



Dave Yost • Auditor of State



**RIVERSIDE LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

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LAKE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Riverside Local School District  
Lake County  
585 Riverside Drive  
Painesville, Ohio 44077

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Riverside Local School District, Lake County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Riverside Local School District, Lake County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Awards Expenditures Schedule presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2018, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 12, 2018

**Riverside Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*Unaudited*

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As management of the Riverside Local School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

- Net position decreased in fiscal year 2017 due to an increase in net pension liability as well as an increase in long-term obligations as the School District issued \$38,500,000 in School Construction and Improvement bonds.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.
- The School District is committed to meeting the academic needs of our students by providing them with updated instructional materials to compete in a global environment.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) government-wide statements, (2) fund financial statements, and (3) notes to the basic financial statements.

***Government-wide Financial Statements*** The government-wide financial statements are designed to provide the reader with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the School District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statement distinguishes functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those that are primarily supported through user charges (*business-type activities*). The business-type activities of the School District include the operation of food service, the remaining balance of the adult education program and latchkey. The governmental activities of the School District include instruction, support services, extracurricular activities, operation of non-instructional services and interest and fiscal charges.

The government-wide financial statements can be found on pages 13-15 of this report.



**Riverside Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*Unaudited*

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***Fund Financial Statements*** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like the State and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. These fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and building improvement fund. All of the funds of the School District can be divided into three categories: governmental, proprietary and fiduciary.

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

***Proprietary Funds*** The School District maintains three enterprise funds. Proprietary funds utilize the same form of accounting as business-type activities, therefore these statements match those found in the district-wide statements.

***Fiduciary Fund*** A fiduciary fund is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is not reflected in the government-wide financial statement because the resources of this fund are not available to support the School District's own programs. These funds use the accrual basis of accounting.

***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.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's Net Position for 2017 compared to 2016.

**Riverside Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*Unaudited*

	<b>Table 1</b>					
	Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current and Other Assets	\$82,050,944	\$38,049,456	\$407,377	\$472,887	\$82,458,321	\$38,522,343
Capital Assets, Net	20,091,396	18,941,739	289,692	322,415	20,381,088	19,264,154
<i>Total Assets</i>	<u>102,142,340</u>	<u>56,991,195</u>	<u>697,069</u>	<u>795,302</u>	<u>102,839,409</u>	<u>57,786,497</u>
<b>Deferred Outflows of Resources</b>						
Pension	12,212,919	5,623,947	474,440	155,660	12,687,359	5,779,607
<b>Liabilities</b>						
Current Liabilities	6,601,680	5,062,812	135,101	127,328	6,736,781	5,190,140
Long-Term Liabilities						
Due Within One Year	1,313,932	1,121,160	10,057	7,208	1,323,989	1,128,368
Due In More Than One Year						
Net Pension Liability	65,709,399	53,671,941	1,763,911	1,311,427	67,473,310	54,983,368
Other Amounts	41,334,026	2,319,736	68,793	64,403	41,402,819	2,384,139
<i>Total Liabilities</i>	<u>114,959,037</u>	<u>62,175,649</u>	<u>1,977,862</u>	<u>1,510,366</u>	<u>116,936,899</u>	<u>63,686,015</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	30,251,037	26,098,562	0	0	30,251,037	26,098,562
Pension	183,389	3,492,667	26,103	70,478	209,492	3,563,145
<i>Total Deferred Inflows of Resources</i>	<u>30,434,426</u>	<u>29,591,229</u>	<u>26,103</u>	<u>70,478</u>	<u>30,460,529</u>	<u>29,661,707</u>
<b>Net Position</b>						
Net Investment in Capital Assets	18,320,414	17,812,390	289,692	322,415	18,610,106	18,134,805
Restricted for:						
Capital Projects	38,152,868	560,349	0	0	38,152,868	560,349
Debt Service	203,987	0	0	0	203,987	0
Unclaimed Monies	6,390	3,142	0	0	6,390	3,142
Other Purposes	554,862	481,942	0	0	554,862	481,942
Unrestricted (Deficit)	(88,276,725)	(48,009,559)	(1,122,148)	(952,297)	(89,398,873)	(48,961,856)
<i>Total Net Position</i>	<u>(\$31,038,204)</u>	<u>(\$29,151,736)</u>	<u>(\$832,456)</u>	<u>(\$629,882)</u>	<u>(\$31,870,660)</u>	<u>(\$29,781,618)</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

**Riverside Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*Unaudited*

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GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

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

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

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

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

Current assets increased due to an increase in cash and cash equivalents, property tax receivables and intergovernmental receivables. Property tax receivables increased due to an increase in property values in the School District. The increase in intergovernmental receivables is due to the School District seeking more grant money than the prior fiscal year.

Total liabilities increased during fiscal year 2017, which is mainly attributable to the change in net pension liability, current liabilities and long-term liabilities. The current liabilities increase relates to increases in accounts payable, contracts payable, retainage payable, intergovernmental payable, notes payable and accrued interest payable, as the School District issued debt and began construction projects. Long-term liabilities increased as the School District issued additional debt for construction projects which was partially offset by another year paid down on their long-term obligations.

Table 2 shows the changes in net position for fiscal year 2017 compared to 2016.

**Riverside Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*Unaudited*

	<b>Table 2</b>					
	Change in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Program Revenues</b>						
Charges for Services and Sales	\$2,179,737	\$1,500,604	\$1,071,667	\$1,180,140	\$3,251,404	\$2,680,744
Operating Grants, Interest and Contributions	2,660,306	2,471,548	819,561	799,582	3,479,867	3,271,130
Capital Grants	136,510	0	0	0	136,510	0
<i>Total Program Revenues</i>	<u>4,976,553</u>	<u>3,972,152</u>	<u>1,891,228</u>	<u>1,979,722</u>	<u>6,867,781</u>	<u>5,951,874</u>
<b>General Revenues</b>						
Property Taxes	29,753,807	28,246,939	0	0	29,753,807	28,246,939
Grants and Entitlements	12,562,953	13,155,033	0	0	12,562,953	13,155,033
Investment Earnings	230,365	12,165	0	0	230,365	12,165
Payment in Lieu of Taxes	142,744	139,883	0	0	142,744	139,883
Miscellaneous	418,161	223,354	0	0	418,161	223,354
<i>Total General Revenues</i>	<u>43,108,030</u>	<u>41,777,374</u>	<u>0</u>	<u>0</u>	<u>43,108,030</u>	<u>41,777,374</u>
<i>Total Revenues</i>	<u>48,084,583</u>	<u>45,749,526</u>	<u>1,891,228</u>	<u>1,979,722</u>	<u>49,975,811</u>	<u>47,729,248</u>
<b>Program Expenses</b>						
Instruction:						
Regular	23,355,055	20,807,582	0	0	23,355,055	20,807,582
Special	5,941,831	5,049,175	0	0	5,941,831	5,049,175
Vocational	73,266	67,458	0	0	73,266	67,458
Student Intervention Services	102,992	81,499	0	0	102,992	81,499
Support Services:						
Pupils	2,556,465	2,571,925	0	0	2,556,465	2,571,925
Instructional Staff	559,131	620,653	0	0	559,131	620,653
Board of Education	0	104,628	0	0	0	104,628
Administration	4,859,058	4,174,926	0	0	4,859,058	4,174,926
Fiscal	1,026,797	1,124,818	0	0	1,026,797	1,124,818
Business	38,472	40,385	0	0	38,472	40,385
Operation and Maintenance of Plant	5,509,837	4,440,970	0	0	5,509,837	4,440,970
Pupil Transportation	4,324,692	3,905,403	0	0	4,324,692	3,905,403
Central	412,935	399,652	0	0	412,935	399,652
Extracurricular Activities	683,344	654,363	0	0	683,344	654,363
Operation of Food Service	7,947	8,286	0	0	7,947	8,286
Operation of Non-Instructional Services	90,458	188,398	0	0	90,458	188,398
Interest and Fiscal Charges	428,771	97,617	0	0	428,771	97,617
Food Service	0	0	1,639,352	1,525,266	1,639,352	1,525,266
Latchkey	0	0	454,450	461,891	454,450	461,891
<i>Total Program Expenses</i>	<u>49,971,051</u>	<u>44,337,738</u>	<u>2,093,802</u>	<u>1,987,157</u>	<u>52,064,853</u>	<u>46,324,895</u>
<i>Change in Net Position</i>	(1,886,468)	1,411,788	(202,574)	(7,435)	(2,089,042)	1,404,353
Net Position Beginning of Year	(29,151,736)	(30,563,524)	(629,882)	(622,447)	(29,781,618)	(31,185,971)
Net Position End of Year	<u>(\$31,038,204)</u>	<u>(\$29,151,736)</u>	<u>(\$832,456)</u>	<u>(\$629,882)</u>	<u>(\$31,870,660)</u>	<u>(\$29,781,618)</u>

The School District relies heavily upon property taxes and the State School Foundation Program to support its operations. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs.

