



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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RIDGEMONT LOCAL SCHOOL DISTRICT  
HARDIN COUNTY

REGULAR AUDIT

For the Year Ended June 30, 2015  
Fiscal Year Audited Under GAGAS: 2015





# Dave Yost • Auditor of State

Board of Education  
Ridgemont Local School District  
560 West Taylor Street  
Mount Victory, Ohio 43340

We have reviewed the *Independent Auditor's Report* of the Ridgemont Local School District, Hardin County, prepared by Balestra, Harr & Scherer, CPAs, 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 Ridgemont 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

February 8, 2017

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

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report

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

To the Members of the Board of Education:

### *Report on the Financial Statements*

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

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

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

### *Auditor's Responsibility*

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ridgemont Local School District, Hardin County, Ohio as of June 30, 2015, and the respective changes in cash financial position and the budgetary fund comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

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

***Other Matters***

*Other Information*

We applied no procedures to Management's Discussion & Analysis, or to the schedules of net pension liabilities and pension contributions as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 16, 2016

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**Financial Highlights**

Key financial highlights for fiscal year 2015 are as follows:

- At June 30, 2015, the District's net cash position of governmental activities decreased \$3,283,204, which represents a 25.60% decrease from fiscal year 2014. This decrease can primarily be attributed to the monies disbursed during fiscal year 2015 for the renovation and improvement of existing school facilities under the Ohio School Facilities Commission and locally funded initiatives.
- General cash receipts accounted for \$14,800,570 in cash receipts or 90.24% of all cash receipts. Program specific cash receipts in the form of charges for services and sales and grants and contributions accounted for \$1,600,217 or 9.76% of total cash receipts of \$16,400,787.
- The District had \$19,683,991 in cash disbursements related to governmental activities; \$1,600,217 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and grants and entitlements) of \$14,800,570 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the classroom facilities fund. The general fund had \$6,145,953 in cash receipts and other financing sources and \$5,823,919 in cash disbursements and other financing uses. During fiscal year 2015, the general fund's fund cash balance increased \$322,034 from \$1,793,630 to \$2,115,664.
- The classroom facilities fund had \$9,492,864 in cash receipts and other financing sources and \$11,978,924 in cash disbursements.

**Using the Cash Basis Basic Financial Statements (BFS)**

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

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



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

The statement of net position - cash basis and the statement of activities - cash basis answer the question, "How did the District do financially during fiscal year 2015?" These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

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

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

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the classroom facilities 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 the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. The relationship (or differences) between governmental activities (reported in the statement of net position - cash basis and statement of activities - cash basis) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-17 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position - cash basis and changes in fiduciary net position - cash basis on pages 18-19. These activities are excluded from the District's other financial statements because the cash position cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 20-48 of this report.

**The District as a Whole**

The table below provides a summary of the District's net cash position at June 30, 2015 and June 30, 2014.

	<b>Net Cash Position</b>	
	Governmental Activities 2015	Governmental Activities 2014
	<u>2015</u>	<u>2014</u>
<b><u>Assets</u></b>		
Current assets	\$ 9,541,747	\$ 12,824,951
<b><u>Net Cash Position</u></b>		
Restricted	7,426,083	11,031,321
Unrestricted	<u>2,115,664</u>	<u>1,793,630</u>
Total net cash position	<u>\$ 9,541,747</u>	<u>\$ 12,824,951</u>

Total net cash position of the District decreased \$3,283,204, which represents a 25.60% decrease from net cash position at June 30, 2014. This decrease can primarily be attributed to \$13,154,989 spent during fiscal year 2015 on facilities acquisition and construction for the renovation and improvement of existing school facilities under the Ohio School Facilities Commission. A portion of the District's net cash position, \$7,426,083, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$2,115,664 may be used to meet the District's ongoing obligations to the students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The table below shows the change in net cash position for fiscal years 2015 and 2014.

**Change in Net Cash Position**

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
<b><u>Cash receipts:</u></b>		
Program cash receipts:		
Charges for services and sales	\$ 860,787	\$ 882,307
Operating grants and contributions	726,297	658,329
Capital grants and contributions	13,133	8,153
General cash receipts:		
Property taxes	2,068,764	1,840,394
Income taxes	966,645	1,018,068
Grants and entitlements	-	
Unrestricted	2,480,086	2,510,688
Restricted for Ohio School Facilities	9,235,732	4,792,992
Investment earnings	3,686	2,187
Other	<u>45,657</u>	<u>51,678</u>
Total cash receipts	<u>16,400,787</u>	<u>11,764,796</u>

Property tax receipts increased in fiscal year 2015 as a result of property tax collections from the bond levy approved by voters on March 6, 2012. During fiscal year 2015 income taxes decreased due to a decrease in amount of income taxes collected. Operating grants and contributions increased mainly due to the increase in federal grant monies received during the fiscal year. Unrestricted grants and entitlements increased due to an increase in the amount of state foundation received. The most significant increase was in the amount of grants received from the OFCC restricted for the construction project. The District issued bonds in fiscal year 2013 to finance the local share of the OFCC construction project.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**Change in Net Cash Position (Continued)**

