



Dave Yost • Auditor of State

**RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY**

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LAKE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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 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, the major fund, and the aggregate remaining fund information of Riverside Local School District, Lake County, Ohio, as of June 30, 2015, 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 23 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

The Federal Awards Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic 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 the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule 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 March 24, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

March 24, 2016

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

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, 2015. 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 2015 due mainly to an increase in cash and cash equivalents resulting from a rise in State Foundation revenues, property tax collections and from the unspent proceeds from the energy conservation improvement bonds.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.
- The School District implemented GASB 68 and GASB 71, which establish standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources and expense/expenditure. The implementation of these GASB statements resulted in a significant change to the financial statements for the School District.
- Capital asset additions included buildings and improvements, various other furniture and fixtures, seven new and three used school buses and a dump truck. The School District financed the purchase of the new school buses through a capital lease. Chromebooks were purchased as well through a capital lease but were not capitalized since they are individually below the capitalization threshold.
- During the fiscal year, the School District issued \$928,500 in school energy conservation improvement bonds to make energy improvements throughout the School District. The improvements involve new light fixtures and energy efficient light bulbs. These improvements will be complete in fiscal year 2016.

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 government'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).

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

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 15-17 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 the State and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. These fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general 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 2015 compared to 2014.

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

	Table 1					
	Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and Other Assets	\$36,111,913	\$36,475,117	\$465,614	\$444,632	\$36,577,527	\$36,919,749
Capital Assets, Net	19,570,492	19,102,055	329,682	382,555	19,900,174	19,484,610
<i>Total Assets</i>	<u>55,682,405</u>	<u>55,577,172</u>	<u>795,296</u>	<u>827,187</u>	<u>56,477,701</u>	<u>56,404,359</u>
Deferred Outflows of Resources						
Pension	3,439,982	2,761,320	103,137	92,027	3,543,119	2,853,347
Liabilities						
Current Liabilities	5,562,610	4,744,354	106,316	128,050	5,668,926	4,872,404
Long-Term Liabilities						
Due Within One Year	1,871,166	1,791,103	7,498	6,266	1,878,664	1,797,369
Due In More Than One Year						
Net Pension Liability	46,904,458	55,740,129	1,156,354	1,358,732	48,060,812	57,098,861
Other Amounts	2,942,447	2,984,190	63,033	52,041	3,005,480	3,036,231
<i>Total Liabilities</i>	<u>57,280,681</u>	<u>65,259,776</u>	<u>1,333,201</u>	<u>1,545,089</u>	<u>58,613,882</u>	<u>66,804,865</u>
Deferred Inflows of Resources						
Property Taxes	23,913,150	25,275,331	0	0	23,913,150	25,275,331
Pension	8,492,080	0	187,679	0	8,679,759	0
<i>Total Deferred Inflows of Resources</i>	<u>32,405,230</u>	<u>25,275,331</u>	<u>187,679</u>	<u>0</u>	<u>32,592,909</u>	<u>25,275,331</u>
Net Position						
Net Investment in Capital Assets	16,919,851	15,393,888	329,682	382,555	17,249,533	15,776,443
Restricted for:						
Capital Projects	663,350	1,146,765	0	0	663,350	1,146,765
Debt Service	471,300	491,537	0	0	471,300	491,537
Unclaimed Monies	3,142	3,142	0	0	3,142	3,142
Other Purposes	345,017	507,198	0	0	345,017	507,198
Unrestricted (Deficit)	(48,966,184)	(49,739,145)	(952,129)	(1,008,430)	(49,918,313)	(50,747,575)
<i>Total Net Position</i>	<u>(\$30,563,524)</u>	<u>(\$32,196,615)</u>	<u>(\$622,447)</u>	<u>(\$625,875)</u>	<u>(\$31,185,971)</u>	<u>(\$32,822,490)</u>

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

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

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

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

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

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

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

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$21,423,024 to (\$32,822,490).

Current assets decreased due a decrease in property tax receivables and intergovernmental receivables. Property tax receivables decreased due to a decrease in delinquent taxes at the fiscal year end. The decrease in intergovernmental receivable is due to the School District having a larger grant carryover when compared to the prior fiscal year. This decrease was offset by increases in cash and cash equivalents resulting from higher foundation revenues, property tax collections and from the unspent proceeds from the new debt issue at year end. The increase in capital assets was due to current year additions outpacing current year depreciation.

Total liabilities decreased during fiscal year 2015, which is mainly attributable to the change in net pension liability which was offset by the increase in current liabilities. The current liabilities increase relates to the increase in contracts and retainage payable due to the energy lighting project as well as the increase in

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accrued wages and benefits and intergovernmental payable. Accrued wages and benefits increased due to an increase in health insurance premiums compared to the prior fiscal year. Intergovernmental payables increased due to the overpayment in Medicaid reimbursements in prior fiscal years because of a calculation error at the State level.