Program expenses increased due to an increase in instruction costs. Higher instruction costs can be attributed to an increase in open enrollment, special education, community school and excess cost tuition payments to other districts as well as to higher general supplies purchases. Open enrollment and community school costs continue to be a major expense for the School District. The School District continues to show vigilance in monitoring all facets of spending.

**Riverside Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*Unaudited*

The *statement of activities* shows the cost of program services and charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2017 compared to 2016.

**Table 3**  
 Total and Net Cost of Program Services  
 Governmental Activities

	2017		2016	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$29,473,144	\$25,633,738	\$26,005,714	\$22,992,612
Support Services:				
Pupils and Instructional Staff	3,115,596	2,900,780	3,192,578	2,963,284
Board of Education, Administration				
Fiscal and Business	5,924,327	5,691,796	5,444,757	5,242,259
Operation and Maintenance of Plant	5,509,837	5,372,372	4,440,970	4,440,049
Pupil Transportation	4,324,692	4,074,824	3,905,403	3,668,912
Central	412,935	387,287	399,652	350,677
Extracurricular Activities	683,344	449,197	654,363	453,321
Operation of Food Service	7,947	156	8,286	8,286
Operation of Non-Instructional Services	90,458	55,577	188,398	148,569
Interest and Fiscal Charges	428,771	428,771	97,617	97,617
<b>Total</b>	<b>\$49,971,051</b>	<b>\$44,994,498</b>	<b>\$44,337,738</b>	<b>\$40,365,586</b>

The dependence upon general revenues for governmental activities is apparent from Table 3. The majority of expenses are supported through taxes and other general revenues.

**Financial Analysis of the Government's Funds**

**Governmental Funds** Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. The general fund had a decrease in fund balance due to increases in instruction related expenditures as a result of increases in salaries. The building improvement fund had a large increase in fund balance due to unspent proceeds of the general obligation bonds for capital projects.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2017, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue estimate was lower than the actual revenue amount. The change was mainly attributed to an increase in intergovernmental and tuition and fees revenues as a better picture of actual receipts and awards became apparent.

**Riverside Local School District**  
*Management's Discussion and Analysis*  
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The final budget appropriations were higher than the actual expenditures of the general fund. The change was attributed to lower spending than anticipated in support services expenditures.

**Capital Assets and Long-term Liabilities**

*Capital Assets*

Table 4 shows fiscal year 2017 values compared to fiscal year 2016.

**Table 4**  
 Capital Assets at June 30, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$2,152,174	\$1,495,805	\$0	\$0	\$2,152,174	\$1,495,805
Construction in Progress	655,498	0	0	0	655,498	0
Land Improvements	894,105	970,961	0	0	894,105	970,961
Buildings and Improvements	13,363,784	13,155,735	63,830	47,073	13,427,614	13,202,808
Furniture and Fixtures	1,369,551	1,489,051	225,862	275,342	1,595,413	1,764,393
Vehicles	1,656,284	1,830,187	0	0	1,656,284	1,830,187
<b>Total Capital Assets</b>	<b>\$20,091,396</b>	<b>\$18,941,739</b>	<b>\$289,692</b>	<b>\$322,415</b>	<b>\$20,381,088</b>	<b>\$19,264,154</b>

The increase in capital assets is due to current year capital asset additions exceeding capital asset depreciation. In fiscal year 2017, capital asset additions included buildings and improvements, various other furniture and fixtures, and new vehicles. For more information about the School District's capital assets, see Note 12 to the basic financial statements.

*Other Long-term Obligations*

Table 5 below summarizes the School District's long-term obligations.

**Table 5**  
 Outstanding Long-term Obligations at June 30

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$40,849,206	\$875,718	\$0	\$0	\$40,849,206	\$875,718
Net Pension Liability	65,709,399	53,671,941	1,763,911	1,311,427	67,473,310	54,983,368
Capital Leases	793,126	1,678,652	0	0	793,126	1,678,652
Compensated Absences	1,005,626	886,526	78,850	71,611	1,084,476	958,137
<b>Total</b>	<b>\$108,357,357</b>	<b>\$57,112,837</b>	<b>\$1,842,761</b>	<b>\$1,383,038</b>	<b>\$110,200,118</b>	<b>\$58,495,875</b>

The School District's overall legal debt margin was \$51,087,018 with an unvoted debt margin of \$982,022. For more information about the School District's long-term obligations, see Note 14 to the basic financial statements.

**Riverside Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*Unaudited*

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**School District Outlook**

The School District recently completed five years of spending within current revenue, yielding an accumulated favorable ending fund balance from fiscal year 2012 to fiscal year 2016. However, fiscal year 2017 resulted in deficit spending in regards to current revenue and expenditure sources. The School District has taken steps during fiscal year 2017 to reverse this trend. In November 2016, the School District passed a 1.92 mill bond issue that raised \$38.5 million for the purpose of building two new elementary schools that will result in the decommissioning of Hale Road, Hadden, Leroy, and Madison Avenue elementary schools. In May 2017, the School District passed a new 4.9 mill operating levy to restore transportation services, restore elementary level programs, and reduce pay to participate fees. As of June 30, 2017, the School District has inside millage of 4.80 mills, a 33.10 mill levy from 1976, a 4.50 mill levy from 1980, a 4.90 mill levy from 1986, a 4.59 mill substitute levy from 2009, a 2.50 mill permanent improvement levy from 2016, a 1.92 mill debt service levy from 2016 and the recently passed 4.90 mill levy effective 2017. The School District's 2.50 mill permanent improvement levy replaced a 1.89 mill permanent improvement levy from 2001 and a 0.85 mill debt service levy from 1993. The School District continues to strategically plan for the financial future.

The elimination of Tangible Personal Property taxes (TPPT) by House Bill 66, House Bill 1 and Senate Bill 153 has eliminated a \$3 million revenue stream for the School District which is a substantial portion of a \$41 million general fund budget. The elimination of this local tax placed a greater burden on residential taxpayers since TPPT valuation was removed from the total valuation of the School District. In other words, residential taxpayers were paying 79 percent of the tax base for the School District prior to the elimination of TPPT in 2004. Currently, residential taxpayers are paying 86 percent of the total tax base after the removal of the TPPT valuation. Starting in fiscal year 2018 and beyond, the School District will no longer receive any tangible personal property taxes.

State formula funding increased slightly in fiscal year 2017, but the burden of funding is still placed on local taxpayers. The State funding formula provided \$6,000 per student in fiscal year 2017. With 4,370 students, the state funding should be \$26,220,000 in fiscal year 2017. However, the State Formula applies various indexes that reduce the State funding in wealthy districts such as the Riverside Local School District. State funding for fiscal year 2017 was \$8,336,571 resulting in \$1,907 per student. Direct deductions for community schools, open enrollment, post-secondary option and other deductions reduced the funding in fiscal year 2017 to an unrestricted amount of \$6,449,256 (\$1,476 per student) for the School District to utilize in general operations. Overall enrollment is decreasing to the 4,100 range, which is included in projections for State funding.

The School District continues to address the challenging aspects of reducing overall expenditures with minimal impact to the classroom setting. The School District continues to participate in the Energy Education Program, health insurance employee contributions that range from 18 to 23 percent depending on the consortium plan selected, and minimal wage increases. Certified staff (teachers) wages were frozen for fiscal year 2012 to fiscal year 2014 with classified and administration wages frozen for fiscal year 2011 to fiscal year 2014. In fiscal years 2015, 2016, and 2017, negotiated contracts with Certified, Classified, and Administrative Staff have resulted in small increases returning. The Board continues to assess the cost of personnel in a manner that is prudent for the long-term fiscal plan of the School District with a close eye on the levy cycle for local taxpayers. The Board of Education strategically plans to avoid voter fatigue by limiting levy requests to no more than once per calendar year, while also balancing the needs of what is best for the students of Riverside Local School District.

**Riverside Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*Unaudited*

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

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Gary A. Platko, CPA, Treasurer/CFO, Riverside Local School District, 585 Riverside Drive, Painesville, Ohio 44077 or email at [gary.platko@riversideschools.net](mailto:gary.platko@riversideschools.net).