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
<b><u>Cash disbursements:</u></b>		
Current:		
Instruction:		
Regular	\$ 2,526,680	\$ 2,621,096
Special	574,110	575,600
Vocational	176,995	171,671
Other	35,986	17,926
Support services:		
Pupil	215,839	313,739
Instructional staff	67,908	98,264
Board of education	30,447	30,958
Administration	731,577	705,255
Fiscal	271,416	235,795
Operations and maintenance	515,028	526,693
Pupil transportation	386,691	346,737
Central	5,955	5,687
Operation of non-instructional services:		
Other non-instructional services	1,663	1,384
Food service operations	250,570	271,375
Extracurricular activities	211,252	224,043
Facilities acquisition and construction	13,154,989	1,076,635
Debt service:		
Principal retirement	162,076	85,232
Interest and fiscal charges	<u>364,809</u>	<u>363,053</u>
Total cash disbursements	<u>19,683,991</u>	<u>7,671,143</u>
Change in net cash position	(3,283,204)	4,093,653
Net cash position at beginning of year	<u>12,824,951</u>	<u>8,731,298</u>
Net cash position at end of year	<u>\$ 9,541,747</u>	<u>\$ 12,824,951</u>

**Governmental Activities**

Net cash position of the District's governmental activities decreased \$3,283,204. Total governmental cash disbursements of \$19,683,991 were mostly offset by program cash receipts of \$1,600,217 and general cash receipts of \$14,800,570. Program cash receipts supported 8.13% of the total governmental cash disbursements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The primary sources of cash receipts for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These cash receipt sources represent 89.94% of total governmental cash receipts. The District received grant monies from the OSFC in the amount of \$9,235,732 and \$4,792,992 during fiscal years 2015 and 2014, respectively, for the construction project.

The largest cash disbursement category of the District is for facilities acquisition and construction. Facilities acquisition and construction cash disbursements totaled \$13,154,989 or 66.83% of total governmental cash disbursements for fiscal year 2015. The second largest cash disbursement category of the District is for instructional programs. Instruction cash disbursements totaled \$3,313,771 or 16.83% of total governmental cash disbursements for fiscal year 2015.

The statement of activities - cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2015 and 2014. That is, it identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

<b>Governmental Activities</b>				
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
<b>Cash disbursements:</b>				
Instruction:				
Regular	\$ 2,526,680	\$ 1,746,191	\$ 2,621,096	\$ 1,818,775
Special	574,110	227,089	575,600	306,984
Vocational	176,995	150,091	171,671	144,349
Other	35,986	(12,127)	17,926	8,125
Support services:				
Pupil	215,839	133,369	313,739	254,659
Instructional staff	67,908	52,292	98,264	49,282
Board of education	30,447	30,447	30,958	30,958
Administration	731,577	731,577	705,255	705,255
Fiscal	271,416	271,416	235,795	235,795
Operations and maintenance	515,028	515,028	526,693	526,693
Pupil transportation	386,691	381,158	346,737	340,397
Central	5,955	5,179	5,687	4,995
Operation of non-instructional services:				
Other non-instructional services	1,663	1,093	1,384	794
Food service operations	250,570	37,549	271,375	42,425
Extracurricular activities	211,252	131,548	224,043	127,948
Facilities acquisition and construction	13,154,989	13,154,989	1,076,635	1,076,635
Debt service:				
Principal retirement	162,076	162,076	85,232	85,232
Interest and fiscal charges	364,809	364,809	363,053	363,053
<b>Total</b>	<u>\$ 19,683,991</u>	<u>\$ 18,083,774</u>	<u>\$ 7,671,143</u>	<u>\$ 6,122,354</u>

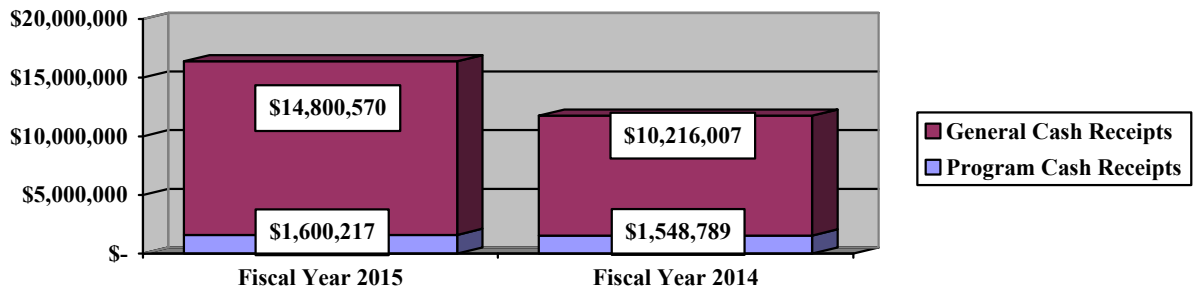
**RIDGEMONT LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The dependence upon tax and other general cash receipts for governmental activities is apparent, 63.71% of instructional activities are supported through taxes and other general cash receipts. For all governmental activities, general cash receipt support is 91.87%. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for the District's students.