Table 2 shows the changes in net position for fiscal year 2015 compared to 2014.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program Revenues						
Charges for Services and Sales	\$1,444,172	\$1,610,169	\$1,142,638	\$1,118,836	\$2,586,810	\$2,729,005
Operating Grants, Interest and Contributions	2,522,459	2,771,990	699,421	601,546	3,221,880	3,373,536
Capital Grants	210,216	269,879	0	0	210,216	269,879
<i>Total Program Revenues</i>	<u>4,176,847</u>	<u>4,652,038</u>	<u>1,842,059</u>	<u>1,720,382</u>	<u>6,018,906</u>	<u>6,372,420</u>
General Revenues						
Property Taxes	28,010,991	27,573,020	0	0	28,010,991	27,573,020
Grants and Entitlements	12,966,064	12,487,629	0	0	12,966,064	12,487,629
Unrestricted Contributions	0	30,458	0	0	0	30,458
Investment Earnings	912	3,098	0	0	912	3,098
Payment in Lieu of Taxes	123,341	100,388	0	0	123,341	100,388
Gain on Sale of Capital Assets	0	6,355	0	0	0	6,355
Miscellaneous	127,593	152,939	0	0	127,593	152,939
<i>Total General Revenues</i>	<u>41,228,901</u>	<u>40,353,887</u>	<u>0</u>	<u>0</u>	<u>41,228,901</u>	<u>40,353,887</u>
<i>Total Revenues</i>	<u>45,405,748</u>	<u>45,005,925</u>	<u>1,842,059</u>	<u>1,720,382</u>	<u>47,247,807</u>	<u>46,726,307</u>
Program Expenses						
Instruction:						
Regular	20,483,851	20,038,805	0	0	20,483,851	20,038,805
Special	5,126,823	5,187,422	0	0	5,126,823	5,187,422
Vocational	38,575	0	0	0	38,575	0
Support Services:						
Pupils	2,542,154	2,568,171	0	0	2,542,154	2,568,171
Instructional Staff	523,682	441,191	0	0	523,682	441,191
Board of Education	23,244	18,752	0	0	23,244	18,752
Administration	4,079,832	4,240,494	0	0	4,079,832	4,240,494
Fiscal	1,118,371	1,153,154	0	0	1,118,371	1,153,154
Business	0	13,217	0	0	0	13,217
Operation and Maintenance of Plant	4,847,529	3,720,931	0	0	4,847,529	3,720,931
Pupil Transportation	3,834,230	3,569,052	0	0	3,834,230	3,569,052
Central	282,498	74,793	0	0	282,498	74,793
Extracurricular Activities	635,509	669,641	0	0	635,509	669,641
Operation of Food Service	44,736	48,566	0	0	44,736	48,566
Shared Services	33,167	0	0	0	33,167	0
Operation of Non-Instructional Services	25,680	25,653	0	0	25,680	25,653
Interest and Fiscal Charges	120,776	135,758	0	0	120,776	135,758
Food Service	0	0	1,526,139	1,449,965	1,526,139	1,449,965
Latchkey	0	0	324,492	307,804	324,492	307,804
<i>Total Program Expenses</i>	<u>43,760,657</u>	<u>41,905,600</u>	<u>1,850,631</u>	<u>1,757,769</u>	<u>45,611,288</u>	<u>43,663,369</u>
Transfers	(12,000)	0	12,000	0	0	0
<i>Change in Net Position</i>	<u>1,633,091</u>	<u>3,100,325</u>	<u>3,428</u>	<u>(37,387)</u>	<u>1,636,519</u>	<u>3,062,938</u>
Net Position Beginning of Year	(32,196,615)	NA	(625,875)	NA	(32,822,490)	NA
Net Position End of Year	<u>(\$30,563,524)</u>	<u>(\$32,196,615)</u>	<u>(\$622,447)</u>	<u>(\$625,875)</u>	<u>(\$31,185,971)</u>	<u>(\$32,822,490)</u>

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

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$2,853,347 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$2,042,774. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 GASB 68 program expenses	\$45,611,288
Pension expense under GASB 68	(2,042,774)
2015 contractually required contribution	3,090,836
Adjusted 2015 program expenses	46,659,350
Total 2014 program expenses under GASB 27	43,663,369
Increase in program expenses not related to pension	\$2,995,981

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

Program expenses increased due to an increase in instruction costs. Higher instruction costs can be attributed to an increase in open enrollment, special education, community school and excess cost tuition payments to other districts as well as to higher general supplies purchases. Open enrollment and community school costs continue to be a major expense for the School District. Despite an increase in total program expenses, the cost of employee salaries and benefits decreased in fiscal year 2015 due to changes in staff. 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 2015 compared to 2014.