**Riverside Local School District**

*Statement of Net Position*

*June 30, 2017*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$46,415,332	\$370,273	\$46,785,605
Accrued Interest Receivable	60,606	0	60,606
Accounts Receivable	2,996	0	2,996
Intergovernmental Receivable	879,426	0	879,426
Inventory Held for Resale	0	28,087	28,087
Materials and Supplies Inventory	146,359	9,017	155,376
Property Taxes Receivable	34,546,225	0	34,546,225
Nondepreciable Capital Assets	2,807,672	0	2,807,672
Depreciable Capital Assets, Net	17,283,724	289,692	17,573,416
<i>Total Assets</i>	<u>102,142,340</u>	<u>697,069</u>	<u>102,839,409</u>
<b>Deferred Outflows of Resources</b>			
Pension	12,212,919	474,440	12,687,359
<b>Liabilities</b>			
Accounts Payable	498,160	10,918	509,078
Accrued Wages and Benefits	3,960,216	103,972	4,064,188
Contracts Payable	93,704	0	93,704
Retainage Payable	8,148	0	8,148
Intergovernmental Payable	1,054,095	20,211	1,074,306
Accrued Interest Payable	386,248	0	386,248
Notes Payable	600,000	0	600,000
Matured Compensated Absences Payable	1,109	0	1,109
Long-Term Liabilities:			
Due Within One Year	1,313,932	10,057	1,323,989
Due in More Than One Year			
Net Pension Liability (Note 20)	65,709,399	1,763,911	67,473,310
Other Amounts	41,334,026	68,793	41,402,819
<i>Total Liabilities</i>	<u>114,959,037</u>	<u>1,977,862</u>	<u>116,936,899</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	30,251,037	0	30,251,037
Pension	183,389	26,103	209,492
<i>Total Deferred Inflows of Resources</i>	<u>30,434,426</u>	<u>26,103</u>	<u>30,460,529</u>
<b>Net Position</b>			
Net Investment in Capital Assets	18,320,414	289,692	18,610,106
Restricted for:			
Capital Projects	38,152,868	0	38,152,868
Debt Service	203,987	0	203,987
Unclaimed Monies	6,390	0	6,390
Other Purposes	554,862	0	554,862
Unrestricted (Deficit)	(88,276,725)	(1,122,148)	(89,398,873)
<i>Total Net Position</i>	<u>(\$31,038,204)</u>	<u>(\$832,456)</u>	<u>(\$31,870,660)</u>

See accompanying notes to the basic financial statements

**Riverside Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2017

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Capital Grants
<b>Governmental Activities</b>				
Instruction:				
Regular	\$23,355,055	\$1,508,231	\$94,782	\$0
Special	5,941,831	388,758	1,842,023	0
Vocational	73,266	0	5,612	0
Student Intervention Services	102,992	0	0	0
Support Services:				
Pupils	2,556,465	0	30,895	0
Instructional Staff	559,131	0	183,921	0
Administration	4,859,058	52,043	180,488	0
Fiscal	1,026,797	0	0	0
Business	38,472	0	0	0
Operation and Maintenance of Plant	5,509,837	955	0	136,510
Pupil Transportation	4,324,692	0	249,868	0
Central	412,935	8,285	17,363	0
Extracurricular Activities	683,344	221,465	12,682	0
Operation of Non-Instructional Services:				
Food Service Operations	7,947	0	7,791	0
Other Non-Instructional Services	90,458	0	34,881	0
Interest and Fiscal Charges	428,771	0	0	0
<i>Total Governmental Activities</i>	<u>49,971,051</u>	<u>2,179,737</u>	<u>2,660,306</u>	<u>136,510</u>
<b>Business-Type Activities</b>				
Food Service	1,639,352	740,258	819,561	0
Latchkey	454,450	331,409	0	0
<i>Total Business-Type Activities</i>	<u>2,093,802</u>	<u>1,071,667</u>	<u>819,561</u>	<u>0</u>
<i>Totals</i>	<u><u>\$52,064,853</u></u>	<u><u>\$3,251,404</u></u>	<u><u>\$3,479,867</u></u>	<u><u>136,510</u></u>

**General Revenues**

Property Taxes Levied for:  
General Purposes  
Debt Service  
Capital Outlay  
Educational Programs and Services  
Grants and Entitlements not Restricted  
to Specific Programs  
Investment Earnings  
Payment in Lieu of Taxes  
Miscellaneous

*Total General Revenues*

Change in Net Position

Net Position Beginning of Year

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net Revenue/(Expense) and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$21,752,042)	\$0	(\$21,752,042)
(3,711,050)	0	(3,711,050)
(67,654)	0	(67,654)
(102,992)	0	(102,992)
(2,525,570)	0	(2,525,570)
(375,210)	0	(375,210)
(4,626,527)	0	(4,626,527)
(1,026,797)	0	(1,026,797)
(38,472)	0	(38,472)
(5,372,372)	0	(5,372,372)
(4,074,824)	0	(4,074,824)
(387,287)	0	(387,287)
(449,197)	0	(449,197)
(156)	0	(156)
(55,577)	0	(55,577)
(428,771)	0	(428,771)
<u>(44,994,498)</u>	<u>0</u>	<u>(44,994,498)</u>
0	(79,533)	(79,533)
0	(123,041)	(123,041)
0	(202,574)	(202,574)
<u>(44,994,498)</u>	<u>(202,574)</u>	<u>(45,197,072)</u>
24,282,942	0	24,282,942
1,284,525	0	1,284,525
1,968,685	0	1,968,685
2,217,655	0	2,217,655
12,562,953	0	12,562,953
230,365	0	230,365
142,744	0	142,744
418,161	0	418,161
43,108,030	0	43,108,030
(1,886,468)	(202,574)	(2,089,042)
<u>(29,151,736)</u>	<u>(629,882)</u>	<u>(29,781,618)</u>
<u>(\$31,038,204)</u>	<u>(\$832,456)</u>	<u>(\$31,870,660)</u>

**Riverside Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2017*

	<u>General</u>	<u>Building Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$5,584,672	\$37,399,758	\$3,424,512	\$46,408,942
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	6,390	0	0	6,390
Accounts Receivable	2,996	0	0	2,996
Intergovernmental Receivable	333,207	0	546,219	879,426
Property Taxes Receivable	28,016,983	0	6,529,242	34,546,225
Interfund Receivable	137,763	0	0	137,763
Accrued Interest Receivable	0	60,606	0	60,606
Materials and Supplies Inventory	146,359	0	0	146,359
<i>Total Assets</i>	<u>\$34,228,370</u>	<u>\$37,460,364</u>	<u>\$10,499,973</u>	<u>\$82,188,707</u>
<b>Liabilities</b>				
Accounts Payable	\$199,834	\$69,237	\$229,089	\$498,160
Accrued Wages and Benefits	3,812,537	0	147,679	3,960,216
Contracts Payable	0	0	93,704	93,704
Retainage Payable	0	0	8,148	8,148
Intergovernmental Payable	1,051,952	0	2,143	1,054,095
Interfund Payable	0	0	137,763	137,763
Matured Compensated Absences Payable	1,109	0	0	1,109
Notes Payable	0	0	600,000	600,000
Accrued Interest Payable	0	0	3,429	3,429
<i>Total Liabilities</i>	<u>5,065,432</u>	<u>69,237</u>	<u>1,221,955</u>	<u>6,356,624</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	24,640,125	0	5,610,912	30,251,037
Unavailable Revenue	1,422,002	0	603,004	2,025,006
<i>Total Deferred Inflows of Resources</i>	<u>26,062,127</u>	<u>0</u>	<u>6,213,916</u>	<u>32,276,043</u>
<b>Fund Balances:</b>				
Nonspendable	152,749	0	0	152,749
Restricted	0	37,391,127	3,139,705	40,530,832
Committed	86,285	0	0	86,285
Assigned	1,499,382	0	5,000	1,504,382
Unassigned (Deficit)	1,362,395	0	(80,603)	1,281,792
<i>Total Fund Balances</i>	<u>3,100,811</u>	<u>37,391,127</u>	<u>3,064,102</u>	<u>43,556,040</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$34,228,370</u>	<u>\$37,460,364</u>	<u>\$10,499,973</u>	<u>\$82,188,707</u>

See accompanying notes to the basic financial statements

**Riverside Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2017*

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<b>Total Governmental Funds Balances</b>	<b>\$43,556,040</b>
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*Amounts reported for governmental activities in the statement of net position are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	20,091,396
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.

Delinquent Property Taxes	1,681,169
Intergovernmental	<u>343,837</u>

Total	2,025,006
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The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	12,212,919
Deferred Inflows - Pension	(183,389)
Net Pension Liability	<u>(65,709,399)</u>

Total	(53,679,869)
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In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(382,819)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds	(40,849,206)
Capital Lease Payable	(793,126)
Compensated Absences	<u>(1,005,626)</u>

Total	<u>(42,647,958)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>(\$31,038,204)</u></u>
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See accompanying notes to the basic financial statements