The graph below presents the District's governmental activities cash receipts for fiscal years 2015 and 2014.

**Governmental Activities - General and Program Cash Receipts**



**The District's Funds**

The District's governmental funds reported a combined fund cash balance of \$9,541,747, which is lower than last year's total fund cash balance of \$12,824,951. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2015 and June 30, 2014.

	Fund Cash Balance <u>June 30, 2015</u>	Fund Cash Balance <u>June 30, 2014</u>	Increase (decrease)
General	\$ 2,115,664	\$ 1,793,630	\$ 322,034
Building	-	1,903,314	(1,903,314)
Classroom facilities	6,256,680	8,742,740	(2,486,060)
Other governmental	<u>1,169,403</u>	<u>385,267</u>	<u>784,136</u>
Total	<u>\$ 9,541,747</u>	<u>\$ 12,824,951</u>	<u>\$ (3,283,204)</u>

**General Fund**

The District's general fund cash balance increased \$322,034 during fiscal year 2015.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash receipts</u></b>				
Taxes	\$ 2,630,349	\$ 2,367,519	\$ 262,830	11.10 %
Tuition	659,906	660,978	(1,072)	(0.16) %
Earnings on investments	3,686	2,187	1,499	68.54 %
Intergovernmental	2,562,365	2,589,157	(26,792)	(1.03) %
Other receipts	<u>91,525</u>	<u>116,628</u>	<u>(25,103)</u>	<u>(21.52) %</u>
Total	<u>\$ 5,947,831</u>	<u>\$ 5,736,469</u>	<u>\$ 211,362</u>	<u>3.68 %</u>
<b><u>Cash disbursements</u></b>				
Instruction	\$ 3,004,296	\$ 3,114,175	\$ (109,879)	(3.53) %
Support services	2,144,151	2,100,711	43,440	2.07 %
Non-instructional services	1,188	559	629	112.52 %
Extracurricular activities	159,276	180,814	(21,538)	(11.91) %
Facilities acquisition and construction	<u>50,223</u>	<u>1,215</u>	<u>49,008</u>	<u>4,033.58 %</u>
Total	<u>\$ 5,359,134</u>	<u>\$ 5,397,474</u>	<u>\$ (38,340)</u>	<u>(0.71) %</u>

Overall cash receipts increased \$211,362 or 3.68% during fiscal year 2015. Taxes increased \$262,830 or 11.10% due to increased property and income tax collections. Intergovernmental revenue decreased \$26,792 or 1.03% due to a decrease in the amount of state foundation received during the fiscal year. Earnings on investments increased \$1,499 from fiscal year 2014.

Overall cash disbursements decreased \$38,340 or 0.71% during fiscal year 2015. The decrease in instruction services is due to decreased costs related to teaching personnel. The increase in support services is due to increased costs related to personnel. The decrease in extracurricular activities is due to less in disbursements for athletics and other extracurricular activities. The decrease in non-instructional services, while a large percentage, is insignificant to the total.

***Classroom Facilities Fund***

The classroom facilities fund had \$9,492,864 in cash receipts and other financing sources, \$11,978,924 in cash disbursements, and a cash fund balance of \$6,256,680 at June 30, 2015. During fiscal year 2015, the District received an additional \$9,235,732 from the OFCC.

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

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.

For the general fund, final budgetary basis receipts and other financing sources of \$6,114,275 were \$245,423 more than original budget estimates of \$5,868,852. The actual budgetary basis receipts and other financing sources of were the same as the final budget estimates. The final budgetary basis disbursements and other financing uses of \$6,197,535 were \$200,000 more than original budget estimates of \$5,997,535. The actual budgetary basis disbursements and other financing uses of \$5,825,345 were \$372,190 less than the final budget estimates.

**Capital Assets and Debt Administration**

***Capital Assets***

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements. The District had facilities acquisition and construction cash disbursements of \$13,154,989 during fiscal year 2015.

***Debt Administration***

At June 30, 2015, the District had \$6,720,000 in current interest bonds, \$114,538 in capital appreciation bonds and \$123,859 in accreted interest. Of this total, \$115,000 is due within one year and \$6,843,397 is due in more than one year. The following table summarizes the debt outstanding.

