RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY

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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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* We did not modify our opinion regarding this matter.

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 and other post-employment benefit liabilities and pension and other post-employment benefit 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 relates 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 January 16, 2019, 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.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

January 16, 2019

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, 2018. 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 increased in fiscal year 2018 due to a decrease in net pension liability due to changes in assumptions and benefit terms. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption.

- 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.

- The School District celebrated the groundbreaking of its two new elementary school buildings on May 22, 2018. Construction of these two new elementary schools is expected to be completed in time for the 2019-2020 school year.

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.

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 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 2018 compared to 2017.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and Other Assets	$85,466,418	$82,050,944	$347,725	$407,377	$85,814,143	$82,458,321
Capital Assets, Net	24,362,702	20,091,396	246,681	289,692	24,609,383	20,381,088
Total Assets	109,829,120	102,142,340	594,406	697,069	110,423,526	102,839,409
Deferred Outflows of Resources						
Pension	14,148,279	12,212,919	270,023	474,440	14,386,790	12,687,359
OPEB	477,734	90,312	11,568	7,549	489,302	97,861
Total Deferred Outflows of Resources	$14,626,013	$12,303,231	$281,591	$481,989	$14,876,092	$12,785,220

(continued)

Table 1
Net Position (continued)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Liabilities						
Current Liabilities	$7,426,779	$6,601,680	$140,229	$135,101	$7,567,008	$6,736,781
Long-Term Liabilities:						
Due Within One Year	508,493	1,313,932	9,484	10,057	517,977	1,323,989
Due In More Than One Year:						
Net Pension Liability	46,846,579	65,709,399	1,358,144	1,763,911	48,204,723	67,473,310
Net OPEB Liability	10,349,536	13,267,929	619,836	695,649	10,969,372	13,963,578
Other Amounts	41,022,803	41,334,026	81,582	68,793	41,104,385	41,402,819
Total Liabilities	106,154,190	128,226,966	2,209,275	2,673,511	108,363,465	130,900,477
Deferred Inflows of Resources						
Property Taxes	28,363,001	30,251,037	0	0	28,363,001	30,251,037
Pension	2,617,233	183,389	67,259	26,103	2,652,980	209,492
OPEB	1,462,091	0	89,868	0	1,551,959	0
Total Deferred Inflows of Resources	32,442,325	30,434,426	157,127	26,103	32,567,940	30,460,529
Net Position						
Net Investment in Capital Assets	19,780,085	18,320,414	246,681	289,692	20,026,766	18,610,106
Restricted for:						
Capital Projects	2,031,230	943,308	0	0	2,031,230	943,308
Debt Service	0	203,987	0	0	0	203,987
Unclaimed Monies	5,104	6,390	0	0	5,104	6,390
Other Purposes	454,687	554,862	0	0	454,687	554,862
Unrestricted (Deficit)	(36,412,488)	(64,244,782)	(1,737,086)	(1,810,248)	(38,149,574)	(66,055,030)
Total Net Position	($14,141,382)	($44,215,821)	($1,490,405)	($1,520,556)	($15,631,787)	($45,736,377)

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plans *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained previously, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating the net position at June 30, 2017, from ($31,870,660) to ($45,736,377).

Governmental total assets increased due to an increase in the property tax receivable and capital assets. Property tax receivables increased due to an increase in the amount available as advance from the County. The increase in capital assets is mainly due to the construction of two new elementary schools, new stadium turf and the purchase of buses.

Total liabilities decreased during fiscal year 2018, which is mainly attributable to the change in net pension liability. The decrease in net pension liability was due to changes in assumptions and benefit terms. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption.

Table 2 shows the changes in net position for fiscal year 2018 compared to 2017.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues						
Charges for Services and Sales	$1,878,086	$2,179,737	$1,105,035	$1,071,667	$2,983,121	$3,251,404
Operating Grants and Contributions	2,348,204	2,660,306	850,955	819,561	3,199,159	3,479,867
Capital Grants	61,317	136,510	0	0	61,317	136,510
Total Program Revenues	4,287,607	4,976,553	1,955,990	1,891,228	6,243,597	6,867,781
General Revenues						
Property Taxes	38,849,975	29,753,807	0	0	38,849,975	29,753,807
Grants and Entitlements	13,236,509	12,562,953	0	0	13,236,509	12,562,953
Unrestricted Contributions	1,567	0	0	0	1,567	0
Investment Earnings	595,094	230,365	3,300	0	598,394	230,365
Payment in Lieu of Taxes	151,725	142,744	0	0	151,725	142,744
Miscellaneous	490,323	418,161	0	0	490,323	418,161
Total General Revenues	53,325,193	43,108,030	3,300	0	53,328,493	43,108,030
Total Revenues	57,612,800	48,084,583	1,959,290	1,891,228	59,572,090	49,975,811
Program Expenses						
Instruction:						
Regular	4,367,470	23,355,055	0	0	4,367,470	23,355,055
Special	5,264,728	5,941,831	0	0	5,264,728	5,941,831
Vocational	171,170	73,266	0	0	171,170	73,266
Student Intervention Services	17,267	102,992	0	0	17,267	102,992
Support Services:						
Pupils	2,561,917	2,556,465	0	0	2,561,917	2,556,465
Instructional Staff	574,938	559,131	0	0	574,938	559,131
Board of Education	22,472	0	0	0	22,472	0
Administration	3,019,252	4,859,058	0	0	3,019,252	4,859,058
Fiscal	1,022,269	1,026,797	0	0	1,022,269	1,026,797
Business	112,721	38,472	0	0	112,721	38,472
Operation and Maintenance of Plant	4,184,657	5,509,837	0	0	4,184,657	5,509,837
Pupil Transportation	3,629,563	4,324,692	0	0	3,629,563	4,324,692
Central	336,042	412,935	0	0	336,042	412,935
Extracurricular Activities	630,329	683,344	0	0	630,329	683,344
Operation of Food Service	52,262	36,520	0	0	52,262	36,520
Operation of Non-Instructional Services	23,556	61,885	0	0	23,556	61,885
Interest and Fiscal Charges	1,547,748	428,771	0	0	1,547,748	428,771
Food Service	0	0	340,688	1,639,352	340,688	1,639,352
Latchkey	0	0	1,588,451	454,450	1,588,451	454,450
Total Program Expenses	27,538,361	49,971,051	1,929,139	2,093,802	29,467,500	52,064,853
Change in Net Position	30,074,439	(1,886,468)	30,151	(202,574)	30,104,590	(2,089,042)
Net Position Beginning of Year	(44,215,821)	N/A	(1,520,556)	N/A	(45,736,377)	N/A
Net Position End of Year	($14,141,382)	($44,215,821)	($1,490,405)	($1,520,556)	($15,631,787)	($45,736,377)

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $97,861 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $1,702,369. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2018 program expenses under GASB 75	$27,538,361	$1,929,139	$29,467,500
Negative (Positive) OPEB expense under GASB 75	1,723,973	(21,604)	1,702,369
2018 contractually required contribution	119,751	11,568	131,319
Adjusted 2018 program expenses	29,382,085	1,919,103	31,301,188
Total 2017 program expenses under GASB 45	49,971,051	2,093,802	52,064,853
Decrease in program expenses not related to OPEB	($20,588,966)	($174,699)	($20,763,665)

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 20) As a result of these changes, pension expense decreased from $5,508,966 in fiscal year 2017 to a negative pension expense of $15,156,157 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

	2018 Program Expenses Related to Negative Pension Expense		
	Governmental Activities	Business-Type Activities	Total
Instruction	($13,591,288)	$0	($13,591,288)
Support Services:			
Administration	(1,169,805)	0	(1,169,805)
Operation and Maintenance of Plant	(122,332)	0	(122,332)
Pupil Transportation	(220,200)	0	(220,200)
Food Service	0	(37,862)	(37,862)
Latchkey	0	(14,670)	(14,670)
Total Expenses	($15,103,625)	($52,532)	($15,156,157)

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 decreased due to a decrease in instruction and administration costs related to pensions. 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.