Riverside Local School District
Management's Discussion and Analysis
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Unaudited

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2015		2014	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$25,649,249	\$22,635,130	\$25,226,227	\$21,905,872
Support Services:				
Pupils and Instructional Staff	3,065,836	2,828,193	3,009,362	2,714,902
Board of Education, Administration Fiscal and Business	5,221,447	4,963,125	5,425,617	5,099,262
Operation and Maintenance of Plant	4,847,529	4,632,105	3,720,931	3,443,189
Pupil Transportation	3,834,230	3,651,544	3,569,052	3,415,327
Central	282,498	261,261	74,793	42,235
Extracurricular Activities	635,509	417,900	669,641	439,036
Operation of Food Service	44,736	44,736	48,566	48,566
Shared Services	33,167	33,167	0	0
Operation of Non-Instructional Services	25,680	(4,127)	25,653	9,415
Interest and Fiscal Charges	120,776	120,776	135,758	135,758
Total	\$43,760,657	\$39,583,810	\$41,905,600	\$37,253,562

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 property taxes and intergovernmental monies as current year revenues continued to exceed current year expenditures.

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 2015, 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 higher than the original budget estimate. The change was mainly attributed to an increase in property tax and intergovernmental revenues as a better picture of actual receipts and awards became apparent.

The final budget appropriations were higher than the original budget appropriations of the general fund. The change was attributed to increases in instructional and support services corresponding to the increase in final budget revenues.

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Capital Assets and Long-term Liabilities

Capital Assets

Table 4 shows fiscal 2015 values compared to fiscal 2014.

Table 4
 Capital Assets at June 30, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$1,495,805	\$1,495,805	\$0	\$0	\$1,495,805	\$1,495,805
Land Improvements	1,069,451	1,175,504	0	0	1,069,451	1,175,504
Buildings and Improvements	13,288,058	12,895,546	3,529	3,984	13,291,587	12,899,530
Furniture and Fixtures	1,614,812	1,719,847	326,153	378,571	1,940,965	2,098,418
Vehicles	2,102,366	1,815,353	0	0	2,102,366	1,815,353
Total Capital Assets	\$19,570,492	\$19,102,055	\$329,682	\$382,555	\$19,900,174	\$19,484,610

The increase in capital assets is due to current year capital asset additions exceeding depreciation. In fiscal year 2015, capital asset additions included buildings and improvements, various other furniture and fixtures, seven new school buses, three used school buses and a dump truck. For more information about the School District's capital assets, see Note 10 to the basic financial statements.

Other Long-term Obligations

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

Table 5
 Outstanding Long-term Obligations at June 30

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$1,713,500	\$1,713,289	\$0	\$0	\$1,713,500	\$1,713,289
Net Pension Liability	46,904,458	55,740,129	1,156,354	1,358,732	48,060,812	57,098,861
Capital Leases	2,263,256	2,205,803	0	0	2,263,256	2,205,803
Compensated Absences	836,857	856,201	70,531	58,307	907,388	914,508
Total	\$51,718,071	\$60,515,422	\$1,226,885	\$1,417,039	\$52,944,956	\$61,932,461

The School District's overall legal debt margin was \$83,968,532 with an unvoted debt margin of \$946,696. For more information about the School District's long-term obligations, see Note 11 to the basic financial statements.

School District Outlook

Although the general fund budget is balanced for the next two fiscal years, the School District is entering challenging times with uncertain revenue streams. Fiscal year 2017 depends on the passage of the Joint Financing District levy with Perry, Painesville City and Madison schools, which passed in May of 2015. The School District has completed four years of spending within current revenue, yielding an accumulated favorable ending fund balance from fiscal year 2012 to fiscal year 2015. Fiscal year 2016 is projected as the beginning of deficit spending in regards to current revenue and expenditure sources for fiscal year 2016.

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

Further strategic spending and possible new funding through a new operating levy is necessary in fiscal year 2018 going forward. The School District currently 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 continuous substitute levy from 2009, a 1.89 mill permanent improvement levy from 2001, and a .85 mill debt service levy from 1993 that will expire in 2016. The School District continues to strategically plan for the financial future.