	<b>Outstanding Debt, Year End</b>	
	Governmental Activities	Governmental Activities
	<u>2015</u>	<u>2014</u>
Current interest bonds	\$ 6,720,000	\$ 6,830,000
Capital appreciation bonds	114,538	166,613
Accreted interest	<u>123,859</u>	<u>194,923</u>
<b>Total</b>	<b><u>\$ 6,958,397</u></b>	<b><u>\$ 7,191,536</u></b>

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



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Current Financial Related Activities**

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

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

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2015

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 9,541,747
Total assets. . . . .	\$ 9,541,747
 <b>Net Cash Position:</b>	
Restricted for:	
Capital projects . . . . .	7,035,986
Classroom facilities maintenance . . . . .	91,722
Debt service. . . . .	122,580
Locally funded programs . . . . .	37,233
Federally funded programs . . . . .	127,271
Student activities . . . . .	2,879
Other purposes . . . . .	8,412
Unrestricted . . . . .	2,115,664
Total net cash position . . . . .	\$ 9,541,747

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Cash Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 2,526,680	\$ 676,218	\$ 91,138	\$ 13,133	\$ (1,746,191)
Special . . . . .	574,110	-	347,021	-	(227,089)
Vocational . . . . .	176,995	-	26,904	-	(150,091)
Other . . . . .	35,986	-	48,113	-	12,127
Support services:					
Pupil. . . . .	215,839	-	82,470	-	(133,369)
Instructional staff . . . . .	67,908	-	15,616	-	(52,292)
Board of education . . . . .	30,447	-	-	-	(30,447)
Administration. . . . .	731,577	-	-	-	(731,577)
Fiscal. . . . .	271,416	-	-	-	(271,416)
Operations and maintenance . . . . .	515,028	-	-	-	(515,028)
Pupil transportation. . . . .	386,691	-	5,533	-	(381,158)
Central . . . . .	5,955	776	-	-	(5,179)
Operation of non-instructional services:					
Other non-instructional services . . . . .	1,663	-	570	-	(1,093)
Food service operations . . . . .	250,570	104,750	108,271	-	(37,549)
Extracurricular activities. . . . .	211,252	79,043	661	-	(131,548)
Facilities acquisition and construction. . . . .	13,154,989	-	-	-	(13,154,989)
Principal retirement . . . . .	162,075	-	-	-	(162,075)
Interest and fiscal charges . . . . .	364,810	-	-	-	(364,810)
<b>Total governmental activities . . . . .</b>	<b>\$ 19,683,991</b>	<b>\$ 860,787</b>	<b>\$ 726,297</b>	<b>\$ 13,133</b>	<b>(18,083,774)</b>