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 2018 compared to 2017.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2018		2017	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	$9,820,635	$6,578,899	$29,473,144	$25,633,738
Support Services:				
Pupils and Instructional Staff	3,136,855	2,860,584	3,115,596	2,900,780
Board of Education, Administration Fiscal and Business	4,176,714	3,982,077	5,924,327	5,691,796
Operation and Maintenance of Plant	4,184,657	4,123,161	5,509,837	5,372,372
Pupil Transportation	3,629,563	3,367,780	4,324,692	4,074,824
Central	336,042	304,408	412,935	387,287
Extracurricular Activities	630,329	417,333	683,344	449,197
Operation of Food Service	52,262	52,262	36,520	28,729
Operation of Non-Instructional Services	23,556	16,502	61,885	27,004
Interest and Fiscal Charges	1,547,748	1,547,748	428,771	428,771
Total	$27,538,361	$23,250,754	$49,971,051	$44,994,498

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 an increase in fund balance due to an increase in the amount available from the County for the property taxes receivable and an increase in cash and cash equivalents as a result of increased property taxes during the fiscal year. The School District more specifically saw this increase due to the collection of a new current expense levy. The building improvement fund had a decrease in fund balance due to some of the proceeds of the general obligation bonds being spent on the construction of two new elementary schools.

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 2018, 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 revenues as a better picture of actual receipts and awards became apparent.

The final budget appropriations were higher than the actual expenditures of the general fund. The change was attributed to lower spending than anticipated in special instruction and support services expenditures.

Capital Assets and Long-term Liabilities

Capital Assets

The increase in capital assets is due to current year capital asset purchases exceeding capital asset depreciation. In fiscal year 2018, capital asset additions included the construction of two new elementary schools, new stadium turf and the purchase of buses. For more information about the School District's capital assets, see Note 12 to the basic financial statements.

Other Long-term Obligations

The decrease in long-term obligations is due to general obligation bonds being paid down and the decrease of net pension and OPEB liabilities as a result of the changes in assumptions during the fiscal year. The School District's overall legal debt margin was $54,380,742 with an unvoted debt margin of $1,013,054. For more information about the School District's long-term obligations, see Note 14 to the basic financial statements.

School District Outlook

The School District recently completed five years of spending within current revenue on a cash basis, 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 took steps during fiscal year 2017 to reverse this trend and position itself for the future. 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 at the end of the 2018-2019 school year. 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, 2018, 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 4.49 mill substitute levy from 2009, a 2.50 mill permanent improvement levy from 2016, a 1.69 mill debt service levy from 2016 and a 4.90 mill levy from 2017. Due to House Bill 920 passed in 1976, with the purpose of preventing inflation from increasing voted taxes, the total effective millage for collection year 2018 is 36.60 mills for residential property. The School District continues to closely monitor its finances and strategically plan for the financial future.

After the elimination of Tangible Personal Property taxes (TPPT) by House Bill 66, House Bill 1 and Senate Bill 153, the State reimbursed the School District for the loss of this revenue stream. However, after several years, the State aggressively reduced this State reimbursement under the previous State biennium budget, which continued into the current biennium budget. This completely eliminated a $3 million revenue stream for the School District and placed a greater burden on local taxpayers. Starting in fiscal year 2018 and beyond, the School District will no longer receive any State reimbursement for the loss of tangible personal property taxes.

The State funding formula increased slightly in fiscal year 2018, but the burden of funding is still placed on local taxpayers. The State funding formula calculation starts at $6,010 per student in fiscal year 2018. With funding based on the average daily membership of 4,346 students, the State funding formula should generate $26,119,460 in fiscal year 2018. However, the State funding formula is then reduced based on various indexes such as the School District's property tax valuation per pupil and the median income of taxpayers in the School District compared to state averages. State funding for fiscal year 2018 was actually only $8,346,758 resulting in $1,921 per student. Direct deductions for community schools, open enrollment, post-secondary option and other deductions reduced the State funding in fiscal year 2018 to an unrestricted amount of $6,361,481 ($1,464 per student) for the School District to utilize in general operations. Overall enrollment is decreasing, which is included in projections for State funding.

The School District continues to address the challenging aspects of managing its limited resources and increasing expenditures with minimal impact to the classroom setting. The Board continues to assess the cost of personnel and benefits 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 any future levy requests, while providing a high quality education to the students of Riverside Local School District.

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.

Riverside Local School District

Statement of Net Position

June 30, 2018

	Governmental Activities	Business-Type Activities *	Total *
Assets			
Equity in Pooled Cash and Cash Equivalents	$47,097,439	$328,641	$47,426,080
Accrued Interest Receivable	52,189	0	52,189
Accounts Receivable	7,077	0	7,077
Intergovernmental Receivable	1,006,242	0	1,006,242
Inventory Held for Resale	0	11,825	11,825
Materials and Supplies Inventory	134,546	7,259	141,805
Property Taxes Receivable	37,168,925	0	37,168,925
Nondepreciable Capital Assets	6,465,235	0	6,465,235
Depreciable Capital Assets, Net	17,897,467	246,681	18,144,148
Total Assets	109,829,120	594,406	110,423,526
Deferred Outflows of Resources			
Pension	14,148,279	270,023	14,386,790
OPEB	477,734	11,568	489,302
Total Deferred Outflows of Resources	14,626,013	281,591	14,876,092
Liabilities			
Accounts Payable	393,886	5,430	399,316
Accrued Wages and Benefits	4,114,402	106,824	4,221,226
Contracts Payable	1,265,986	0	1,265,986
Retainage Payable	70,167	0	70,167
Intergovernmental Payable	1,148,268	27,975	1,176,243
Accrued Interest Payable	418,395	0	418,395
Matured Compensated Absences Payable	15,675	0	15,675
Long-Term Liabilities:			
Due Within One Year	508,493	9,484	517,977
Due in More Than One Year:			
Net Pension Liability (Note 20)	46,846,579	1,358,144	48,204,723
Net OPEB Liability (Note 21)	10,349,536	619,836	10,969,372
Other Amounts	41,022,803	81,582	41,104,385
Total Liabilities	106,154,190	2,209,275	108,363,465
Deferred Inflows of Resources			
Property Taxes	28,363,001	0	28,363,001
Pension	2,617,233	67,259	2,652,980
OPEB	1,462,091	89,868	1,551,959
Total Deferred Inflows of Resources	32,442,325	157,127	32,567,940
Net Position			
Net Investment in Capital Assets	19,780,085	246,681	20,026,766
Restricted for:			
Capital Projects	2,031,230	0	2,031,230
Unclaimed Monies	5,104	0	5,104
Other Purposes	454,687	0	454,687
Unrestricted (Deficit)	(36,412,488)	(1,737,086)	(38,149,574)
Total Net Position	($14,141,382)	($1,490,405)	($15,631,787)

* After deferred outflows of resources and deferred inflows of resources related to the change in internal proportionate share of pension/OPEB related items have been eliminated.