The elimination of Tangible Personal Property taxes (TPPT) by House Bill 66, House Bill 1 and Senate Bill 153 is eliminating a \$3 million revenue stream for the School District which is a substantial portion of a \$39 million general fund budget. The elimination of this local tax will place a greater burden on residential taxpayers for future tax levies since TPPT valuation is removed from the total valuation of the School District. In other words, residential taxpayers were paying 79 percent of the tax base for the School District prior to the elimination of TPPT in 2004. Currently, residential taxpayers are paying 85 percent of the total tax base after the removal of the TPPT valuation. Future tax levies will also require a larger millage since the TPPT valuation was removed from the tax base, which also places a great burden on all local taxpayers. The concern for TPPT continues as a new bi-annual budget from the State of Ohio may eliminate this \$1.7 million revenue stream for the School District in future years. Riverside Local School District is ranked 42 out of 614 school districts in Ohio in regards to the shift in tax burden on local residential taxpayers. In 1991 residential taxpayers comprised 51 percent of the tax revenue for the School District, while in 2011 the burden on local taxpayers increased to 85 percent. Surrounding school districts in Lake County are at 23 percent to 27 percent in regards to the increase in residential tax burden.

State formula funding increased in fiscal year 2014 and fiscal year 2015, but the burden of funding is still placed on local taxpayers. The new State funding formula provided \$5,745 per student in fiscal year 2014 and \$5,800 per student in fiscal year 2015. With 4,584 students the funding was \$26,587,200 in fiscal year 2015. However, the State Formula applies various indexes that reduce the State funding in wealthy districts such as Riverside Local School District. State funding for fiscal year 2015 was \$7,505,210 resulting in \$1,637 per student. Direct deductions for community schools, open enrollment, post-secondary option and other deductions reduce the funding from \$7,505,210 in fiscal year 2015 to an unrestricted amount of \$4,315,915 (\$942 per student) for the School District to utilize in general operations. Overall enrollment is decreasing to the 4,200 range, which is included in projections for State funding.

The School District utilizes the five year forecast to plan for the future and present various funding scenarios. This includes an in-depth analysis of revenue resources including the analysis of property values and sale trends. Some of the areas in the School District seem to be recovering from the housing recession with small increases or flat changes in property value projections, which is an improvement from the past continuous downward trends in property valuations.

The environment of local support for new levies continues to be a challenging situation in conjunction with the current recession in the State of Ohio with a recent drop in new operating levies in Ohio with only 65 on the ballot in 2014. In addition, the passage rate for new operating levies continues to be challenging at a 30 percent passage rate in the past eight years. The School District has attempted various operating levies on the ballot in the past three years with no success for new funding. As a result, the reductions in expenditures, cuts in services, and levy cycles are a reality that the School District continues to face.

The School District continues to address the very challenging aspects of reducing overall expenditures with a minimal impact in the classroom. The School District is continuously seeking savings in expenditures such as the Energy Education Program which is saving substantial amounts in utility costs; increases in employee portions of health insurance premiums which now range from 18 percent to 23 percent depending on the consortium plan selection; and true freezes on wages with no step increases or educational degree changes.

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

Certified staff (teachers) wages were frozen for fiscal year 2012 to fiscal year 2014; the classified staff wages are frozen from fiscal year 2011 to fiscal year 2014; and administration wages have been frozen since fiscal year 2011. The pay freezes and reductions in staff have contributed to a balanced budget for the past four years with some increases returning in fiscal year 2015 and 2016. The Board continues to assess the cost of personnel in a manner that is prudent for the long term fiscal plan of the School District with a close eye on the levy cycle for local taxpayers. The Board of Education strategically plans to avoid voter fatigue by limiting levy requests to once a year, while also balancing the needs of what is best for 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 Michael A. Rock, Treasurer/CFO, Riverside Local School District, 585 Riverside Drive, Painesville, Ohio 44077 or email at mike.rock@riversideschools.net.