**General Cash Receipts:**

Property taxes levied for:	
General purposes . . . . .	1,663,704
Debt service. . . . .	373,677
Special revenue . . . . .	31,383
Income taxes levied for general purposes . . . . .	966,645
Grants and entitlements:	
Unrestricted . . . . .	2,480,086
Restricted for Ohio Facilities Construction Commission. . . . .	9,235,732
Earnings on investments . . . . .	3,686
Miscellaneous . . . . .	45,657
<b>Total general cash receipts . . . . .</b>	<b>14,800,570</b>
<b>Change in net cash position . . . . .</b>	<b>(3,283,204)</b>
<b>Net cash position at beginning of year . . . . .</b>	<b>12,824,951</b>
<b>Net cash position at end of year . . . . .</b>	<b>\$ 9,541,747</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>General</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 2,115,664	\$ 6,256,680	\$ 1,169,403	\$ 9,541,747
Total assets . . . . .	<u>\$ 2,115,664</u>	<u>\$ 6,256,680</u>	<u>\$ 1,169,403</u>	<u>\$ 9,541,747</u>
<b>Fund Cash Balances:</b>				
Nonspendable:				
Unclaimed monies . . . . .	17,119	-	-	17,119
Restricted:				
Debt service . . . . .	-	-	122,580	122,580
Capital improvements . . . . .	-	6,256,680	779,306	7,035,986
Classroom facilities maintenance . . . . .	-	-	91,722	91,722
Food service operations . . . . .	-	-	8,200	8,200
Special education . . . . .	-	-	8,183	8,183
Targeted academic assistance . . . . .	-	-	92,695	92,695
Other purposes . . . . .	-	-	63,838	63,838
Extracurricular activities . . . . .	-	-	2,879	2,879
Assigned:				
Student instruction . . . . .	21,503	-	-	21,503
Student and staff support . . . . .	29,961	-	-	29,961
Unassigned . . . . .	2,047,081	-	-	2,047,081
Total fund cash balances . . . . .	<u>\$ 2,115,664</u>	<u>\$ 6,256,680</u>	<u>\$ 1,169,403</u>	<u>\$ 9,541,747</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,663,704	\$ -	\$ 405,060	\$ 2,068,764
Income taxes . . . . .	966,645	-	-	966,645
Tuition . . . . .	659,906	-	-	659,906
Earnings on investments . . . . .	3,686	11,299	1,834	16,819
Charges for services . . . . .	-	-	104,750	104,750
Extracurricular . . . . .	37,780	-	41,263	79,043
Classroom materials and fees . . . . .	16,312	-	-	16,312
Rental income . . . . .	204	-	-	204
Contributions and donations . . . . .	300	-	52	352
Contract services . . . . .	776	-	-	776
Other local revenues . . . . .	36,153	-	609	36,762
Intergovernmental - intermediate . . . . .	-	-	21,950	21,950
Intergovernmental - state . . . . .	2,562,365	9,235,732	64,829	11,862,926
Intergovernmental - federal . . . . .	-	-	556,578	556,578
Total receipts . . . . .	<u>5,947,831</u>	<u>9,247,031</u>	<u>1,196,925</u>	<u>16,391,787</u>
<b>Cash disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	2,451,713	-	74,967	2,526,680
Special . . . . .	370,702	-	203,408	574,110
Vocational . . . . .	176,425	-	570	176,995
Other . . . . .	5,456	-	30,530	35,986
Support services:				
Pupil . . . . .	177,242	-	38,597	215,839
Instructional staff . . . . .	54,256	-	13,652	67,908
Board of education . . . . .	30,447	-	-	30,447
Administration . . . . .	711,577	-	20,000	731,577
Fiscal . . . . .	262,955	-	8,461	271,416
Operations and maintenance . . . . .	515,028	-	-	515,028
Pupil transportation . . . . .	386,691	-	-	386,691
Central . . . . .	5,955	-	-	5,955
Operation of non-instructional services:				
Other operation of non-instructional . . . . .	1,188	-	475	1,663
Food service operations . . . . .	-	-	250,570	250,570
Extracurricular activities . . . . .	159,276	-	51,976	211,252
Facilities acquisition and construction . . . . .	50,223	11,978,924	1,125,842	13,154,989
Debt service:				
Principal retirement . . . . .	-	-	162,075	162,075
Interest and fiscal charges . . . . .	-	-	364,810	364,810
Total disbursements . . . . .	<u>5,359,134</u>	<u>11,978,924</u>	<u>2,345,933</u>	<u>19,683,991</u>
Excess (deficiency) of receipts over (under) disbursements . . . . .	<u>588,697</u>	<u>(2,731,893)</u>	<u>(1,149,008)</u>	<u>(3,292,204)</u>
<b>Other financing sources (uses):</b>				
Sale/loss of assets . . . . .	9,000	-	-	9,000
Transfers in . . . . .	-	-	57,500	57,500
Transfers (out) . . . . .	(57,500)	-	-	(57,500)
Advances in . . . . .	189,122	245,833	161,452	596,407
Advances (out) . . . . .	(407,285)	-	(189,122)	(596,407)
Total other financing sources (uses) . . . . .	<u>(266,663)</u>	<u>245,833</u>	<u>29,830</u>	<u>9,000</u>
Net change in fund cash balances . . . . .	322,034	(2,486,060)	(1,119,178)	(3,283,204)
<b>Fund cash balances at beginning of year . . . . .</b>	<u>1,793,630</u>	<u>8,742,740</u>	<u>2,288,581</u>	<u>12,824,951</u>
<b>Fund cash balances at end of year . . . . .</b>	<u>\$ 2,115,664</u>	<u>\$ 6,256,680</u>	<u>\$ 1,169,403</u>	<u>\$ 9,541,747</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary basis receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,596,922	\$ 1,663,704	\$ 1,663,704	\$ -
Income taxes. . . . .	927,845	966,645	966,645	-
Tuition. . . . .	633,418	659,906	659,906	-
Earnings on investments . . . . .	3,538	3,686	3,686	-
Classroom materials and fees . . . . .	7,303	7,608	7,608	-
Rental income . . . . .	196	204	204	-
Contributions and donations . . . . .	288	300	300	-
Other local revenues . . . . .	34,702	36,153	36,153	-
Intergovernmental - state . . . . .	2,459,513	2,562,365	2,562,365	-
Total receipts . . . . .	<u>5,663,725</u>	<u>5,900,571</u>	<u>5,900,571</u>	<u>-</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	2,505,856	2,589,418	2,457,773	131,645
Special. . . . .	399,369	412,687	386,742	25,945
Vocational. . . . .	179,615	185,605	179,564	6,041
Other. . . . .	5,323	5,500	5,456	44
Support services:				
Pupil. . . . .	206,421	213,305	183,061	30,244
Instructional staff . . . . .	61,601	63,655	58,810	4,845
Board of education . . . . .	33,517	34,635	30,447	4,188
Administration. . . . .	729,022	753,333	711,577	41,756
Fiscal . . . . .	265,538	274,393	264,063	10,330
Operations and maintenance. . . . .	520,719	538,083	519,022	19,061
Pupil transportation . . . . .	429,087	443,396	387,406	55,990
Central. . . . .	5,661	5,850	5,110	740
Other operation of non-instructional services . . . . .	1,548	1,600	1,593	7
Extracurricular activities. . . . .	134,587	139,075	119,361	19,714
Facilities acquisition and construction . . . . .	50,322	52,000	50,223	1,777
Total disbursements . . . . .	<u>5,528,186</u>	<u>5,712,535</u>	<u>5,360,208</u>	<u>352,327</u>
Excess of receipts over disbursements . . . . .	<u>135,539</u>	<u>188,036</u>	<u>540,363</u>	<u>352,327</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	11,940	12,439	12,439	-
Transfers (out). . . . .	(58,064)	(60,000)	(57,500)	(2,500)
Advances in. . . . .	184,548	192,265	192,265	-
Advances (out) . . . . .	(411,285)	(425,000)	(407,637)	(17,363)
Sale of capital assets . . . . .	8,639	9,000	9,000	-
Total other financing sources (uses) . . . . .	<u>(264,222)</u>	<u>(271,296)</u>	<u>(251,433)</u>	<u>(19,863)</u>
Net change in fund cash balance . . . . .	(128,683)	(83,260)	288,930	332,464
<b>Fund cash balance at beginning of year . . . . .</b>	<b>1,653,468</b>	<b>1,653,468</b>	<b>1,653,468</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>104,683</b>	<b>104,683</b>	<b>104,683</b>	<b>-</b>
<b>Fund cash balance at end of year. . . . .</b>	<b><u>\$ 1,629,468</u></b>	<b><u>\$ 1,674,891</u></b>	<b><u>\$ 2,047,081</u></b>	<b><u>\$ 332,464</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2015