**Riverside Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2017*

	General	Building Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$24,234,943	\$0	\$5,373,010	\$29,607,953
Intergovernmental	13,703,921	0	1,533,377	15,237,298
Interest	39,031	181,567	9,970	230,568
Tuition and Fees	1,863,428	0	0	1,863,428
Extracurricular Activities	93,889	0	221,465	315,354
Rentals	955	0	0	955
Contributions and Donations	33,578	0	12,682	46,260
Payment in Lieu of Taxes	142,744	0	0	142,744
Miscellaneous	177,483	0	240,678	418,161
<i>Total Revenues</i>	<u>40,289,972</u>	<u>181,567</u>	<u>7,391,182</u>	<u>47,862,721</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	19,261,129	0	2,291,065	21,552,194
Special	5,052,728	0	874,214	5,926,942
Vocational	73,266	0	0	73,266
Student Intervention Services	102,992	0	0	102,992
Support Services:				
Pupils	2,506,091	0	51,463	2,557,554
Instructional Staff	342,434	0	186,640	529,074
Administration	4,387,991	0	149,274	4,537,265
Fiscal	983,191	0	16,203	999,394
Business	38,472	0	0	38,472
Operation and Maintenance of Plant	3,695,970	0	7,735	3,703,705
Pupil Transportation	3,790,067	0	26,335	3,816,402
Central	349,705	0	14,400	364,105
Extracurricular Activities	353,149	0	233,270	586,419
Operation of Non-Instructional Services:				
Food Service Operations	854	0	0	854
Other Non-Instructional Services	48,873	0	41,585	90,458
Capital Outlay	0	1,290,440	1,555,065	2,845,505
Debt Service:				
Principal Retirement	208,984	351	725,126	934,461
Interest and Fiscal Charges	44,693	0	16,045	60,738
Bond Issuance Costs	0	0	709,028	709,028
<i>Total Expenditures</i>	<u>41,240,589</u>	<u>1,290,791</u>	<u>6,897,448</u>	<u>49,428,828</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(950,617)</u>	<u>(1,109,224)</u>	<u>493,734</u>	<u>(1,566,107)</u>
<b>Other Financing Sources (Uses)</b>				
General Obligation Bonds Issued	0	38,500,000	0	38,500,000
Premium on Bonds Issued	0	0	1,522,423	1,522,423
Transfers In	0	0	9,342	9,342
Transfers Out	(9,342)	0	0	(9,342)
<i>Total Other Financing Sources (Uses)</i>	<u>(9,342)</u>	<u>38,500,000</u>	<u>1,531,765</u>	<u>40,022,423</u>
<i>Net Change in Fund Balances</i>	<u>(959,959)</u>	<u>37,390,776</u>	<u>2,025,499</u>	<u>38,456,316</u>
<i>Fund Balances Beginning of Year</i>	<u>4,060,770</u>	<u>351</u>	<u>1,038,603</u>	<u>5,099,724</u>
<i>Fund Balances End of Year</i>	<u>\$3,100,811</u>	<u>\$37,391,127</u>	<u>\$3,064,102</u>	<u>\$43,556,040</u>

See accompanying notes to the basic financial statements

**Riverside Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2017*

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**Net Change in Fund Balances - Total Governmental Funds** \$38,456,316

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Asset Additions	2,578,998
Current Year Depreciation	<u>(1,406,425)</u>

Total	1,172,573
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Governmental Funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (22,916)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	145,854
Intergovernmental	<u>76,008</u>

Total	221,862
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Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 934,461

Some expenses reported in the statement of activities, such as accrued interest do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (368,033)

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (119,100)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 3,173,059

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (5,312,267)

Other financing sources in the governmental funds increase long-term liabilities in the statement of net position.

Classroom Facilities Bonds	(38,500,000)
Bond Premium	<u>(1,522,423)</u>

Total	<u>(40,022,423)</u>
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*Change in Net Position of Governmental Activities* (\$1,886,468)

See accompanying notes to the basic financial statements

**Riverside Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2017*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$24,205,493	\$24,090,049	\$24,065,669	(\$24,380)
Intergovernmental	13,214,318	13,218,052	13,390,988	172,936
Interest	5,000	5,000	39,143	34,143
Tuition and Fees	1,285,463	1,359,728	1,759,432	399,704
Rentals	200	1,000	955	(45)
Payment in Lieu of Taxes	0	123,000	142,744	19,744
Miscellaneous	235,312	103,390	107,718	4,328
<i>Total Revenues</i>	38,945,786	38,900,219	39,506,649	606,430
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	19,384,222	19,101,329	19,101,329	0
Special	4,669,407	4,592,502	4,983,226	(390,724)
Vocational	63,390	72,746	72,746	0
Student Intervention Services	83,441	102,992	102,992	0
Support Services:				
Pupils	2,870,639	2,929,357	2,508,043	421,314
Instructional Staff	351,120	390,319	339,998	50,321
Board of Education	24,263	31,648	31,648	0
Administration	4,246,651	4,311,171	4,196,214	114,957
Fiscal	1,029,433	1,076,119	1,076,119	0
Business	84,665	84,665	38,472	46,193
Operation and Maintenance of Plant	3,975,849	4,032,606	3,765,753	266,853
Pupil Transportation	3,855,738	3,953,449	3,891,386	62,063
Central	598,214	521,028	341,322	179,706
Extracurricular Activities	350,973	368,478	356,778	11,700
Operation of Non-Instructional Services:				
Food Service Operations	29,838	28,713	28,573	140
Shared Services	94,812	94,812	19,536	75,276
Debt Service:				
Principal Retirement	48,935	48,935	48,584	351
Interest and Fiscal Charges	31,326	31,326	31,296	30
<i>Total Expenditures</i>	41,792,916	41,772,195	40,934,015	838,180
<i>Excess of Revenues Under Expenditures</i>	(2,847,130)	(2,871,976)	(1,427,366)	1,444,610
<b>Other Financing Sources (Uses)</b>				
Advances In	0	45,567	45,567	0
Advances Out	0	(20,721)	(137,763)	(117,042)
Transfers Out	(3,142)	(3,142)	(9,342)	(6,200)
<i>Total Other Financing Sources (Uses)</i>	(3,142)	21,704	(101,538)	(123,242)
<i>Net Change in Fund Balance</i>	(2,850,272)	(2,850,272)	(1,528,904)	1,321,368
<i>Fund Balance Beginning of Year</i>	5,626,543	5,626,543	5,626,543	0
Prior Year Encumbrances Appropriated	892,916	892,916	892,916	0
<i>Fund Balance End of Year</i>	\$3,669,187	\$3,669,187	\$4,990,555	\$1,321,368

See accompanying notes to the basic financial statements



**Riverside Local School District**

*Statement of Fund Net Position*

*Enterprise Funds*

*June 30, 2017*

	<u>Nonmajor Enterprise Funds</u>
<b>Assets</b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$370,273
Inventory Held for Resale	28,087
Materials and Supplies Inventory	<u>9,017</u>
<i>Total Current Assets</i>	407,377
<i>Noncurrent Assets:</i>	
Depreciable Capital Assets, Net	<u>289,692</u>
<i>Total Assets</i>	<u>697,069</u>
<b>Deferred Outflows of Resources</b>	
Pension	<u>474,440</u>
<b>Liabilities</b>	
<i>Current Liabilities:</i>	
Accounts Payable	10,918
Accrued Wages and Benefits	103,972
Intergovernmental Payable	20,211
Compensated Absences Payable	<u>10,057</u>
<i>Total Current Liabilities</i>	<u>145,158</u>
<i>Long-Term Liabilities (net of current portion):</i>	
Compensated Absences Payable	68,793
Net Pension Liability	<u>1,763,911</u>
<i>Total Long-Term Liabilities</i>	<u>1,832,704</u>
<i>Total Liabilities</i>	<u>1,977,862</u>
<b>Deferred Inflows of Resources</b>	
Pension	<u>26,103</u>
<b>Net Position</b>	
Investment in Capital Assets	289,692
Unrestricted (Deficit)	<u>(1,122,148)</u>
<i>Total Net Position</i>	<u><u>(\$832,456)</u></u>

See accompanying notes to the basic financial statements

**Riverside Local School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Enterprise Funds  
For the Fiscal Year Ended June 30, 2017*

	Nonmajor Enterprise Funds
<b>Operating Revenues</b>	
Charges for Services	\$1,071,667
<b>Operating Expenses</b>	
Salaries	752,367
Fringe Benefits	520,527
Purchased Services	90,249
Materials and Supplies	670,872
Depreciation	57,781
Capital Outlay	2,006
<i>Total Operating Expenses</i>	2,093,802
<i>Operating Loss</i>	(1,022,135)
<b>Non-Operating Revenues</b>	
Operating Grants	819,561
<i>Change in Net Position</i>	(202,574)
<i>Net Position Beginning of Year</i>	(629,882)
<i>Net Position End of Year</i>	(\$832,456)

See accompanying notes to the basic financial statements

**Riverside Local School District**  
*Statement of Cash Flows*  
*Enterprise Funds*  
For the Fiscal Year Ended June 30, 2017

	Nonmajor Enterprise Funds
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$1,071,667
Cash Payments to Employees for Services	(741,038)
Cash Payments for Employee Benefits	(434,847)
Cash Payments to Suppliers for Goods and Services	(777,016)
<i>Net Cash Provided by (Used for) Operating Activities</i>	(881,234)
<b>Cash Flows from Noncapital Financing Activities</b>	
Operating Grants Received	819,561
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition of Capital Assets	(25,058)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(86,731)
<i>Cash and Cash Equivalents Beginning of Year</i>	457,004
<i>Cash and Cash Equivalents End of Year</i>	\$370,273
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>	
Operating Income (Loss)	(\$1,022,135)
Adjustments:	
Depreciation	57,781
(Increase) Decrease in Assets:	
Inventory Held for Resale	(17,788)
Materials and Supplies Inventory	(3,433)
Decrease in Deferred Outflows - Pension	411,863
Increase (Decrease) in Liabilities:	
Accounts Payable	(89,499)
Accrued Wages	102,222
Compensated Absences Payable	7,239
Matured Compensated Absences Payable	(1,479)
Intergovernmental Payable	(3,471)
Net Pension Liability	(212,084)
Decrease in Deferred Inflows - Pension	(110,450)
<i>Total Adjustments</i>	140,901
<i>Net Cash Provided by (Used for) Operating Activities</i>	(\$881,234)

See accompanying notes to the basic financial statements

**Riverside Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2017*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$58,159
Cash and Cash Equivalents in Segregated Accounts	<u>10,286</u>
<i>Total Assets</i>	<u><u>\$68,445</u></u>
<b>Liabilities</b>	
Due to Students	\$58,159
Due to Employees	<u>10,286</u>
<i>Total Liabilities</i>	<u><u>\$68,445</u></u>

See accompanying notes to the basic financial statements

**Riverside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**Note 1 - Description of the School District and Reporting Entity**

Riverside Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under a five-member elected Board of Education and is responsible for the provision of public education to residents of the School District. The School District is located in Lake County.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's six elementary schools, middle school, junior high school and high school staffed by 211 classified employees and 271 certificated employees who provide services to 4,165 students and other community members.