See accompanying notes to the basic financial statements

Riverside Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2018

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants
Governmental Activities				
Instruction:				
Regular	$4,367,470	$1,284,195	$15,533	$0
Special	5,264,728	347,171	1,589,225	0
Vocational	171,170	0	5,612	0
Student Intervention Services	17,267	0	0	0
Support Services:				
Pupils	2,561,917	0	20,286	0
Instructional Staff	574,938	0	255,985	0
Board of Education	22,472	0	0	0
Administration	3,019,252	25,964	168,673	0
Fiscal	1,022,269	0	0	0
Business	112,721	0	0	0
Operation and Maintenance of Plant	4,184,657	179	0	61,317
Pupil Transportation	3,629,563	0	261,783	0
Central	336,042	12,490	19,144	0
Extracurricular Activities	630,329	208,087	4,909	0
Operation of Non-Instructional Services:				
Food Service Operations	52,262	0	0	0
Other Non-Instructional Services	23,556	0	7,054	0
Interest and Fiscal Charges	1,547,748	0	0	0
Total Governmental Activities	27,538,361	1,878,086	2,348,204	61,317
Business-Type Activities				
Food Service	340,688	322,268	0	0
Latchkey	1,588,451	782,767	850,955	0
Total Business-Type Activities	1,929,139	1,105,035	850,955	0
Totals	$29,467,500	$2,983,121	$3,199,159	61,317

General Revenues

Property Taxes Levied for:

General Purposes

Debt Service

Capital Outlay

Educational Programs and Services

Grants and Entitlements not Restricted to Specific Programs

Unrestricted Contributions

Investment Earnings

Payment in Lieu of Taxes

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year - Restated (See Note 3)

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
($3,067,742)	$0	($3,067,742)
(3,328,332)	0	(3,328,332)
(165,558)	0	(165,558)
(17,267)	0	(17,267)
(2,541,631)	0	(2,541,631)
(318,953)	0	(318,953)
(22,472)	0	(22,472)
(2,824,615)	0	(2,824,615)
(1,022,269)	0	(1,022,269)
(112,721)	0	(112,721)
(4,123,161)	0	(4,123,161)
(3,367,780)	0	(3,367,780)
(304,408)	0	(304,408)
(417,333)	0	(417,333)
(52,262)	0	(52,262)
(16,502)	0	(16,502)
(1,547,748)	0	(1,547,748)
(23,250,754)	0	(23,250,754)
0	(18,420)	(18,420)
0	45,271	45,271
0	26,851	26,851
(23,250,754)	26,851	(23,223,903)
32,044,111	0	32,044,111
1,907,241	0	1,907,241
2,542,322	0	2,542,322
2,356,301	0	2,356,301
13,236,509	0	13,236,509
1,567	0	1,567
595,094	3,300	598,394
151,725	0	151,725
490,323	0	490,323
53,325,193	3,300	53,328,493
30,074,439	30,151	30,104,590
(44,215,821)	(1,520,556)	(45,736,377)
($14,141,382)	($1,490,405)	($15,631,787)

Riverside Local School District

Balance Sheet
Governmental Funds
June 30, 2018

	General	Building Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$9,106,767	$35,441,420	$2,544,148	$47,092,335
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	5,104	0	0	5,104
Accounts Receivable	5,584	0	1,493	7,077
Intergovernmental Receivable	368,260	0	637,982	1,006,242
Property Taxes Receivable	30,777,109	0	6,391,816	37,168,925
Interfund Receivable	101,536	0	0	101,536
Accrued Interest Receivable	0	52,189	0	52,189
Materials and Supplies Inventory	134,546	0	0	134,546
Total Assets	$40,498,906	$35,493,609	$9,575,439	$85,567,954
Liabilities				
Accounts Payable	$256,882	$0	$137,004	$393,886
Accrued Wages and Benefits	3,595,559	0	518,843	4,114,402
Contracts Payable	0	1,265,986	0	1,265,986
Retainage Payable	0	70,167	0	70,167
Intergovernmental Payable	1,139,926	0	8,342	1,148,268
Interfund Payable	0	0	101,536	101,536
Matured Compensated Absences Payable	15,675	0	0	15,675
Total Liabilities	5,008,042	1,336,153	765,725	7,109,920
Deferred Inflows of Resources				
Property Taxes	23,425,858	0	4,937,143	28,363,001
Unavailable Revenue	1,893,214	0	794,012	2,687,226
Total Deferred Inflows of Resources	25,319,072	0	5,731,155	31,050,227
Fund Balances:				
Nonspendable	139,650	0	0	139,650
Restricted	0	34,157,456	3,285,387	37,442,843
Committed	103,964	0	0	103,964
Assigned	235,182	0	12,500	247,682
Unassigned (Deficit)	9,692,996	0	(219,328)	9,473,668
Total Fund Balances	10,171,792	34,157,456	3,078,559	47,407,807
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$40,498,906	$35,493,609	$9,575,439	$85,567,954

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, 2018

Total Governmental Funds Balances		$47,407,807
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.		24,362,702
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	1,917,878	
Intergovernmental	759,281	
Tuition and Fees	10,067	
Total		2,687,226
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	14,148,279	
Deferred Outflows - OPEB	477,734	
Net Pension Liability	(46,846,579)	
Net OPEB Liability	(10,349,536)	
Deferred Inflows - Pension	(2,617,233)	
Deferred Inflows - OPEB	(1,462,091)	
Total		(46,649,426)
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.		(418,395)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(40,069,675)	
Capital Lease Payable	(395,079)	
Compensated Absences	(1,066,542)	
Total		(41,531,296)
Net Position of Governmental Activities		($14,141,382)