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . . . .	\$ 397,392	\$ 67,429
Total assets. . . . .	\$ 397,392	\$ 67,429
<b>Net position:</b>		
Held for student activities. . . . .	-	67,429
Held in trust for scholarships . . . . .	397,392	-
Total net cash position. . . . .	\$ 397,392	\$ 67,429

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions. . . . .	394,973
Total additions. . . . .	394,973
 <b>Deductions:</b>	
Scholarships awarded . . . . .	5,200
Change in net cash position . . . . .	389,773
<b>Net cash position at beginning of year. . .</b>	<b>7,619</b>
<b>Net cash position at end of year . . . . .</b>	<b>\$ 397,392</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

The Ridgemont Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under an elected Board of Education (5 members) elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines. Average daily membership (ADM) as of June 30, 2015 was 467. The District employed 4 administrators, 42 certificated employees and 21 non-certified employees.

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

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

**A. Reporting Entity**

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Western Ohio Computer Organization

The District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan and Shelby counties. WOCO 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. Each of the governments of these districts supports WOCO, based upon a per pupil charge dependent on the software package utilized. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO, as the residual interest in net resources of the joint venture upon dissolution is not equivalent to an equity interest.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

The superintendent of each member district is seated in the assembly, which elects a Board of Directors for the Consortium, and approves major items proposed by the Board of Directors, such as the annual budget, fees schedule, and new cooperative ventures. The Board of Directors is comprised of 14 members, including two superintendents from member districts in each county and the superintendent of the entity serving as its fiscal agent (currently the Shelby County Educational Service Center). Financial information can be obtained from Don Walls, Director, at 129 East Court Street, Sidney, Ohio 45265.

Ohio Hi-Point Career Center

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

*INSURANCE POOL*

Hardin County School Employees' Health Welfare Benefit Plan and Trust

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

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

*RELATED ORGANIZATION*

Ridgemont Public Library

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

**B. Basis of Presentation**

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

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

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

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

**C. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the District's major governmental funds:

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

*PROPRIETARY FUNDS*

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

*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 a scholarship program for students and monies held for needy children. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Monies are due to students for activities they have participated in.

**D. Basis of Accounting**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

**E. Budgetary Process**

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

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

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

**F. Cash and Investments**

To improve cash management, all cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. During year 2015, investments were limited to STAR Ohio and were reported at fair value, which is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 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.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during year 2015 amounted to \$3,686, which includes \$964 assigned from other funds.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Interfund Balances**

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

**J. Compensated Absences**

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

**K. Long-Term Obligations**

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

**L. Fund Cash Balance**

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

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

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

**RIDGEMONT LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

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

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

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

**M. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District did not have any restricted assets at June 30, 2015.

**N. Net Cash Position**

Net cash position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net cash position restricted for other purposes include amounts restricted for food service operations. The District did not have any net cash position restricted by enabling legislation at June 30, 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

**O. Interfund Activity**

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

**P. Extraordinary and Special Items**

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

**Q. Pensions**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2015, the District has implemented 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 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.



**RIDGEMONT LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)**

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for 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 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the District.

**B. Compliance**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**RIDGEMONT LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

**A. Cash on Hand**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Deposits with Financial Institutions**

At June 30, 2015, the carrying amount of all District deposits was \$5,992,220. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$6,269,450 of the District's bank balance of \$7,785,686 was covered by the FDIC, while \$1,516,236 was exposed to custodial risk as discussed below.

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% 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.