*Reporting Entity*

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Non-public Schools - Within the School District boundaries, Hershey Montessori School is operated in Concord Township. Current State legislation provides funding to this non-public school. These monies are received and disbursed on behalf of the non-public school by the Treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District participates in two jointly governed organizations and a claims servicing pool. The organizations are the Lake Geauga Computer Association, the Ohio Schools' Council Association and the Health Care Benefits Program of Lake County Schools Council. These organizations are presented in Notes 17 and 18 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

**Riverside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities of the School District that are governmental and those that are considered business-type.

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

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

***Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The various funds of the School District are grouped into the categories 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. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

**Riverside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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***Building Improvement Capital Project Fund*** The building improvement capital project fund is used to account for and report bond proceeds restricted for building construction and capital acquisitions.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

***Proprietary Funds*** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The School District only has enterprise funds.

***Enterprise Fund*** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District accounts for three enterprise funds. The food services enterprise fund accounts for the financial transactions related to the food service operations of the School District. The adult education program accounts for the remaining balance of the adult education program. The latchkey enterprise fund accounts for the financial transactions related to the latchkey program.

***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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds accounts for student activities and employee flexible spending.

***Measurement Focus***

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

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

**Riverside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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***Basis of Accounting***

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied (See Note 9). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to pension are explained in Note 20.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 20).



**Riverside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**Pensions** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net pension 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.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

***Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The School District has segregated bank accounts for monies held in agency funds. These interest bearing depository accounts are reported as "cash and cash equivalents in segregated accounts" on the Statement of Fiduciary Net Position.

During fiscal year 2017, investments were limited to STAR Ohio, negotiable certificates of deposit, commercial paper, a money market account, federal farm credit bank bonds, federal national mortgage association bonds, federal home loan bank bonds, and federal home loan mortgage corporation notes.

During fiscal year 2017, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$39,031, of which \$11,257 was assigned from other School District funds.

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 School District are presented on the financial statements as cash equivalents.

**Riverside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies and donated and purchased food held for resale.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions. Restricted assets in the general fund are for unclaimed funds.

***Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	20 - 40 years	N/A
Building and Improvements	10 - 80 years	10 - 80 years
Furniture and Fixtures	5 - 10 years	5 - 10 years
Vehicles	10 - 15 years	N/A

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

**Riverside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees at least fifty-five years of age with at least ten years of service.

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employee who has accumulated unpaid leave is paid.

***Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements.

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

***Internal Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School 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 balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

**Riverside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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

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

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for extracurricular activities and to cover a gap between estimated revenue and appropriations in fiscal year 2018's budget.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for auxiliary services and extracurricular activities.

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

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for food service, adult education and latchkey programs. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as non-operating.

**Riverside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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***Estimates***

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

***Budgetary Data***

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 fund level for all funds. The Treasurer has been given the authority to allocate board appropriations to the function and object levels within each fund.

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

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

**Note 3 – Changes in Accounting Principles**

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

The School District also implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

**Note 4 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

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2. Unrecorded cash is not reported by the School District on the budget basis operating statements, but is reported on the GAAP basis operating statements.
3. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
4. Advances in/out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).
6. Budgetary revenues and expenditures of the public school support fund are classified to general fund for GAAP Reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund:

Net Change in Fund Balance	
	General
GAAP Basis	(\$959,959)
Net Adjustment for Revenue Accruals	(997,443)
Advances In	45,567
Beginning Unrecorded Cash	(112)
Perspective Difference:	
Public School Support	(19,596)
Net Adjustment for Expenditure Accruals	923,828
Advances Out	(137,763)
Encumbrances	(383,426)
Budget Basis	(\$1,528,904)

**Note 5 – Accountability**

Fund balances at June 30, 2017, included the following individual fund deficits:

<i>Special Revenue Funds</i>	
Title VI-B	\$40,410
Title III	2,047
Title I - Disadvantage Children	31,435
Title II-A	6,711

The special revenue funds' deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

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**Note 6 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Building Improvement	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Materials and Supplies Inventory	\$146,359	\$0	\$0	\$146,359
Unclaimed Funds	6,390		0	6,390
<i>Total Nonspendable</i>	<u>152,749</u>	<u>0</u>	<u>0</u>	<u>152,749</u>
<b><i>Restricted for</i></b>				
Joint Financing District	0	0	126,504	126,504
Band	0	0	74,242	74,242
Auxiliary Services	0	0	20,677	20,677
Debt Service	0	0	2,031,797	2,031,797
Capital Improvements	0	37,391,127	886,485	38,277,612
<i>Total Restricted</i>	<u>0</u>	<u>37,391,127</u>	<u>3,139,705</u>	<u>40,530,832</u>
<b><i>Committed to</i></b>				
Educational Services	86,285	0	0	86,285
<b><i>Assigned to</i></b>				
Capital Improvements	0	0	5,000	5,000
Public School Support	203,422	0	0	203,422
Purchases on Order:				
Support Services	122,614	0	0	122,614
Fiscal Year 2018 Appropriations	1,173,346	0	0	1,173,346
<i>Total Assigned</i>	<u>1,499,382</u>	<u>0</u>	<u>5,000</u>	<u>1,504,382</u>
<b><i>Unassigned (Deficit)</i></b>	<u>1,362,395</u>	<u>0</u>	<u>(80,603)</u>	<u>1,281,792</u>
<b><i>Total Fund Balances</i></b>	<u><u>\$3,100,811</u></u>	<u><u>\$37,391,127</u></u>	<u><u>\$3,064,102</u></u>	<u><u>\$43,556,040</u></u>

**Note 7 - Deposits and Investments**

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School 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.

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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 held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

***Deposits***

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,476,669 of the School District's bank balance of \$2,726,672 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State.



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Financial institutions can elect to participate in the OPCS and will collateralize at one hundred two percent or a rate set by the Treasurer of State. Financial institutions opting not to participate in OPCS will collateralize utilizing the specific pledge method at one hundred five percent.

**Investments**

Investments are reported at fair value. As of June 30, 2017, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percentage of Total Investments
Net Asset Value Per Share				
STAR Ohio	\$7,117,938	Average 45.5 Days		N/A
Fair Value - Level One Inputs				
Money Market	41,833	Less than One Years	AA+	0.09 %
Fair Value - Level Two Inputs				
Negotiable Certificates of Deposit	3,174,589	Less than Two Years	AA+	7.13 %
Commercial Paper	16,663,028	Less than One Years	AA+	37.43 %
Federal Farm Credit Bank Bonds	495,860	Less than Two Years	AA+	1.11 %
Federal National Mortgage Association Bonds	4,930,832	Less than Three Years	AA+	11.08 %
Federal Home Loan Bank Bonds	5,383,017	Less than Two Years	AA+	12.09 %
Federal Home Loan Mortgage Corporation Notes	6,710,601	Less than Three Years	AA+	15.07 %
Total Fair Value - Level Two Inputs	37,357,927			
Total Investments	\$44,517,698			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2017. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

**Interest Rate Risk** As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Credit Risk** Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

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**Concentration of Credit Risk** Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the School District's investments in a single issuer. The School District's investment policy requires diversification of the portfolio, but only states that the Treasurer shall diversify use of investment instruments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual institutions or maturities.

**Note 8 - Receivables**

Receivables at June 30, 2017, consisted of taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
State of Ohio	\$332,799
Title VI-B Grant	323,523
Title I Grant	167,574
Improving Teacher Quality Grant	40,534
Miscellaneous Federal Grants	7,791
Title III Grant	6,797
Painesville City School District	<u>408</u>
Total	<u><u>\$879,426</u></u>

**Note 9 – Property Taxes**

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

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

Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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The School District receives property taxes from Lake County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

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

The amount available as an advance at June 30, 2017, was \$1,954,856 in the general fund, \$126,504 in the joint financing district special revenue fund, \$231,423 in the bond retirement fund and \$301,236 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2016, was \$1,959,379 in the general fund, \$131,567 in the joint financing district special revenue fund and \$117,253 in the permanent improvement capital projects fund.