Riverside Local School District

Statement of Net Position

June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$7,946,481	\$446,612	\$8,393,093
Accounts Receivable	12,307	0	12,307
Intergovernmental Receivable	292,071	0	292,071
Inventory Held for Resale	0	12,511	12,511
Materials and Supplies Inventory	157,535	6,491	164,026
Property Taxes Receivable	27,703,519	0	27,703,519
Nondepreciable Capital Assets	1,495,805	0	1,495,805
Depreciable Capital Assets, Net	18,074,687	329,682	18,404,369
<i>Total Assets</i>	<u>55,682,405</u>	<u>795,296</u>	<u>56,477,701</u>
Deferred Outflows of Resources			
Pension	3,439,982	103,137	3,543,119
Liabilities			
Accounts Payable	211,609	3,434	215,043
Accrued Wages and Benefits	3,503,236	70,731	3,573,967
Contracts Payable	376,400	0	376,400
Retainage Payable	53,938	0	53,938
Intergovernmental Payable	1,197,988	32,151	1,230,139
Matured Compensated Absences Payable	96,954	0	96,954
Accrued Interest Payable	29,757	0	29,757
Matured Special Termination Benefits Payable	92,728	0	92,728
Long-Term Liabilities:			
Due Within One Year	1,871,166	7,498	1,878,664
Due in More Than One Year			
Net Pension Liability (Note 17)	46,904,458	1,156,354	48,060,812
Other Amounts	2,942,447	63,033	3,005,480
<i>Total Liabilities</i>	<u>57,280,681</u>	<u>1,333,201</u>	<u>58,613,882</u>
Deferred Inflows of Resources			
Property Taxes	23,913,150	0	23,913,150
Pension	8,492,080	187,679	8,679,759
<i>Total Deferred Inflows of Resources</i>	<u>32,405,230</u>	<u>187,679</u>	<u>32,592,909</u>
Net Position			
Net Investment in Capital Assets	16,919,851	329,682	17,249,533
Restricted for:			
Capital Projects	663,350	0	663,350
Debt Service	471,300	0	471,300
Unclaimed Monies	3,142	0	3,142
Other Purposes	345,017	0	345,017
Unrestricted (Deficit)	(48,966,184)	(952,129)	(49,918,313)
<i>Total Net Position</i>	<u>(\$30,563,524)</u>	<u>(\$622,447)</u>	<u>(\$31,185,971)</u>

See accompanying notes to the basic financial statements

Riverside Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Capital Grants
Governmental Activities				
Instruction:				
Regular	\$20,483,851	\$964,367	\$68,609	\$0
Special	5,126,823	219,214	1,753,932	0
Vocational	38,575	0	7,997	0
Support Services:				
Pupils	2,542,154	0	25,320	0
Instructional Staff	523,682	0	212,323	0
Board of Education	23,244	0	0	0
Administration	4,079,832	41,563	216,759	0
Fiscal	1,118,371	0	0	0
Operation and Maintenance of Plant	4,847,529	5,208	0	210,216
Pupil Transportation	3,834,230	0	182,686	0
Central	282,498	5,555	15,682	0
Extracurricular Activities	635,509	208,265	9,344	0
Operation of Non-Instructional Services:				
Food Service Operations	44,736	0	0	0
Shared Services	33,167	0	0	0
Other Non-Instructional Services	25,680	0	29,807	0
Interest and Fiscal Charges	120,776	0	0	0
<i>Total Governmental Activities</i>	<u>43,760,657</u>	<u>1,444,172</u>	<u>2,522,459</u>	<u>210,216</u>
Business-Type Activities				
Food Service	1,526,139	796,520	699,421	0
Latchkey	324,492	346,118	0	0
<i>Total Business-Type Activities</i>	<u>1,850,631</u>	<u>1,142,638</u>	<u>699,421</u>	<u>0</u>
Totals	<u>\$45,611,288</u>	<u>\$2,586,810</u>	<u>\$3,221,880</u>	<u>210,216</u>

General Revenues

Property Taxes Levied for:

 General Purposes

 Debt Service

 Capital Outlay

 Educational Programs and Services

Grants and Entitlements not Restricted
to Specific Programs

Investment Earnings

Payment in Lieu of Taxes

Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year
(Restated - See Note 23)

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
(\$19,450,875)	\$0	(\$19,450,875)
(3,153,677)	0	(3,153,677)
(30,578)	0	(30,578)
(2,516,834)	0	(2,516,834)
(311,359)	0	(311,359)
(23,244)	0	(23,244)
(3,821,510)	0	(3,821,510)
(1,118,371)	0	(1,118,371)
(4,632,105)	0	(4,632,105)
(3,651,544)	0	(3,651,544)
(261,261)	0	(261,261)
(417,900)	0	(417,900)
(44,736)	0	(44,736)
(33,167)	0	(33,167)
4,127	0	4,127
(120,776)	0	(120,776)
(39,583,810)	0	(39,583,810)
0	(30,198)	(30,198)
0	21,626	21,626
0	(8,572)	(8,572)
(39,583,810)	(8,572)	(39,592,382)
23,580,247	0	23,580,247
706,584	0	706,584
1,397,218	0	1,397,218
2,326,942	0	2,326,942
12,966,064	0	12,966,064
912	0	912
123,341	0	123,341
127,593	0	127,593
41,228,901	0	41,228,901
(12,000)	12,000	0
41,216,901	12,000	41,228,901
1,633,091	3,428	1,636,519
(32,196,615)	(625,875)	(32,822,490)
(\$30,563,524)	(\$622,447)	(\$31,185,971)