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, 2018

	General	Building Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	$31,798,515	$0	$6,814,751	$38,613,266
Intergovernmental	13,948,844	0	1,247,413	15,196,257
Interest	111,671	451,900	31,523	595,094
Tuition and Fees	1,582,300	0	0	1,582,300
Extracurricular Activities	77,453	0	208,087	285,540
Rentals	179	0	0	179
Contributions and Donations	30,987	0	4,909	35,896
Payment in Lieu of Taxes	151,725	0	0	151,725
Miscellaneous	370,009	44,021	76,293	490,323
Total Revenues	48,071,683	495,921	8,382,976	56,950,580
Expenditures				
Current:				
Instruction:				
Regular	16,063,715	0	2,612,795	18,676,510
Special	4,462,457	0	825,096	5,287,553
Vocational	158,844	0	0	158,844
Student Intervention Services	3,138,704	0	0	3,138,704
Support Services:				
Pupils	2,512,972	0	57,732	2,570,704
Instructional Staff	391,462	0	188,623	580,085
Board of Education	23,755	0	0	23,755
Administration	4,499,378	0	152,901	4,652,279
Fiscal	980,049	0	43,476	1,023,525
Business	109,779	0	0	109,779
Operation and Maintenance of Plant	3,819,109	0	982,472	4,801,581
Pupil Transportation	3,837,407	0	676,510	4,513,917
Central	322,454	0	40,289	362,743
Extracurricular Activities	354,559	0	362,970	717,529
Operation of Non-Instructional Services:				
Food Service Operations	38,407	0	0	38,407
Other Non-Instructional Services	8,557	0	14,999	23,556
Capital Outlay	0	3,729,592	0	3,729,592
Debt Service:				
Principal Retirement	214,904	0	913,879	1,128,783
Interest and Fiscal Charges	39,070	0	1,521,897	1,560,967
Total Expenditures	40,975,582	3,729,592	8,393,639	53,098,813
Excess of Revenues Over (Under) Expenditures	7,096,101	(3,233,671)	(10,663)	3,851,767
Other Financing Sources (Uses)				
Transfers In	0	0	25,120	25,120
Transfers Out	(25,120)	0	0	(25,120)
Total Other Financing Sources (Uses)	(25,120)	0	25,120	0
Net Change in Fund Balances	7,070,981	(3,233,671)	14,457	3,851,767
Fund Balances Beginning of Year	3,100,811	37,391,127	3,064,102	43,556,040
Fund Balances End of Year	$10,171,792	$34,157,456	$3,078,559	$47,407,807

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, 2018

Net Change in Fund Balances - Total Governmental Funds		$3,851,767
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	5,782,134	
Current Year Depreciation	(1,507,803)	
Total		4,274,331
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.		(3,025)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	236,709	
Intergovernmental	415,444	
Tuition and Fees	10,067	
Total		662,220
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.		1,128,783
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued Interest	(35,576)	
Amortization of Bond Premiums	48,795	
Total		13,219
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.		(60,916)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:		
Pension	3,260,711	
OPEB	119,751	
Total		3,380,462
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities:		
Pension	15,103,625	
OPEB	1,723,973	
Total		16,827,598
Change in Net Position of Governmental Activities		$30,074,439

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, 2018

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	$26,946,389	$27,895,920	$27,895,920	$0
Intergovernmental	12,642,217	13,531,570	14,040,577	509,007
Interest	30,000	100,000	111,671	11,671
Tuition and Fees	1,430,532	1,605,402	1,679,228	73,826
Rentals	800	0	179	179
Contributions and Donations	0	1,000	1,567	567
Payment in Lieu of Taxes	151,725	151,725	151,725	0
Miscellaneous	124,991	226,407	259,630	33,223
Total Revenues	41,326,654	43,512,024	44,140,497	628,473
Expenditures				
Current:				
Instruction:				
Regular	20,218,423	19,623,613	19,504,425	119,188
Special	4,769,149	4,979,734	4,497,678	482,056
Vocational	75,292	131,992	131,148	844
Student Intervention Services	106,598	17,298	17,267	31
Support Services:				
Pupils	2,694,442	2,622,697	2,522,988	99,709
Instructional Staff	349,241	406,831	383,861	22,970
Board of Education	28,302	28,302	23,755	4,547
Administration	4,391,810	4,577,714	4,472,505	105,209
Fiscal	1,138,019	1,038,633	988,577	50,056
Business	40,000	109,100	106,041	3,059
Operation and Maintenance of Plant	3,877,764	3,976,237	3,849,139	127,098
Pupil Transportation	4,229,300	4,093,658	3,906,031	187,627
Central	297,349	319,025	287,674	31,351
Extracurricular Activities	390,888	409,143	371,146	37,997
Operation of Non-Instructional Services:				
Food Service Operations	29,543	37,743	36,418	1,325
Other Non-Instructional Services	20,220	9,620	9,014	606
Debt Service:				
Principal Retirement	50,736	50,736	50,736	0
Interest and Fiscal Charges	29,492	29,492	29,440	52
Total Expenditures	42,736,568	42,461,568	41,187,843	1,273,725
Excess of Revenues Over (Under) Expenditures	(1,409,914)	1,050,456	2,952,654	1,902,198
Other Financing Sources (Uses)				
Advances In	0	512,763	512,763	0
Advances Out	(100,000)	(375,000)	(476,536)	(101,536)
Transfers Out	(50,000)	(50,000)	(25,120)	24,880
Total Other Financing Sources (Uses)	(150,000)	87,763	11,107	(76,656)
Net Change in Fund Balance	(1,559,914)	1,138,219	2,963,761	1,825,542
Fund Balance Beginning of Year	4,990,555	4,990,555	4,990,555	0
Prior Year Encumbrances Appropriated	383,426	383,426	383,426	0
Fund Balance End of Year	$3,814,067	$6,512,200	$8,337,742	$1,825,542

See accompanying notes to the basic financial statements

Riverside Local School District

Statement of Fund Net Position

Enterprise Funds

June 30, 2018

	Nonmajor Enterprise Funds
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$328,641
Inventory Held for Resale	11,825
Materials and Supplies Inventory	7,259
Total Current Assets	347,725
Noncurrent Assets:	
Depreciable Capital Assets, Net	246,681
Total Assets	594,406
Deferred Outflows of Resources	
Pension	284,659
OPEB	11,568
Total Deferred Outflows of Resources	296,227
Liabilities	
Current Liabilities:	
Accounts Payable	5,430
Accrued Wages and Benefits	106,824
Intergovernmental Payable	27,975
Compensated Absences Payable	9,484
Total Current Liabilities	149,713
Long-Term Liabilities (net of current portion):	
Compensated Absences Payable	81,582
Net Pension Liability	1,358,144
Net OPEB Liability	619,836
Total Long-Term Liabilities	2,059,562
Total Liabilities	2,209,275
Deferred Inflows of Resources	
Pension	81,895
OPEB	89,868
Total Deferred Inflows of Resources	171,763
Net Position	
Investment in Capital Assets	246,681
Unrestricted (Deficit)	(1,737,086)
Total Net Position	($1,490,405)

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, 2018

	Nonmajor Enterprise Funds
Operating Revenues	
Charges for Services	$1,105,035
Operating Expenses	
Salaries	774,941
Fringe Benefits	265,398
Purchased Services	108,121
Materials and Supplies	721,545
Depreciation	59,134
Total Operating Expenses	1,929,139
Operating Income (Loss)	(824,104)
Non-Operating Revenues (Expenses)	
Operating Grants	850,955
Interest	3,300
Total Operating Revenues (Expenses)	854,255
Change in Net Position	30,151
Net Position Beginning of Year - Restated (See Note 3)	(1,520,556)
Net Position End of Year	($1,490,405)