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

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$945,953,950	97.12%	\$952,144,840	96.96%
Public Utility Personal	28,057,970	2.88	29,877,430	3.04
Total	<u>\$974,011,920</u>	<u>100.00%</u>	<u>\$982,022,270</u>	<u>100.00%</u>
Full Tax Rate per \$1,000 of assessed valuation	\$53.78		\$56.31	

**Note 10 - Tax Abatements**

School District property taxes were reduced as follows under community reinvestment act agreements entered into by overlapping governments:

Overlapping Government	Amount of Fiscal Year 2017 Taxes Abated
<i>Community Reinvestment Act:</i> The City of Painesville	<u>\$3,677</u>

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**Note 11 – Lake County School Financing District**

The Board of Education of the Lake County Educational Service Center has, by a resolution adopted February 6, 1990, pursuant to Section 3311.50 of the Ohio Revised Code, created a county school financing district known as the Lake County School Financing District (the “Financing District”) for the purpose of levying taxes for the provision of the following specified educational programs and services by the school districts that are part of the Financing District: the provision of necessary personnel, materials, supplies and transportation for instruction in language arts, social studies, mathematics, fine and practical arts, health and physical education, science and business education.

The Board of Education of the Lake County Educational Service Center acts as the taxing authority of the Financing District pursuant to Section 3311.50 of the Ohio Revised Code. The Financing District receives settlements of taxes levied and distributes them within ten days to each of the member school district’s proportionate share of that tax settlement. Each member district’s proportionate share is a fraction, the numerator being the member district’s total pupil population of all member districts as of that date.

Property taxes collected by the Financing District available to the School District at June 30 are recorded in the same manner and included with property taxes receivable. Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The current Joint Financing District levy will expire December 31, 2020.

**Note 12 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<b>Governmental Activities</b>				
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,495,805	\$656,369	\$0	\$2,152,174
Construction in Progress	0	655,498	0	655,498
<i>Total Capital Assets not being Depreciated</i>	<u>1,495,805</u>	<u>1,311,867</u>	<u>0</u>	<u>2,807,672</u>
<i>Capital assets being Depreciated:</i>				
Land Improvements	2,664,626	20,000	0	2,684,626
Buildings and Improvements	22,390,422	988,239	0	23,378,661
Furniture and Fixtures	5,463,699	140,211	(59,768)	5,544,142
Vehicles	4,910,570	118,681	(68,045)	4,961,206
<i>Total Capital Assets being Depreciated</i>	<u>\$35,429,317</u>	<u>\$1,267,131</u>	<u>(\$127,813)</u>	<u>\$36,568,635</u>

(continued)

**Riverside Local School District**  
*Notes to the Basic Financial Statements*  
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	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<b>Governmental Activities continued</b>				
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(\$1,693,665)	(\$96,856)	\$0	(\$1,790,521)
Buildings and Improvements	(9,234,687)	(780,190)	0	(10,014,877)
Furniture and Fixtures	(3,974,648)	(247,795)	47,852	(4,174,591)
Vehicles	(3,080,383)	(281,584)	57,045	(3,304,922)
<i>Total Accumulated Depreciation</i>	<u>(17,983,383)</u>	<u>(1,406,425) *</u>	<u>104,897</u>	<u>(19,284,911)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>17,445,934</u>	<u>(139,294)</u>	<u>(22,916)</u>	<u>17,283,724</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$18,941,739</u>	<u>\$1,172,573</u>	<u>(\$22,916)</u>	<u>\$20,091,396</u>
	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<b>Business-Type Activities</b>				
Buildings and Improvements	\$51,278	\$23,874	\$0	\$75,152
Furniture and Fixtures	788,466	1,184	0	789,650
<i>Total Capital Assets being Depreciated</i>	<u>839,744</u>	<u>25,058</u>	<u>0</u>	<u>864,802</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	(4,205)	(7,117)	0	(11,322)
Furniture and Fixtures	(513,124)	(50,664)	0	(563,788)
<i>Total Accumulated Depreciation</i>	<u>(517,329)</u>	<u>(57,781)</u>	<u>0</u>	<u>(575,110)</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$322,415</u>	<u>(\$32,723)</u>	<u>\$0</u>	<u>\$289,692</u>

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

Instruction	
Regular	\$241,106
Special	1,100
Support Services	
Pupils	144
Administration	55,565
Fiscal	1,168
Operation and Maintenance of Plant	731,942
Pupil Transportation	265,190
Central	1,792
Operation of Food Service	11,493
Extracurricular Activities	96,925
Total Depreciation Expense	<u>\$1,406,425</u>

**Riverside Local School District**  
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**Note 13 – Short-Term Obligations**

On March 1, 2017, the School District issued \$600,000 in tax anticipation notes with an interest rate of 1.50 percent. The notes will be retired on October 1, 2017.

**Note 14 – Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2017 were as follows:

	Principal Outstanding June 30, 2016	Additions	Deductions	Principal Outstanding June 30, 2017	Amount Due in One Year
<b>Governmental Activities</b>					
2017 School Construction and Improvement Bonds					
Serial Bonds	\$0	\$3,590,000	\$0	\$3,590,000	\$680,000
Term Bonds	0	34,910,000	0	34,910,000	0
Premium	0	1,522,423	0	1,522,423	0
Total 2017 School Construction and Improvement Bonds	0	40,022,423	0	40,022,423	680,000
2015 School Energy Conservation Improvement Bonds 3.68%	875,718	0	(48,935)	826,783	50,736
<i>Total General Obligation Bonds</i>	<u>875,718</u>	<u>40,022,423</u>	<u>(48,935)</u>	<u>40,849,206</u>	<u>730,736</u>
<b>Other Long-term Obligations</b>					
Net Pension Liability					
STRS	44,200,389	9,704,376	0	53,904,765	0
SERS	9,471,552	2,333,082	0	11,804,634	0
<i>Total Net Pension Liability</i>	<u>53,671,941</u>	<u>12,037,458</u>	<u>0</u>	<u>65,709,399</u>	<u>0</u>
Capital Leases	1,678,652	0	(885,526)	793,126	343,705
Compensated Absences	886,526	305,799	(186,699)	1,005,626	239,491
<i>Total Other Long-term Obligations</i>	<u>56,237,119</u>	<u>12,343,257</u>	<u>(1,072,225)</u>	<u>67,508,151</u>	<u>583,196</u>
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$57,112,837</u>	<u>\$52,365,680</u>	<u>(\$1,121,160)</u>	<u>\$108,357,357</u>	<u>\$1,313,932</u>
<b>Business-Type Activities</b>					
Net Pension Liability					
SERS	\$1,311,427	\$452,484	\$0	\$1,763,911	\$0
Compensated Absences	71,611	14,447	(7,208)	78,850	10,057
<i>Total Business-Type Activities Long-Term Liabilities</i>	<u>\$1,383,038</u>	<u>\$466,931</u>	<u>(\$7,208)</u>	<u>\$1,842,761</u>	<u>\$10,057</u>

On April 5, 2017, the School District issued \$29,395,000 in general obligation bonds which included serial and term bonds in the amounts of \$330,000 and \$29,065,000, respectively. The general obligation bonds were issued for the purpose of school construction and improvement. The bonds were issued for a thirty-seven year period with a final maturity at October 1, 2053. The bonds will be retired from the bond retirement fund.

On April 20, 2017, the School District issued \$9,105,000 in general obligation bonds which included serial and term bonds in the amounts of \$3,260,000 and \$5,845,000, respectively. The general obligation bonds were issued for the purpose of school construction and improvement. The bonds were issued for a twenty-one year period with a final maturity at October 1, 2037. The bonds will be retired from the bond retirement fund.

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The term bonds mature on October 1, 2019, 2021, 2022, 2024, 2027, 2032, 2037, 2042, 2047 and 2053, and are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus interest accrued to the redemption date, on October 1 in the years and in the respective principal amounts as follows:

Year	Issue					
	\$10,000	\$25,000	\$25,000	\$110,000	\$25,000	\$195,000
2018	\$5,000	\$0	\$5,000	\$0	\$0	\$0
2019	0	0	5,000	0	0	0
2020	0	5,000	5,000	0	0	0
2021	0	0	5,000	0	0	0
2022	0	0	0	25,000	0	0
2023	0	0	0	35,000	5,000	0
2024	0	0	0	0	5,000	0
2025	0	0	0	0	5,000	55,000
2026	0	0	0	0	5,000	65,000
<b>Total Mandatory Sinking Fund Payments</b>	<b>5,000</b>	<b>5,000</b>	<b>20,000</b>	<b>60,000</b>	<b>20,000</b>	<b>120,000</b>
<b>Amount Due at Stated Maturity</b>	<b>5,000</b>	<b>20,000</b>	<b>5,000</b>	<b>50,000</b>	<b>5,000</b>	<b>75,000</b>
<b>Total</b>	<b>\$10,000</b>	<b>\$25,000</b>	<b>\$25,000</b>	<b>\$110,000</b>	<b>\$25,000</b>	<b>\$195,000</b>
<i>Stated Maturity</i>	10/1/2019	10/1/2021	10/1/2022	10/1/2024	10/1/2027	10/1/2027