Riverside Local School District

*Balance Sheet
Governmental Funds
June 30, 2015*

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,742,314	\$2,201,025	\$7,943,339
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	3,142	0	3,142
Accounts Receivable	12,307	0	12,307
Intergovernmental Receivable	13,328	278,743	292,071
Property Taxes Receivable	23,519,001	4,184,518	27,703,519
Materials and Supplies Inventory	157,535	0	157,535
<i>Total Assets</i>	<u>\$29,447,627</u>	<u>\$6,664,286</u>	<u>\$36,111,913</u>
Liabilities			
Accounts Payable	\$196,173	\$15,436	\$211,609
Accrued Wages and Benefits	2,914,899	588,337	3,503,236
Contracts Payable	0	376,400	376,400
Retainage Payable	0	53,938	53,938
Intergovernmental Payable	1,189,708	8,280	1,197,988
Matured Compensated Absences Payable	70,418	26,536	96,954
Matured Special Termination Benefits Payable	92,728	0	92,728
<i>Total Liabilities</i>	<u>4,463,926</u>	<u>1,068,927</u>	<u>5,532,853</u>
Deferred Inflows of Resources			
Property Taxes	20,289,489	3,623,661	23,913,150
Unavailable Revenue	984,677	363,045	1,347,722
<i>Total Deferred Inflows of Resources</i>	<u>21,274,166</u>	<u>3,986,706</u>	<u>25,260,872</u>
Fund Balances:			
Nonspendable	160,677	0	160,677
Restricted	0	1,611,980	1,611,980
Committed	135,988	0	135,988
Assigned	1,039,761	34,070	1,073,831
Unassigned (Deficit)	2,373,109	(37,397)	2,335,712
<i>Total Fund Balances</i>	<u>3,709,535</u>	<u>1,608,653</u>	<u>5,318,188</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$29,447,627</u>	<u>\$6,664,286</u>	<u>\$36,111,913</u>

See accompanying notes to the basic financial statements

Riverside Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2015*

Total Governmental Funds Balances	\$5,318,188
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Amounts reported for governmental activities in the statement of net position are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,570,492
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.

Delinquent Property Taxes	1,187,056	
Intergovernmental	160,666	
		1,347,722

Total	1,347,722
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The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	3,439,982	
Deferred Inflows - Pension	(8,492,080)	
Net Pension Liability	(46,904,458)	
		(51,956,556)

Total	(51,956,556)
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In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.

(29,757)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds	(1,713,500)	
Capital Lease Payable	(2,263,256)	
Compensated Absences	(836,857)	
		(4,813,613)

Total	(4,813,613)
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<i>Net Position of Governmental Activities</i>	(\$30,563,524)
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See accompanying notes to the basic financial statements

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$24,178,345	\$4,512,532	\$28,690,877
Intergovernmental	13,905,324	1,881,508	15,786,832
Interest	881	55	936
Tuition and Fees	1,131,152	0	1,131,152
Extracurricular Activities	99,547	208,265	307,812
Rentals	5,208	0	5,208
Contributions and Donations	22,974	9,344	32,318
Payment in Lieu of Taxes	123,341	0	123,341
Miscellaneous	125,623	1,970	127,593
<i>Total Revenues</i>	<u>39,592,395</u>	<u>6,613,674</u>	<u>46,206,069</u>
Expenditures			
Current:			
Instruction:			
Regular	17,934,394	2,559,784	20,494,178
Special	4,266,610	856,852	5,123,462
Vocational	38,575	0	38,575
Support Services:			
Pupils	2,502,807	39,347	2,542,154
Instructional Staff	294,973	212,492	507,465
Board of Education	22,851	0	22,851
Administration	3,973,190	206,999	4,180,189
Fiscal	1,074,140	9,643	1,083,783
Operation and Maintenance of Plant	3,656,664	0	3,656,664
Pupil Transportation	3,601,875	0	3,601,875
Central	226,412	14,400	240,812
Extracurricular Activities	327,210	215,257	542,467
Operation of Non-Instructional Services:			
Food Service Operations	33,196	0	33,196
Shared Services	33,167	0	33,167
Other Non-Instructional Services	0	25,680	25,680
Capital Outlay	896,552	2,122,345	3,018,897
Debt Service:			
Principal Retirement	172,681	1,594,707	1,767,388
Interest and Fiscal Charges	1,116	102,420	103,536
Bond Issuance Costs	0	4,500	4,500
<i>Total Expenditures</i>	<u>39,056,413</u>	<u>7,964,426</u>	<u>47,020,839</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>535,982</u>	<u>(1,350,752)</u>	<u>(814,770)</u>
Other Financing Sources (Uses)			
General Obligation Bonds Issued	0	928,500	928,500
Inception of Capital Lease	896,552	0	896,552
Transfers Out	(12,000)	0	(12,000)
<i>Total Other Financing Sources (Uses)</i>	<u>884,552</u>	<u>928,500</u>	<u>1,813,052</u>
<i>Net Change in Fund Balances</i>	1,420,534	(422,252)	998,282
<i>Fund Balances Beginning of Year</i>	<u>2,289,001</u>	<u>2,030,905</u>	<u>4,319,906</u>
<i>Fund Balances End of Year</i>	<u>\$3,709,535</u>	<u>\$1,608,653</u>	<u>\$5,318,188</u>