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, 2018

	Nonmajor Enterprise Funds
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	$1,105,035
Cash Payments to Employees for Services	(759,873)
Cash Payments for Employee Benefits	(416,201)
Cash Payments to Suppliers for Goods and Services	(808,725)
Net Cash Provided by (Used for) Operating Activities	(879,764)
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	850,955
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	(16,123)
Cash Flows from Investing Activities	
Interest on Investments	3,300
Net Increase (Decrease) in Cash and Cash Equivalents	(41,632)
Cash and Cash Equivalents Beginning of Year	370,273
Cash and Cash Equivalents End of Year	$328,641
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Loss	($824,104)
Adjustments:	
Depreciation	59,134
(Increase) Decrease in Assets:	
Inventory Held for Resale	16,262
Materials and Supplies Inventory	1,758
Deferred Outflow - Pension	162,476
Deferred Outflow - OPEB	(4,019)
Increase (Decrease) in Liabilities:	
Accounts Payable	(5,488)
Accrued Wages	2,852
Compensated Absences Payable	12,216
Intergovernmental Payable	7,764
Net Pension Liability	(210,823)
Net OPEB Liability	46,431
Deferred Inflow - Pension	(111,847)
Deferred Inflow - OPEB	(32,376)
Total Adjustments	(55,660)
Net Cash Provided by (Used for) Operating Activities	($879,764)

See accompanying notes to the basic financial statements

Riverside Local School District

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2018

Assets	
Equity in Pooled Cash and Cash Equivalents	$54,937
Cash and Cash Equivalents in Segregated Accounts	9,949
Total Assets	$64,886
Liabilities	
Due to Students	$54,937
Due to Employees	9,949
Total Liabilities	$64,886

See accompanying notes to the basic financial statements

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 220 classified employees and 269 certificated employees who provide services to 4,093 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.

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.

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.

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 and OPEB plans are explained in Notes 20 and 21.

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, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 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, intergovernmental grants and tuition and fees. 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 and OPEB plans are reported on the government-wide statement of net position (See Notes 20 and 21).

Pensions/Other Postemployment Benefits (OPEB) For purposes of measuring the net pension/OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension/OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans 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 2018, investments were limited to STAR Ohio, a money market account, negotiable certificates of deposit, a treasury bill, commercial paper, federal farm credit bank bonds, federal national mortgage association bonds, federal home loan bank bonds, and federal home loan mortgage corporation notes.

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 fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates; however, twenty-four hours advance notice is appreciated for deposits and withdrawals of $25 million or more. STAR Ohio reserves the right to limit the transactions to $100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $100 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 building improvement capital projects fund during fiscal year 2018 amounted to $451,900, of which $4,084 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.

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.

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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due. Net pension/OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

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.

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund loans which do not represent available expendable resources are classified as nonspendable fund balance. Interfund balance amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as interfund balances.

Deferred outflows and resources and deferred inflows of resources from the change in internal proportionate share related to pension/OPEB items are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position.

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.

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 public school support.

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 extracurricular activities, special instruction grants, limited English proficiency, and support services grants.

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.

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 and Restatement of Net Position

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

	Governmental Activities	Business-Type Activities	Total
Net Position June 30, 2017	($31,038,204)	($832,456)	($31,870,660)
Adjustments:			
Net OPEB Liability	(13,267,929)	(695,649)	(13,963,578)
Deferred Outflow - Payments Subsequent to Measurement Date	90,312	7,549	97,861
Restated Net Position June 30, 2017	($44,215,821)	($1,520,556)	($45,736,377)

	Nonmajor Enterprise Funds
Net Position June 30, 2017	($832,456)
Adjustments:	
Net OPEB Liability	(695,649)
Deferred Outflow - Payments Subsequent to Measurement Date	7,549
Restated Net Position June 30, 2017	($1,520,556)

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

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).

2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

3. Advances in/out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

4. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).

5. 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	$7,070,981
Net Adjustment for Revenue Accruals	(4,148,661)
Advances In	512,763
Perspective Difference:	
Public School Support	12,118
Net Adjustment for Expenditure Accruals	538,026
Advances Out	(476,536)
Encumbrances	(544,930)
Budget Basis	$2,963,761

Note 5 – Accountability

Fund balances at June 30, 2018, included the following individual fund deficits:

Special Revenue Funds	
Joint Financing District	$56,088
Auxiliary Services	2
Early Literacy Reading	2,284
Title VI-B	88,522
Title III	3,484
Title I	64,886
Title II-A	4,062

The special revenue funds' deficit balances for joint financing district, auxiliary services, title VI-B, title III and title I 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.

The special revenue funds' deficit balances for early literacy reading and title II-A resulted from an interfund payable in each of the funds. The general fund provides money to operate the program until grants and other monies are received and the advance can be repaid.

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 as follows:

Fund Balances	General	Building Improvement	Other Governmental Funds	Total
Nonspendable				
Materials and Supplies Inventory	$134,546	$0	$0	$134,546
Unclaimed Monies	5,104		0	5,104
Total Nonspendable	139,650	0	0	139,650
Restricted for				
Capital Projects	0	34,157,456	1,403,376	35,560,832
Other Purposes	0	0	1,882,011	1,882,011
Total Restricted	0	34,157,456	3,285,387	37,442,843
Committed to				
Educational Services	103,964	0	0	103,964
Assigned to				
Capital Projects	0	0	12,500	12,500
Public School Support	227,175	0	0	227,175
Purchases on Order:				
Support Services	8,007	0	0	8,007
Total Assigned	235,182	0	12,500	247,682
Unassigned (Deficit)	9,692,996	0	(219,328)	9,473,668
Total Fund Balances	$10,171,792	$34,157,456	$3,078,559	$47,407,807

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.

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, the 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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio); and

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time 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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of a 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 June 30, 2018, $629,816 of the School District's total bank balance of $1,773,270 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The School District's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

> Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

Investments are reported at fair value. As of June 30, 2018, 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	$10,510,956	Average 48.9 Days		N/A
Fair Value - Level One Inputs				
Money Market Fund	27,068	Less than One Years	AA+	N/A
Fair Value - Level Two Inputs				
Negotiable Certificates of Deposit	3,168,295	Less than One Years	AA+	6.90 %
Treasury Bill	262,300	Less than One Years	AA+	N/A
Commercial Paper	16,922,555	Less than One Years	AA+	36.86
Federal Farm Credit Bank Bonds	494,545	Less than One Years	AA+	N/A
Federal National Mortgage Association Bonds	4,182,617	Less than One Years	AA+	9.11
Federal Home Loan Bank Bonds	5,371,789	Less than One Years	AA+	11.70
Federal Home Loan Mortgage Corporation Notes	4,968,230	Less than One Years	AA+	10.82
Total Fair Value - Level Two Inputs	35,370,331			
Total Investments	$45,908,355			

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, 2018. 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.

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, 2018, consisted of taxes, intergovernmental grants and tuition and fees. 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:

	Amounts
Title VI-B Grant	$331,233
Medicaid Rebate	220,326
Title I Grant	191,679
Worker's Compensation Rebate	125,638
Improving Teacher Quality Grant	85,848
State of Ohio	21,641
Title III Grant	11,798
Miscellaneous Federal Grants	11,057
Early Childhood Special Education Grant	4,083
Students with Disabilities Grant	2,284
Miscellaneous	655
Total	$1,006,242

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 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, 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 2018 represent the collection of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, 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.