Year	Issue					
	\$555,000	\$275,000	\$880,000	\$5,845,000	\$4,005,000	\$1,205,000
2028	\$85,000	\$5,000	\$0	\$0	\$0	\$0
2029	100,000	5,000	0	520,000	0	0
2030	115,000	5,000	0	555,000	0	0
2031	120,000	5,000	0	580,000	0	0
2032	0	5,000	0	615,000	0	0
2033	0	25,000	155,000	655,000	0	0
2034	0	35,000	165,000	685,000	0	0
2035	0	50,000	175,000	715,000	0	0
2036	0	65,000	185,000	745,000	0	0
2038	0	0	0	0	95,000	210,000
2039	0	0	0	0	880,000	225,000
2040	0	0	0	0	945,000	240,000
2041	0	0	0	0	1,010,000	255,000
<b>Total Mandatory Sinking Fund Payments</b>	<b>420,000</b>	<b>200,000</b>	<b>680,000</b>	<b>5,070,000</b>	<b>2,930,000</b>	<b>930,000</b>
<b>Amount Due at Stated Maturity</b>	<b>135,000</b>	<b>75,000</b>	<b>200,000</b>	<b>775,000</b>	<b>1,075,000</b>	<b>275,000</b>
<b>Total</b>	<b>\$555,000</b>	<b>\$275,000</b>	<b>\$880,000</b>	<b>\$5,845,000</b>	<b>\$4,005,000</b>	<b>\$1,205,000</b>
<i>Stated Maturity</i>	10/1/2032	10/1/2037	10/1/2037	10/1/2037	10/1/2042	10/1/2042

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Year	Issue			
	\$6,555,000	\$1,680,000	\$10,765,000	\$2,755,000
2043	\$1,150,000	\$295,000	\$0	\$0
2044	1,225,000	315,000	0	0
2045	1,305,000	335,000	0	0
2046	1,395,000	355,000	0	0
2047	0	0	0	0
2048	0	0	1,580,000	400,000
2049	0	0	1,655,000	425,000
2050	0	0	1,745,000	445,000
2051	0	0	1,835,000	470,000
2052	0	0	1,925,000	495,000
Total Mandatory Sinking Fund Payments	5,075,000	1,300,000	8,740,000	2,235,000
Amount Due at Stated Maturity	1,480,000	380,000	2,025,000	520,000
Total	<u>\$6,555,000</u>	<u>\$1,680,000</u>	<u>\$10,765,000</u>	<u>\$2,755,000</u>
Stated Maturity	10/1/2047	10/1/2047	10/1/2053	10/1/2053

On February 2, 2015, the School District issued \$928,500 in school energy conservation improvement bonds for the purpose of energy improvements throughout the School District. The primary source of repayment of this obligation is through energy savings as a result of the improvements. The improvements were not capitalized. The bonds were issued for a 15 year period with a final maturity of December 1, 2029. The bonds will be repaid from the general fund.

The overall debt margin of the School District as of June 30, 2017, was \$51,087,018 with an unvoted debt margin of \$982,022. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2017, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds					
	Serial		Term		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$730,736	\$1,538,593	\$0	\$0	\$730,736	\$1,538,593
2019	152,603	325,146	10,000	1,290,776	162,603	1,615,922
2020	164,539	318,475	10,000	1,290,476	174,539	1,608,951
2021	176,546	311,831	10,000	1,290,175	186,546	1,602,006
2022	198,627	304,512	25,000	1,289,650	223,627	1,594,162
2023 - 2027	1,832,127	1,352,641	255,000	6,430,250	2,087,127	7,782,891
2028 - 2032	1,161,605	415,922	2,175,000	6,840,291	3,336,605	7,256,213
2033 - 2037	0	0	4,410,000	6,629,879	4,410,000	6,629,879
2038 - 2042	0	0	4,910,000	5,770,984	4,910,000	5,770,984
2043 - 2047	0	0	7,725,000	4,184,375	7,725,000	4,184,375
2048 - 2052	0	0	10,415,000	2,087,800	10,415,000	2,087,800
2053 - 2055	0	0	4,965,000	201,100	4,965,000	201,100
Total	<u>\$4,416,783</u>	<u>\$4,567,120</u>	<u>\$34,910,000</u>	<u>\$37,305,756</u>	<u>\$39,326,783</u>	<u>\$41,872,876</u>



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Compensated absences will be paid from the general fund, title VI-B, and title I special revenue funds and the food service and latchkey enterprise funds. The capital leases will be repaid from the general fund and the permanent improvement levy capital projects fund. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: general fund and food service enterprise fund. For additional information related to the net pension liability see Note 20.

**Note 15 – Capital Lease**

In prior fiscal years, the School District entered into a capital lease for a HVAC system and electrical equipment at Hale Road Elementary, musical instruments, school buses, computers, and chromebooks in the governmental activities. These lease obligations meet the criteria of a capital lease and have been recorded as capital assets on the government-wide statements. Capital lease payments are reflected as debt service expenditures in the general fund and permanent improvement levy capital projects fund on the basic financial statements.

The computers and chromebooks individually fell below the capitalization threshold to record as a capital asset. The capitalized assets acquired through these capital leases are as followed:

	Governmental Activities
Asset:	
Buildings and Improvements	\$2,500,000
Furniture and Fixtures	215,181
Vehicles	848,512
Less: Accumulated Depreciation	(726,551)
Current Book Value	\$2,837,142

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2017.

Fiscal Year Ending June 30,	Governmental Activities
2018	\$355,929
2019	213,620
2020	160,410
2021	82,769
Total Minimum Lease Payments	812,728
Less: Amount Representing Interest	(19,602)
Present Value of Net Minimum Lease Payments	\$793,126

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**Note 16 - Interfund Transactions**

***Interfund Balances***

Interfund balances at June 30, 2017, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable General Fund
Other Governmental Funds:	
Title VI-B	\$88,377
Title III	1,990
Title 1	32,504
Reducing Class Size	7,102
Miscellaneous Federal Grants	7,790
Total	\$137,763

The interfund payables are advances for grant monies that were not received by fiscal year end and were to support programs and projects in the special revenue funds. Advances will be repaid within one year.

***Interfund Transfers***

The general fund made transfers to other governmental funds in the amount of \$9,342 to move unrestricted balances to support programs and projects accounted for in other funds.

**Note 17 - Jointly Governed Organizations**

***Lake Geauga Computer Association*** The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its eighteen member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The Board exercises total control over operations of the LGCA including the budgetary, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. LGCA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. In fiscal year 2017, the School District paid \$235,769 to the LGCA. Financial information can be obtained from: Lake Geauga Computer Association, 8221 Auburn Road, Painesville, Ohio 44077.

***Ohio Schools' Council Association*** The Ohio Schools' Council Association (Council) is a jointly governed organization among 198 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The degree of control exercised by any participating school district is limited to its representation on the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The

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Board exercises total control over the operations of the Council including budgetary, appropriating, contracting and designating management. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2017, the School District paid \$239 to the Ohio Schools' Council. Financial information can be obtained by contacting William Zelei, the Executive Director at the Ohio Schools' Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the Council's electric purchase program. The Council provides over 250 school districts in the Ohio Edison, The Illuminating Company, Toledo Edison, Duke Energy and AEP Ohio Power service areas the ability to purchase electricity at reduced rates. The Council's current program, Power 4 Schools, provides for a fixed per kilowatt-hour for electricity generation until May 2014, converting to a new fixed price or percent off the Price to Compare (PTC), whichever provides the greatest savings until December 2019.

**Note 18 – Claims Servicing Pool**

The School District participates in the Health Care Benefits Program of Lake County Schools Council (the Program), a claims servicing pool comprised of twelve Lake County school districts. Each school district has a representative on the assembly (usually the superintendent or designee). Each member pays an administrative fee to the pool. The plan's business and affairs are conducted by a five member Board of Directors elected by the Program's assembly. The assembly elects officers for one year terms to serve on the Board of Directors. The School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claim flow. The program is operated as a full indemnity program with no financial liability (other than the monthly premiums) or risk to the School District. The Council shall pay the run out of all claims for a withdrawing member. Any member that withdraws from the Council pursuant to the Council Agreement shall have no claim to the Council's assets. Financial information can be obtained from Mike Vaccariello, Treasurer, Madison Local School District, 6741 North Ridge Road, Madison, OH 44057.

**Note 19 - Risk Management**

***Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2017, the School District contracted with Netherlands Insurance Company for property and general liability insurance. There is a \$5,000 deductible with a 90 percent co-insurance limit of \$106,858,150.

Commercial umbrella liability is protected by the Netherlands Insurance Company with a \$10,000,000 single and \$10,000,000 aggregate occurrence limit with a \$10,000 deductible. Vehicles are also covered by Netherlands insurance Company and have a \$250 deductible for comprehensive and \$1,000 for collision. Automobile liability has a \$1,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

**Riverside Local School District**  
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***Employee Medical Coverage***

The School District has elected to provide medical coverage through premium payments to the Benefits Program of Lake County Schools Council (See Note 18).

