedale Local School District - The Community School Sponsorship Contract between the School and Ridgedale Local School District (the "Sponsor") outlined the specific payments to be made by the School to Ridgedale Local School District during fiscal year 2015. In addition, the Community School Sponsorship Contract stated that the two parties agreed to pay other mutually agreed upon amounts, including fees for any services provided to the School by Ridgedale Local School District. The School paid the Sponsor \$152,221 during fiscal year 2015 for professional and technical services.

Additionally, the contract allows, based on mutual agreement, for the payment of \$1,500 per student per year from the School to the Sponsor as a reimbursement for transportation and special education related services. This payment was \$40,890 in fiscal year 2015. The Sponsor did not charge the School a sponsor fee.

E. Contingencies

Grants - The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2015.

State 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 districts, 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, 2015 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.

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

	<u>2014</u>	<u>2013</u>
<i>State Teachers Retirement System (STRS)</i>		
District's proportion of the net pension liability	0.03110390%	0.03110390%
District's proportionate share of the net pension liability	\$ 7,565,545	\$ 9,012,028
District's covered-employee payroll	\$ 2,969,254	\$ 3,082,285
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	254.80%	292.38%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%
<i>School Employees Retirement System (SERS)</i>		
District's proportion of the net pension liability	0.03206600%	0.03206600%
District's proportionate share of the net pension liability	\$ 1,622,842	\$ 1,906,862
District's covered-employee payroll	\$ 932,085	\$ 1,104,552
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.11%	172.64%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 430,800	\$ 386,003	\$ 400,697	\$ 374,192
Contributions in Relation to the Contractually Required Contribution	<u>(430,800)</u>	<u>(386,003)</u>	<u>(400,697)</u>	<u>(374,192)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 3,077,143	\$ 2,969,254	\$ 3,082,285	\$ 2,878,400
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%
 <i>School Employees Retirement System (SERS)</i>				
Contractually required contribution	\$ 145,545	\$ 129,187	\$ 152,870	\$ 129,441
Contributions in relation to the contractually required contribution	<u>(145,545)</u>	<u>(129,187)</u>	<u>(152,870)</u>	<u>(129,441)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 1,104,287	\$ 932,085	\$ 1,104,552	\$ 962,387
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

n/a - Information prior to 2008 is not available.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 435,002	\$ 418,087	\$ 416,119	\$ 397,841	\$ 312,519	\$ 394,892
<u>(435,002)</u>	<u>(418,087)</u>	<u>(416,119)</u>	<u>(397,841)</u>	<u>(312,519)</u>	<u>(394,892)</u>
<u>\$ 0</u>					
\$ 3,346,169	\$ 3,216,054	\$ 3,200,915	\$ 3,060,315	\$ 2,403,992	\$ 3,037,631
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 123,976	\$ 146,253	\$ 114,073	\$ 82,969	n/a	n/a
<u>(123,976)</u>	<u>(146,253)</u>	<u>(114,073)</u>	<u>(82,969)</u>	n/a	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a
\$ 986,285	\$ 1,080,155	\$ 1,159,278	\$ 844,898	n/a	n/a
12.57%	13.54%	9.84%	9.82%	n/a	n/a

February 26, 2016

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ridgedale Local School District, Marion County, Ohio (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 26, 2016, in which we noted the District restated net position to account for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rea & Associates, Inc.

Dublin, Ohio

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Dave Yost • Auditor of State

RIDGEDALE LOCAL SCHOOL DISTRICT

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 24, 2016**