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, 2018, are available to finance fiscal year 2018 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, 2018 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, 2018, was $5,683,653 in the general fund, $286,413 in the joint financing district special revenue fund, $370,783 in the bond retirement fund and $547,197 in the permanent improvement capital projects fund. 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 assessed values upon which the fiscal year 2018 taxes were collected are as follows:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	$952,144,840	96.96%	$963,672,210	95.13%
Public Utility Personal	29,877,430	3.04	49,381,520	4.87
Total	$982,022,270	100.00%	$1,013,053,730	100.00%
Full Tax Rate per $1,000 of assessed valuation	$56.31		$60.88	

The tax rate increased due to a new current expense levy of $4.90 per $1,000 of assessed valuation, which was offset by a decrease in other tax rates due to an increase in property tax values in the School District during fiscal year 2018. The increase in property tax values caused the tax rate to decrease so that the substitute and bond levies would meet their collection amounts.

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 2018 Taxes Abated
Community Reinvestment Act:	
The City of Painesville	$91,735

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, 2018 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, 2018, was as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Capital Assets not being Depreciated:				
Land	$2,152,174	$0	$0	$2,152,174
Construction in Progress	655,498	4,480,672	(823,109)	4,313,061
Total Capital Assets not being Depreciated	2,807,672	4,480,672	(823,109)	6,465,235
Capital assets being Depreciated:				
Land Improvements	2,684,626	884,207	(16,389)	3,552,444
Buildings and Improvements	23,378,661	249,045	0	23,627,706
Furniture and Fixtures	5,544,142	323,359	(3,995)	5,863,506
Vehicles	4,961,206	667,960	(418,307)	5,210,859
Total Capital Assets being Depreciated	36,568,635	2,124,571	(438,691)	38,254,515
Less Accumulated Depreciation:				
Land Improvements	(1,790,521)	(108,647)	14,750	(1,884,418)
Buildings and Improvements	(10,014,877)	(807,330)	0	(10,822,207)
Furniture and Fixtures	(4,174,591)	(280,617)	3,496	(4,451,712)
Vehicles	(3,304,922)	(311,209)	417,420	(3,198,711)
Total Accumulated Depreciation	(19,284,911)	(1,507,803) *	435,666	(20,357,048)
Depreciable Capital Assets, Net of Accumulated Depreciation	17,283,724	616,768	(3,025)	17,897,467
Governmental Activities Capital Assets, Net	$20,091,396	$5,097,440	($826,134)	$24,362,702
Business-Type Activities				
Buildings and Improvements	$75,152	$3,943	$0	$79,095
Furniture and Fixtures	789,650	12,180	(4,000)	797,830
Total Capital Assets being Depreciated	864,802	16,123	(4,000)	876,925
Less Accumulated Depreciation:				
Buildings and Improvements	(11,322)	(7,910)	0	(19,232)
Furniture and Fixtures	(563,788)	(51,224)	4,000	(611,012)
Total Accumulated Depreciation	(575,110)	(59,134)	4,000	(630,244)
Business-Type Activities Capital Assets, Net	$289,692	($43,011)	$0	$246,681

* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	$232,595
Special	1,597
Support Services	
Pupils	707
Board of Education	1,144
Administration	56,774
Fiscal	1,298
Operation and Maintenance of Plant	789,042
Pupil Transportation	298,830
Central	9,345
Operation of Food Service	13,178
Extracurricular Activities	103,293
Total Depreciation Expense	$1,507,803

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 were retired on October 1, 2017 from the permanent improvement capital projects fund.

Note 14 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2018 were as follows:

	Principal Outstanding June 30, 2017	Additions	Deductions	Principal Outstanding June 30, 2018	Amount Due in One Year
Governmental Activities					
2017 School Construction and Improvement Bonds					
Series A & B					
Serial Bonds	$330,000	$0	($330,000)	$0	$0
Term Bonds	29,065,000	0	0	29,065,000	10,000
Premium	1,150,975	0	(31,107)	1,119,868	0
Series C					
Serial Bonds	3,260,000	0	(350,000)	2,910,000	100,000
Term Bonds	5,845,000	0	0	5,845,000	0
Premium	371,448	0	(17,688)	353,760	0
Total 2017 School Construction and Improvement Bonds	40,022,423	0	(728,795)	39,293,628	110,000
2015 School Energy Conservation Improvement Bonds 3.68%	826,783	0	(50,736)	776,047	52,603
Total General Obligation Bonds	$40,849,206	$0	($779,531)	$40,069,675	$162,603

(continued)

	Principal Outstanding June 30, 2017	Additions	Deductions	Principal Outstanding June 30, 2018	Amount Due in One Year
Governmental Activities (continued)					
Other Long-term Obligations					
Net Pension Liability					
STRS	$53,904,765	$0	($16,147,312)	$37,757,453	$0
SERS	11,804,634	0	(2,715,508)	9,089,126	0
Total Net Pension Liability	65,709,399	0	(18,862,820)	46,846,579	0
Net OPEB Liability					
STRS	8,612,433	0	(2,411,031)	6,201,402	0
SERS	4,655,496	0	(507,362)	4,148,134	0
Total Net OPEB Liability	13,267,929	0	(2,918,393)	10,349,536	0
Capital Leases	793,126	0	(398,047)	395,079	154,131
Compensated Absences	1,005,626	300,407	(239,491)	1,066,542	191,759
Total Other Long-term Obligations	80,776,080	300,407	(22,418,751)	58,657,736	345,890
Total Governmental Activities Long-Term Liabilities	$121,625,286	$300,407	($23,198,282)	$98,727,411	$508,493
Business-Type Activities					
Net Pension Liability					
SERS	$1,763,911	$0	($405,767)	$1,358,144	$0
Net OPEB Liability					
SERS	695,649	0	(75,813)	619,836	0
Compensated Absences	78,850	22,273	(10,057)	91,066	9,484
Total Business-Type Activities Long-Term Liabilities	$2,538,410	$22,273	($491,637)	$2,069,046	$9,484

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. As of June 30, 2018, $5,020,032 has been spent on construction.

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.

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:

	Issue					
Year	$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
Total Mandatory Sinking Fund Payments	5,000	5,000	20,000	60,000	20,000	120,000
Amount Due at Stated Maturity	5,000	20,000	5,000	50,000	5,000	75,000
Total	$10,000	$25,000	$25,000	$110,000	$25,000	$195,000
Stated Maturity	10/1/2019	10/1/2021	10/1/2022	10/1/2024	10/1/2027	10/1/2027

	Issue					
Year	$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
Total Mandatory Sinking Fund Payments	420,000	200,000	680,000	5,070,000	2,930,000	930,000
Amount Due at Stated Maturity	135,000	75,000	200,000	775,000	1,075,000	275,000
Total	$555,000	$275,000	$880,000	$5,845,000	$4,005,000	$1,205,000
Stated Maturity	10/1/2032	10/1/2037	10/1/2037	10/1/2037	10/1/2042	10/1/2042

	Issue			
Year	$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	$6,555,000	$1,680,000	$10,765,000	$2,755,000
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, 2018, was $54,380,742 with an unvoted debt margin of $1,013,054. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2018, are as follows:

	General Obligation Bonds					
Fiscal Year	Serial		Term		Total	
Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
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	220,784	296,315	30,000	1,288,825	250,784	1,585,140
2024 - 2028	2,139,165	1,274,282	305,000	6,421,850	2,444,165	7,696,132
2029 - 2033	633,783	197,966	2,850,000	6,942,232	3,483,783	7,140,198
2034 - 2038	0	0	4,705,000	6,478,297	4,705,000	6,478,297
2039 - 2043	0	0	5,210,000	5,526,500	5,210,000	5,526,500
2044 - 2048	0	0	8,235,000	3,785,375	8,235,000	3,785,375
2049 - 2053	0	0	10,975,000	1,650,700	10,975,000	1,650,700
2054	0	0	2,545,000	50,900	2,545,000	50,900
Total	$3,686,047	$3,028,527	$34,910,000	$37,305,756	$38,596,047	$40,334,283

Compensated absences will be paid from the general fund, joint financing district and title VI-B 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 and the net OPEB liability; however, employer pension and OPEB plan contributions are made from the following funds: general fund and food service and latchkey enterprise funds. For additional information related to the net pension liability and net OPEB liability see Notes 20 and 21, respectively.