**C. Investments**

As of June 30, 2015, the District had the following investment and maturity:

Investment	Fair Value	Maturity 6 months or less
STAR Ohio	\$ 4,014,298	\$ 4,014,298

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

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

**RIDGEMONT LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 4,014,298	100.00

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

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

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 5,992,220
Investments	4,014,298
Cash on hand	50
Total	\$ 10,006,568
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 9,541,747
Private-purpose trust	397,392
Agency fund	67,429
Total	\$ 10,006,568

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Advances for the fiscal year ended June 30, 2015, as reported on the fund statements, consist of the following:

<u>Advances in</u>	<u>Advances out</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 189,122
Classroom facilities fund	General fund	161,452
Nonmajor governmental funds	General fund	245,833
Total		\$ 596,407

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

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

- B. Transfers for the fiscal year ended June 30, 2015, as reported on the fund statements, consist of the following:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
Nonmajor governmental fund	General fund	<u>\$ 57,500</u>

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

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Hardin and Logan Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2015, are available to finance fiscal year 2015 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 6 - PROPERTY TAXES – (Continued)**

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

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 70,877,920	94.20	\$ 98,683,590	95.69
Public utility personal	<u>4,366,080</u>	<u>5.80</u>	<u>4,441,230</u>	<u>4.31</u>
Total	<u>\$ 75,244,000</u>	<u>100.00</u>	<u>\$ 103,124,820</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 38.30		\$ 35.00	

**NOTE 7 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2015, the following changes occurred in governmental activities long-term obligations:

	<u>Balance Outstanding 06/30/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 06/30/15</u>	<u>Amounts Due in One Year</u>
<b>Governmental activities:</b>					
<i>General obligation bonds:</i>					
Refunding bonds - Series 1998					
Capital appreciation bonds	\$ 52,075	\$ -	\$ (52,075)	\$ -	\$ -
Accreted interest	<u>125,911</u>	<u>7,014</u>	<u>(132,925)</u>	<u>-</u>	<u>-</u>
Total refunding bonds - Series 1998	<u>177,986</u>	<u>7,014</u>	<u>(185,000)</u>	<u>-</u>	<u>-</u>
School facilities construction & improvement bonds - Series 2012					
Current interest bonds	6,830,000	-	(110,000)	6,720,000	-
Capital appreciation bonds	114,538	-	-	114,538	48,501
Accreted interest	<u>69,012</u>	<u>54,847</u>	<u>-</u>	<u>123,859</u>	<u>66,499</u>
Total school facilities construction & improvement bonds - Series 2012	<u>7,013,550</u>	<u>54,847</u>	<u>(110,000)</u>	<u>6,958,397</u>	<u>115,000</u>
Total long-term obligations	<u>\$ 7,191,536</u>	<u>\$ 61,861</u>	<u>\$ (295,000)</u>	<u>\$ 6,958,397</u>	<u>\$ 115,000</u>

**RIDGEMONT LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)**

School Improvement Refunding Bonds - Series 1998: In July 1998, the District issued \$1,929,995 in School Improvement bonds for the purpose of refunding general obligation bonds originally issued for the purpose of paying the costs of improving, constructing, reconstruction, renovating, remodeling, enlarging, furnishing, and equipping existing buildings and facilities for school purposes and improving sites for school purposes. Of this issuance, \$1,410,000 was serial bonds with interest rates ranging from 3.75% to 4.40% with a final maturity of December 1, 2006. The remaining \$519,995 was comprised of capital appreciation bonds with interest rates ranging from 4.65% to 9.3404% with annual maturities beginning on December 1, 2007 and ending on December 1, 2014. The bonds were fully retired during fiscal year 2015.

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

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the OFCC. The OFCC will make quarterly disbursements to the District as the project is completed. As of June 30, 2015, the total estimated cost of the Construction Project is \$20,044,763, of which the OFCC will pay \$15,234,020.

This issue is comprised of current interest serial and term bonds, par value \$6,860,000, and capital appreciation bonds, par value \$114,538. The interest rates on the current interest bonds range from 2.00% to 4.00%. The capital appreciation bonds mature on December 1, 2015, December 1, 2016, and December 1, 2017 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date and the approximate initial offering yield to maturity is 1.40%, 1.65%, and 1.90%, respectively. Accreted interest totaled \$123,859 as of June 30, 2015. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2050.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)**

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ -	\$ 230,785	\$ 230,785	\$ 48,501	\$ 66,499	\$ 115,000
2017	-	230,785	230,785	37,320	77,680	115,000
2018	-	230,785	230,785	28,717	86,283	115,000
2019	115,000	229,635	344,635	-	-	-
2020	115,000	227,335	342,335	-	-	-
2021 - 2025	650,000	1,092,375	1,742,375	-	-	-
2026 - 2030	775,000	987,300	1,762,300	-	-	-
2031 - 2035	900,000	860,204	1,760,204	-	-	-
2036 - 2040	1,055,000	698,017	1,753,017	-	-	-
2041 - 2045	1,255,000	490,653	1,745,653	-	-	-
2046 - 2050	1,515,000	224,100	1,739,100	-	-	-
2051	340,000	6,800	346,800	-	-	-
Total	<u>\$ 6,720,000</u>	<u>\$ 5,508,774</u>	<u>\$ 12,228,774</u>	<u>\$ 114,538</u>	<u>\$ 230,462</u>	<u>\$ 345,000</u>