**Note 20 – Defined Benefit Pension Plans**

***Net Pension Liability***

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

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

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

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

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

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

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Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years 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 School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$825,924 for fiscal year 2017. Of this amount \$143,595 is reported as an intergovernmental payable.

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

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

**Riverside Local School District**  
*Notes to the Basic Financial Statements*  
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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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$2,454,505 for fiscal year 2017. Of this amount \$388,956 is reported as an intergovernmental payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.1889729%	0.15993150%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.1853860%</u>	<u>0.16103947%</u>	
Change in Proportionate Share	<u>-0.00358690%</u>	<u>0.00110797%</u>	
Proportionate Share of the Net Pension Liability	\$13,568,545	\$53,904,765	\$67,473,310
Pension Expense	\$1,429,115	\$4,079,851	\$5,508,966

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$183,008	\$2,178,011	\$2,361,019
Changes of assumptions	905,775	0	905,775
Net difference between projected and actual earnings on pension plan investments	1,119,209	4,475,544	5,594,753
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	218,786	326,597	545,383
School District contributions subsequent to the measurement date	<u>825,924</u>	<u>2,454,505</u>	<u>3,280,429</u>
Total Deferred Outflows of Resources	<u>\$3,252,702</u>	<u>\$9,434,657</u>	<u>\$12,687,359</u>
<b>Deferred Inflows of Resources</b>			
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>\$209,492</u>	<u>\$0</u>	<u>\$209,492</u>

\$3,280,429 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Fiscal Year Ending June 30:	SERS	STRS	Total
2018	\$570,483	\$1,143,259	\$1,713,742
2019	569,677	1,143,259	1,712,936
2020	755,397	2,860,652	3,616,049
2021	321,729	1,832,982	2,154,711
Total	<u>\$2,217,286</u>	<u>\$6,980,152</u>	<u>\$9,197,438</u>

**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, compared with June 30, 2015, are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

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



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The long-term return expectation for the Pension Plan Investments has been determined by 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 an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$17,963,907	\$13,568,545	\$9,889,443

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**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
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 commences on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
<b>Total</b>	<b>100.00 %</b>	<b>7.61 %</b>

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are excluded. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016.

**Riverside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$71,635,052	\$53,904,765	\$38,948,222

***Changes between Measurement Date and Report Date***

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

**Note 21 – Postemployment Benefits**

***School Employees Retirement System***

**Health Care Plan Description** - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, 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 administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to

**Riverside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$97,861.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$97,861, \$94,423, and \$106,510, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

***State Teachers Retirement System (STRS)***

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary 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 Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, 2016 and 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

**Note 22 – Other Employee Benefits**

***Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service and hours worked. Teachers and most administrators do not earn vacation. The maximum vacation accumulation for classified employees is 10 days. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Teachers and administrators can accumulate sick leave up to a maximum of 300 days and classified staff up to a maximum of 269 days. Upon retirement and having been employed by the School District for at least ten years, all employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 67.25 days for classified employees and 62 days for certificated employees.

***Early Retirement Incentive***

The School District offered an early retirement incentive during fiscal year 2017. The incentive was available to all eligible State Teachers Retirement System (STRS) members enrolled in the Defined Benefit Plan. The School District limits the number of people for whom it purchases retirement incentive credit to not more than five percent of its employees who are STRS members enrolled in the Defined Benefit Plan on January 1, 2017. The School District had zero teachers participate for fiscal year 2017.

**Riverside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**Note 23 - Contingencies**

***Grants***

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

***School Foundation***

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

***Litigation***

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**Note 24 - Set Asides**

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

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

**Riverside Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

	Capital Improvements
Set Aside Balance as of June 30, 2016	\$0
Current Year Set-aside Requirement	730,775
Current Year Offsets	(2,063,623)
Qualifying Disbursements	(473,580)
Total	(\$1,806,428)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set Aside Balance as of June 30, 2017	\$0

**Note 25 – Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and it facilitates effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

<b>Governmental Funds</b>		<b>Enterprise Funds</b>	
General	\$383,426	Food Service	\$5,300
Building Improvement	\$1,286,894	Latchkey	40,630
Other Governmental Funds	1,808,416	<i>Total Enterprise Funds</i>	\$45,930
<i>Total Governmental Funds</i>	\$3,478,736		

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## Required Supplementary Information

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**Riverside Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the*  
*Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Four Fiscal Years (1)\**

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.1853860%	0.1889729%	0.1842430%	0.1842430%
School District's Proportionate Share of the Net Pension Liability	\$13,568,545	\$10,782,979	\$9,324,433	\$10,956,340
School District's Covered Payroll	\$5,961,186	\$5,707,879	\$5,353,725	\$5,251,046
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	227.61%	188.91%	174.17%	208.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

\*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.



**Riverside Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the*  
*Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Four Fiscal Years (1)\**

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.16103947%	0.15993150%	0.15925521%	0.15925521%
School District's Proportionate Share of the Net Pension Liability	\$53,904,765	\$44,200,389	\$38,736,379	\$46,142,521
School District's Covered-Employee Payroll	\$17,064,757	\$16,703,843	\$16,240,579	\$17,621,423
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	315.88%	264.61%	238.52%	261.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

\*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

**Riverside Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$825,924	\$834,566	\$752,298	\$742,026
Contributions in Relation to the Contractually Required Contribution	<u>(825,924)</u>	<u>(834,566)</u>	<u>(752,298)</u>	<u>(742,026)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$5,899,457	\$5,961,186	\$5,707,879	\$5,353,725
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$726,745	\$716,687	\$807,917	\$897,940	\$642,208	\$623,199
<u>(726,745)</u>	<u>(716,687)</u>	<u>(807,917)</u>	<u>(897,940)</u>	<u>(642,208)</u>	<u>(623,199)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,251,046	\$5,328,528	\$6,427,341	\$6,631,761	\$6,526,502	\$6,346,223
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**Riverside Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$2,454,505	\$2,389,066	\$2,338,538	\$2,111,275
Contributions in Relation to the Contractually Required Contribution	<u>(2,454,505)</u>	<u>(2,389,066)</u>	<u>(2,338,538)</u>	<u>(2,111,275)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$17,532,179	\$17,064,757	\$16,703,843	\$16,240,579
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
\$2,290,785	\$2,385,798	\$2,515,127	\$2,520,556	\$2,381,059	\$2,277,545
<u>(2,290,785)</u>	<u>(2,385,798)</u>	<u>(2,515,127)</u>	<u>(2,520,556)</u>	<u>(2,381,059)</u>	<u>(2,277,545)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$17,621,423	\$18,352,292	\$19,347,131	\$19,388,892	\$18,315,838	\$17,519,577
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**Riverside Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2017*

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**Changes in Assumptions - SERS**

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>Federal Grantor Pass Through Grantor Program Title</b>	<b>CFDA Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Agriculture:</u></b>		
<i>Passed Through Ohio Department of Education</i>		
Team Nutrition Grants	10.574	\$7,791
 <i>Child Nutrition Cluster:</i>		
School Breakfast Program	10.553	163,951
National School Lunch Program	10.555	547,253
National School Lunch Program - Non Cash Assistance		95,673
Total - National School Lunch Program		<u>642,926</u>
Total Child Nutrition Cluster		<u>806,877</u>
<b>Total - U.S. Department of Agriculture</b>		<b><u>814,668</u></b>
 <b><u>U.S. Department of Education</u></b>		
<i>Passed Through Ohio Department of Education</i>		
<i>Special Education Cluster:</i>		
Special Education: Preschool Grants	84.173	23,520
Special Education Grants to States	84.027	66,998
Total - Special Education Grants to States		<u>612,866</u>
Total - Special Education Cluster		<u>679,864</u>
Title I Grants to Local Educational Agencies	84.010	66,988
Total - Title I Grants to Local Educational Agencies		<u>348,693</u>
English Language Acquisition Grants	84.365	3,820
Total - English Language Acquisition Grants		<u>20,539</u>
Improving Teacher Quality State Grants	84.367	17,648
Total - Improving Teacher Quality State Grants		<u>89,185</u>
<b>Total - U.S. Department of Education</b>		<b><u>1,250,257</u></b>
<b>Total - Federal Assistance</b>		<b><u>\$ 2,064,925</u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Federal Awards Expenditures Schedule (the Schedule) includes the federal award activity of the Riverside Local School District, Lake County, Ohio (the District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE D – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.





# Dave Yost • Auditor of State

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

Riverside Local School District  
Lake County  
585 Riverside Drive  
Painesville, Ohio 44077

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Riverside Local School District, Lake County, Ohio (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 12, 2018.

### ***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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 12, 2018



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Riverside Local School District  
Lake County  
585 Riverside Drive  
Painesville, Ohio 44077

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Riverside Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Riverside Local School District's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Riverside Local School District, Lake County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 12, 2018

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster, CFDA 10.553 and 10.555.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

RIVERSIDE LOCAL SCHOOL DISTRICT

LAKE 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  
MARCH 1, 2018