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	(929,638)
Current Book Value	$2,634,055

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, 2018.

Fiscal Year Ending June 30,	Governmental Activities
2019	$164,305
2020	164,304
2021	84,742
Total Minimum Lease Payments	413,351
Less: Amount Representing Interest	(18,272)
Present Value of Net Minimum Lease Payments	$395,079

Note 16 - Interfund Transactions

Interfund Balances

Interfund balances at June 30, 2018, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable General
Other Governmental Funds:	
Early Literacy Reading	$2,284
Title VI-B	54,176
Title III	2,042
Title 1	34,346
Early Childhood Special Ed IDEA	4,083
Reducing Class Size	4,580
Miscellaneous Federal Grants	25
Total	$101,536

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 $25,120 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 twenty-two 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 2018, the School District paid $242,152 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 241 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 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 2018, the School District paid $2,303 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 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 2018, 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.

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

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions/OPEB 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/OPEB liabilities represent the School District's proportionate share of each pension/OPEB plans' collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plans' fiduciary net position. The net pension/OPEB liabilities 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 these estimates 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 and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liabilities. Resulting adjustments to the net pension/OPEB liabilities would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liabilities* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contributions outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 21 for the required OPEB disclosures.

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 under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on 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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was $828,167 for fiscal year 2018. Of this amount $132,538 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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. 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 goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS 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, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was $2,540,206 for fiscal year 2018. Of this amount $383,980 is reported as an intergovernmental payable.

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, 2017, 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:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.18538600%	0.16103947%	
Proportion of the Net Pension Liability Current Measurement Date	0.17485620%	0.15894385%	
Change in Proportionate Share	-0.01052980%	-0.00209562%	
Proportionate Share of the Net Pension Liability	$10,447,270	$37,757,453	$48,204,723
Pension Expense	($541,871)	($14,614,286)	($15,156,157)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$449,615	$1,458,016	$1,907,631
Changes of assumptions	540,236	8,257,970	8,798,206
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	75,784	236,796	312,580
School District contributions subsequent to the measurement date	828,167	2,540,206	3,368,373
Total Deferred Outflows of Resources	$1,893,802	$12,492,988	$14,386,790
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$304,310	$304,310
Net difference between projected and actual earnings on pension plan investments	49,591	1,246,040	1,295,631
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	552,239	500,800	1,053,039
Total Deferred Inflows of Resources	$601,830	$2,051,150	$2,652,980

$3,368,373 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	$253,207	$1,663,954	$1,917,161
2020	425,844	3,358,998	3,784,842
2021	28,299	2,344,276	2,372,575
2022	(243,545)	534,404	290,859
Total	$463,805	$7,901,632	$8,365,437

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, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the 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. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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 average 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. 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	$14,498,098	$10,447,270	$7,053,878

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, 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 July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. 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:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. 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 that 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. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$54,124,023	$37,757,453	$23,971,070

Note 21 – Defined Benefit OPEB Plans

See Note 20 for a description of the net OPEB liability.

Plan Description – School Employees Retirement System (SERS)

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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. 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 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. 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 2018, the School District's surcharge obligation was $100,646.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $131,319 for fiscal year 2018. Of this amount $103,377 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. 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 postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to postemployment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.18773510%	0.16103947%	
Proportion of the Net OPEB Liability Current Measurement Date	0.17766160%	0.15894385%	
Change in Proportionate Share	-0.01007350%	-0.00209562%	
Proportionate Share of the Net OPEB Liability	$4,767,970	$6,201,402	$10,969,372
OPEB Expense	$205,975	($1,908,344)	($1,702,369)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$0	$357,983	$357,983
School District Contributions Subsequent to the Measurement Date	131,319	0	131,319
Total Deferred Outflows of Resources	$131,319	$357,983	$489,302
Deferred Inflows of Resources			
Changes of Assumptions	$452,456	$499,543	$951,999
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	12,591	265,063	277,654
Changes in Proportionate Share and Difference between School District Contributions and Proportionate Share of Contributions	226,242	96,064	322,306
Total Deferred Inflows of Resources	$691,289	$860,670	$1,551,959

$131,319 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($249,053)	($105,870)	($354,923)
2020	(249,053)	(105,870)	(354,923)
2021	(190,034)	(105,870)	(295,904)
2022	(3,149)	(105,872)	(109,021)
2023	0	(39,605)	(39,605)
Thereafter	0	(39,600)	(39,600)
Total	($691,289)	($502,687)	($1,193,976)

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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 OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented as follows:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 20.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017, was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017, was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the School District's proportionate share of the net OPEB liability of SERS and what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what the School District's proportionate share of the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.5 percent decreasing to 4.0 percent) and higher (8.5 percent decreasing to 6.0 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's Proportionate Share of the Net OPEB Liability	$5,757,932	$4,767,970	$3,983,669

	1% Decrease (6.5% decreasing to 4.0%)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
School District's Proportionate Share of the Net OPEB Liability	$3,868,851	$4,767,970	$5,957,971

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented as follows:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 20.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036, and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the School District's proportionate share of the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the School District's proportionate share of the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's Proportionate Share of the Net OPEB Liability	$8,325,283	$6,201,402	$4,522,843

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$4,308,469	$6,201,402	$8,692,725

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 2018. 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, 2018. The School District had no teachers participate for fiscal year 2018.

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, 2018, 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.

ODE has finalized the impact of enrollment adjustments as of June 30, 2018 foundation funding for the School District as a result the impact of enrollment adjustments to the June 30, 2018 foundation funding for the School District and as a result, a receivable to and a liability of the School District has not been recorded.

Litigation

The School District is not a party to legal proceedings.

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.

	Capital Improvements
Set Aside Balance as of June 30, 2017	$0
Current Year Set-aside Requirement	736,978
Current Year Offsets	(2,529,421)
Qualifying Disbursements	(412,953)
Total	($2,205,396)
Set-aside Balance Carried Forward to Future Fiscal Years	$0
Set Aside Balance as of June 30, 2018	$0

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

Note 25 – Significant Commitments

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:

Governmental Funds		**Enterprise Funds**	
General	$544,930	*Nonmajor Enterprise Funds*	$26,427
Building Improvement	34,291,884		
Other Governmental Funds	152,178		
Total Governmental Funds	$34,988,992		

Contractual Commitments

At June 30, 2018, the School District's significant contractual commitments consisted of the following:

	Contract Amount	Amount Paid	Remaining Amount
Concord Elementary			
Fanning/Howey	$1,054,373	$763,647	$290,726
Icon Construction	17,181,850	366,331	16,815,519
Kramer	13,125	3,281	9,844
Terracon	63,668	0	63,668
Stan	42,550	4,255	38,295
	18,355,566	1,137,514	17,218,052
Madison Elementary			
Fanning/Howey	1,054,373	763,647	290,726
Icon Construction	17,191,258	577,032	16,614,226
Kramer	8,775	2,194	6,581
Terracon	63,668	3,113	60,555
Stan	42,550	4,255	38,295
	18,360,624	1,350,241	17,010,383
	$36,716,190	$2,487,755	$34,228,435

All of the remaining commitment amounts were encumbered at fiscal year end.