**B. Legal Debt Margin**

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

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



**RIDGEMONT LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 8 - RISK MANAGEMENT**

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

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

**B. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2015, the District maintained comprehensive insurance coverage with a private carrier for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully registered. The District has entered into contracts with various insurance agencies for the following amounts of coverage and deductibles:

<u>Type of Coverage</u>		<u>Coverage</u>	<u>Deductible</u>
General Liability	\$ 5,000,000 3,000,000	General Aggregate Each Occurrence	
Vehicle Policy	3,000,000 1,000,000 1,000,000	Liability Property Damage Uninsured Motorist	\$ 250
Buildings and Contents		Per Occurrence	1,000
Violence	1,000,000	General Aggregate	
Blanket Bond	10,000	Per Individual	
Crime	25,000	Each Occurrence	1,000

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

**C. Workers' Compensation**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9 - PENSION PLANS**

*Net Pension Liability*

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68” were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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

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

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

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

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

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9 - PENSION PLANS - (Continued)**

Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 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 \$112,855 for fiscal year 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9 - PENSION PLANS - (Continued)**

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

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 Ohio. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 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 Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9 - PENSION PLANS - (Continued)**

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 Ohio was \$281,811 for fiscal year 2015.

***Net Pension Liability***

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 projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportionate share of the net pension liability	\$1,302,586	\$4,706,220	\$6,008,806
Proportion of the net pension liability	0.025738%	0.01934848%	

***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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9 - PENSION PLANS - (Continued)**

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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9 - PENSION PLANS - (Continued)**

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

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

**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	\$1,858,402	\$1,302,586	\$835,095

**Actuarial Assumptions - STRS Ohio**

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9 - PENSION PLANS - (Continued)**

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 Ohio's 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:

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

**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 Ohio's 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:



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9 - PENSION PLANS - (Continued)**

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$6,737,467	\$4,706,220	\$2,988,469

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2015 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2015, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)**

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014 and 2013 were \$22,380, \$14,392 and \$12,830, respectively; 93.65 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2015, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014, and 2013 were \$8,220, \$8,184 and \$5,287, respectively; 93.65 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$0, \$22,607 and \$20,136, respectively; 100 percent has been contributed for fiscal years 2014 and 2013.

**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. For administrators, teachers, and classified employees, such days shall accumulate equal to a maximum of 175 days, and for classified employees, up to a maximum of 200 days. Upon retirement, payment is made at the rate of one fourth of the accumulated sick leave limited to a maximum of 50 paid days.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 12 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The statement of cash receipts, disbursements and change in fund balance - budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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

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

**Net Change in Fund Cash Balance**

	<u>General fund</u>
Budget basis	\$ 288,930
Funds budgeted elsewhere	(4,995)
Adjustment for encumbrances	<u>38,099</u>
Cash basis	<u>\$ 322,034</u>

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a cash basis. This includes the unclaimed monies fund, the uniform school supplies fund and the public school fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 13 - CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2015, if applicable, cannot be determined at this time.

**B. Litigation**

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

**NOTE 14 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund cash receipt amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements and offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2014	\$ -
Current year set-aside requirement	86,092
Current year qualifying disbursements	<u>(86,092)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 15 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 38,382
Classroom facilities	5,895,009
Other governmental	<u>654,143</u>
Total	<u>\$ 6,587,534</u>



# Balestra, Harr & Scherer, CPAs, Inc.

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## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

To the Members of the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ridgemont Local School District, Hardin County, (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 December 16, 2016, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-01.

***District's Response to Finding***

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

***Purpose of this Report***

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

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 16, 2016

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

Schedule of Findings  
June 30, 2015

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

**Finding Number 2015-01**

**Noncompliance Citation**

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

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District prepare its annual financial report in accordance with generally accepted accounting principles.

**Client Response**

The Board of Education has elected not to prepare its annual financial statements in accordance with generally accepted accounting principles (GAAP) due to cost savings. In the judgment of the School District, the application of GAAP, which exists principally as a guide to entities other than local governments (e.g. for profit businesses), does not produce financial statements that are materially more accurate than non-GAAP financial statements. In light of the higher cost and absence of a material benefit, the School District has chosen to continue to the use of non-GAAP annual financial statements.



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

SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2014-001	Non-compliance with ORC Section 117.38 and OAC Section 117-2-03 – Annual Financial Report	No	Reissued as Finding 2015-01

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# Dave Yost • Auditor of State

**RIDGEMONT LOCAL SCHOOL DISTRICT**

**HARDIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 21, 2017**