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds	\$998,282
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
Capital Asset Additions	1,718,227
Current Year Depreciation	<u>(1,249,790)</u>
Total	468,437
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent Property Taxes	(679,886)
Intergovernmental	<u>(120,435)</u>
Total	(800,321)
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.	
	1,767,388
Other financing sources in the governmental funds increase long-term liabilities in the statement of net position.	
Inception of Capital Lease	(896,552)
General Obligation Bonds Issued	<u>(928,500)</u>
Total	(1,825,052)
Some expenses reported in the statement of activities, such as accrued interest do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
	(17,240)
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.	
	19,344
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	
	2,997,541
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	
	<u>(1,975,288)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$1,633,091</u></u>

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, 2015

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$22,830,040	\$23,606,414	\$23,606,414	\$0
Intergovernmental	13,851,726	14,386,431	14,408,403	21,972
Interest	1,974	881	881	0
Tuition and Fees	1,096,946	1,140,651	1,142,393	1,742
Rentals	4,178	5,198	5,208	10
Payment in Lieu of Taxes	100,388	123,153	123,341	188
Miscellaneous	101,045	63,090	63,187	97
<i>Total Revenues</i>	<i>37,986,297</i>	<i>39,325,818</i>	<i>39,349,827</i>	<i>24,009</i>
Expenditures				
Current:				
Instruction:				
Regular	18,154,775	18,504,345	18,359,126	145,219
Special	4,790,944	4,372,872	4,338,557	34,315
Vocational	31,833	32,486	32,231	255
Support Services:				
Pupils	2,751,969	2,613,916	2,593,404	20,512
Instructional Staff	260,545	288,077	285,816	2,261
Board of Education	39,266	23,032	22,851	181
Administration	3,818,341	3,924,393	3,893,596	30,797
Fiscal	1,144,890	1,092,470	1,083,896	8,574
Operation and Maintenance of Plant	3,339,713	3,828,780	3,798,730	30,050
Pupil Transportation	3,517,988	3,617,587	3,589,197	28,390
Central	224,184	214,440	212,756	1,684
Extracurricular Activities	299,400	335,676	333,042	2,634
Operation of Non-Instructional Services:				
Food Service Operations	29,649	33,383	33,121	262
Shared Services	32,604	32,631	32,375	256
Debt Service:				
Principal Retirement	0	172,681	172,681	0
Interest and Fiscal Charges	0	1,116	1,116	0
<i>Total Expenditures</i>	<i>38,436,101</i>	<i>39,087,885</i>	<i>38,782,495</i>	<i>305,390</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(449,804)</i>	<i>237,933</i>	<i>567,332</i>	<i>329,399</i>
Other Financing Sources (Uses)				
Transfers Out	0	(12,000)	(12,000)	0
<i>Net Change in Fund Balance</i>	<i>(449,804)</i>	<i>225,933</i>	<i>555,332</i>	<i>329,399</i>
<i>Fund Balance Beginning of Year</i>	<i>3,974,108</i>	<i>3,974,108</i>	<i>3,974,108</i>	<i>0</i>
Prior Year Encumbrances Appropriated	445,451	445,451	445,451	0
<i>Fund Balance End of Year</i>	<i>\$3,969,755</i>	<i>\$4,645,492</i>	<i>\$4,974,891</i>	<i>\$329,399</i>

See accompanying notes to the basic financial statements

Riverside Local School District

Statement of Fund Net Position

Enterprise Funds

June 30, 2015

	<u>Nonmajor Enterprise</u>
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$446,612
Inventory Held for Resale	12,511
Materials and Supplies Inventory	<u>6,491</u>
<i>Total Current Assets</i>	465,614
<i>Noncurrent Assets:</i>	
Depreciable Capital Assets, Net	<u>329,682</u>
<i>Total Assets</i>	<u>795,296</u>
Deferred Outflows of Resources	
Pension	<u>103,137</u>
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	3,434
Accrued Wages and Benefits	70,731
Intergovernmental Payable	32,151
Compensated Absences Payable	<u>7,498</u>
<i>Total Current Liabilities</i>	<u>113,814</u>
<i>Long-Term Liabilities (net of current portion):</i>	
Compensated Absences Payable	63,033
Net Pension Liability	<u>1,156,354</u>
<i>Total Long-Term Liabilities</i>	<u>1,219,387</u>
<i>Total Liabilities</i>	<u>1,333,201</u>
Deferred Inflows of Resources	
Pension	<u>187,679</u>
Net Position	
Investment in Capital Assets	329,682
Unrestricted (Deficit)	<u>(952,129)</u>
<i>Total Net Position</i>	<u><u>(\$622,447)</u></u>