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 Five Fiscal Years (1) **

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.17485620%	0.18538600%	0.18897290%	0.18424300%	0.18424300%
School District's Proportionate Share of the Net Pension Liability	$10,447,270	$13,568,545	$10,782,979	$9,324,433	$10,956,340
School District's Covered Payroll	$5,899,457	$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	177.09%	227.61%	188.91%	174.17%	208.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 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.

See accompanying notes to the Required Supplementary Information

Riverside Local School District, Ohio

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
*Last Two Fiscal Years (1) **

	2018	2017
School District's Proportion of the Net OPEB Liability	0.17766160%	0.18773510%
School District's Proportionate Share of the Net OPEB Liability	$4,767,970	$5,351,145
School District's Covered Payroll	$5,899,457	$5,961,186
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	80.82%	89.77%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 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.

See accompanying notes to the Required Supplementary Information

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 Five Fiscal Years (1) **

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.15894385%	0.16103947%	0.15993150%	0.15925521%	0.15925521%
School District's Proportionate Share of the Net Pension Liability	$37,757,453	$53,904,765	$44,200,389	$38,736,379	$46,142,521
School District's Covered Payroll	$17,532,179	$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 Payroll	215.36%	315.88%	264.61%	238.52%	261.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 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.

See accompanying notes to the Required Supplementary Information

Riverside Local School District, Ohio

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio
*Last Two Fiscal Years (1) **

	2018	2017
School District's Proportion of the Net OPEB Liability	0.15894385%	0.16103947%
School District's Proportionate Share of the Net OPEB Liability	$6,201,402	$8,612,433
School District's Covered Payroll	$17,532,179	$17,064,757
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.37%	50.47%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 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.

See accompanying notes to the Required Supplementary Information

Riverside Local School District, Ohio

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

	2018	2017	2016	2015
Net Pension Liability:				
Contractually Required Contribution	$828,167	$825,924	$834,566	$752,298
Contributions in Relation to the Contractually Required Contribution	(828,167)	(825,924)	(834,566)	(752,298)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$6,134,570	$5,899,457	$5,961,186	$5,707,879
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%
Net OPEB Liability:				
Contractually Required Contribution (2)	$131,319	$97,861	$94,423	$145,351
Contributions in Relation to the Contractually Required Contribution	(131,319)	(97,861)	(94,423)	(145,351)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	2.14%	1.66%	1.58%	2.55%
Total Contributions as a Percentage of Covered Payroll (2)	15.64%	15.66%	15.58%	15.73%

(1) The School District's covered payroll is the same for Pension and OPEB.
(2) Includes Surcharge

See accompanying notes to the Required Supplementary Information

2014	2013	2012	2011	2010	2009
$742,026	$726,745	$716,687	$807,917	$897,940	$642,208
(742,026)	(726,745)	(716,687)	(807,917)	(897,940)	(642,208)
$0	$0	$0	$0	$0	$0
$5,353,725	$5,251,046	$5,328,528	$6,427,341	$6,631,761	$6,526,502
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
$97,678	$98,585	$108,542	$183,990	$137,704	$383,611
(97,678)	(98,585)	(108,542)	(183,990)	(137,704)	(383,611)
$0	$0	$0	$0	$0	$0
1.82%	1.88%	2.04%	2.86%	2.08%	5.88%
15.68%	15.72%	15.49%	15.43%	15.62%	15.72%

Riverside Local School District, Ohio

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

	2018	2017	2016	2015
Net Pension Liability:				
Contractually Required Contribution	$2,540,206	$2,454,505	$2,389,066	$2,338,538
Contributions in Relation to the Contractually Required Contribution	(2,540,206)	(2,454,505)	(2,389,066)	(2,338,538)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$18,144,329	$17,532,179	$17,064,757	$16,703,843
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability:				
Contractually Required Contribution	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the Required Supplementary Information

2014	2013	2012	2011	2010	2009
$2,111,275	$2,290,785	$2,385,798	$2,515,127	$2,520,556	$2,381,059
(2,111,275)	(2,290,785)	(2,385,798)	(2,515,127)	(2,520,556)	(2,381,059)
$0	$0	$0	$0	$0	$0
$16,240,579	$17,621,423	$18,352,292	$19,347,131	$19,388,892	$18,315,838
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
$162,406	$176,214	$183,523	$193,471	$193,889	$183,158
(162,406)	(176,214)	(183,523)	(193,471)	(193,889)	(183,158)
$0	$0	$0	$0	$0	$0
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Net Pension Liability

Changes in Assumptions – SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported 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 as follows:

	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

Beginning with fiscal year 2017, mortality assumptions use 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.

Changes in Assumptions – STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented as follows:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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.

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, 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.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Pass Through Grantor Program Title	CFDA Number	Expenditures
U.S. Department of Agriculture:		
Passed Through Ohio Department of Education		
Child Nutrition Cluster:		
School Breakfast Program	10.553	$176,929
National School Lunch Program	10.555	559,488
National School Lunch Program - Non Cash Assistance		102,064
Total - National School Lunch Program		661,552
U.S. Department of Agriculture / Child Nutrition Cluster		**838,481**
U.S. Department of Education		
Passed Through Ohio Department of Education		
Special Education Cluster:		
Special Education: Preschool Grants	84.173	18,372
Special Education Grants to States	84.027	91,935
		619,758
Total - Special Education Grants to States		711,693
Total - Special Education Cluster		730,065
Title I Grants to Local Educational Agencies	84.010	61,099
		322,079
Total - Title I Grants to Local Educational Agencies		383,178
English Language Acquisition Grants	84.365	3,979
		18,390
Total - English Language Acquisition Grants		22,369
Improving Teacher Quality State Grants	84.367	13,405
		35,124
Total - Improving Teacher Quality State Grants		48,529
Student Support and Academic Enrichment Program	84.424	1,021
Total - U.S. Department of Education		**1,185,162**
Total - Federal Assistance		**$2,023,643**

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

RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY

NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018

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) under programs of the federal government for the year ended June 30, 2018. 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 Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - 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 E – 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.

OHIO AUDITOR OF STATE
KEITH FABER

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 16, 2019 wherein we noted District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*

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.

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Phone: 216-787-3665 or 800-626-2297
www.ohioauditor.gov

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 report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

January 16, 2019

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, 2018. 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, 2018.

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.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

January 16, 2019

RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Special Education Cluster, CFDA 84.027 and 84.173
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $750,000 Type B: all others
(d)(1)(ix)	**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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OHIO AUDITOR OF STATE
KEITH FABER

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
JANUARY 29, 2019