See accompanying notes to the basic financial statements

Riverside Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Enterprise Funds
For the Fiscal Year Ended June 30, 2015*

	Nonmajor Enterprise
Operating Revenues	
Charges for Services	\$1,142,638
Operating Expenses	
Salaries	696,911
Fringe Benefits	360,100
Purchased Services	64,246
Materials and Supplies	676,501
Depreciation	52,873
<i>Total Operating Expenses</i>	1,850,631
<i>Operating Income (Loss)</i>	(707,993)
Non-Operating Revenues (Expenses)	
Operating Grants	699,421
<i>Income (Loss) Before Transfers</i>	(8,572)
Transfers In	12,000
<i>Change in Net Position</i>	3,428
<i>Net Position Beginning of Year - Restated See Note 23</i>	(625,875)
<i>Net Position End of Year</i>	(\$622,447)

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, 2015

	<u>Nonmajor Enterprise</u>
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$1,142,638
Cash Payments to Employees for Services	(712,011)
Cash Payments for Employee Benefits	(383,413)
Cash Payments to Suppliers for Goods and Services	(741,386)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(694,172)</u>
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	699,421
Transfers In	12,000
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>711,421</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	17,249
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>429,363</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$446,612</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	<u>(\$707,993)</u>
Adjustments:	
Depreciation	52,873
(Increase) Decrease in Assets:	
Inventory Held for Resale	(2,985)
Materials and Supplies Inventory	(748)
Decrease in Deferred Outflows - Pension	1,217
Increase (Decrease) in Liabilities:	
Accounts Payable	2,602
Accrued Wages	7,005
Compensated Absences Payable	12,224
Matured Compensated Absences Payable	(3,944)
Intergovernmental Payable	(27,397)
Net Pension Liability	19,894
Decrease in Deferred Inflows - Pension	(46,920)
<i>Total Adjustments</i>	<u>13,821</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$694,172)</u>

See accompanying notes to the basic financial statements

Riverside Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2015

Assets

Equity in Pooled Cash and Cash Equivalents	\$64,628
Cash and Cash Equivalents in Segregated Accounts	<u>11,857</u>

<i>Total Assets</i>	<u><u>\$76,485</u></u>
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Liabilities

Due to Students	\$64,628
Due to Employees	<u>11,857</u>

<i>Total Liabilities</i>	<u><u>\$76,485</u></u>
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See accompanying notes to the basic financial statements

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 210 classified employees and 260 certificated employees who provide services to 4,350 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 14 and 15 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 is the School District's major governmental fund:

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds accounts for student activities and employee flexible spending.

Measurement Focus

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

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

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to pension are explained in Note 17.

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 and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 17)

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

Cash and Cash Equivalents

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

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

During fiscal year 2015, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold for on June 30, 2015.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$881, of which \$204 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.

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 fair market 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.

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Accrued Liabilities and Long-term Obligations

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

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

Internal Activity

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

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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.

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for extracurricular activities and to cover a gap between estimated revenue and appropriations in fiscal year 2016's budget.

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

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

Net Position

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

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

Operating Revenues and Expenses

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

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 statements 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 revenues. 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 – Fund Balances

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

Fund Balances	General	Other Governmental Funds	Total
<i>Nonspendable</i>			
Materials and Supplies Inventory	\$157,535	\$0	\$157,535
Unclaimed Funds	3,142	0	3,142
<i>Total Nonspendable</i>	<u>160,677</u>	<u>0</u>	<u>160,677</u>
<i>Restricted for</i>			
Athletics	0	80,739	80,739
Auxiliary Services	0	39,154	39,154
Student Instruction	0	2,311	2,311
Limited English Proficient Program	0	69	69
Debt Service Payments	0	479,378	479,378
Capital Improvements	0	1,010,329	1,010,329
<i>Total Restricted</i>	<u>\$0</u>	<u>\$1,611,980</u>	<u>\$1,611,980</u>

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Fund Balances	General	Other Governmental Funds	Total
<i>Committed to</i>			
Educational Services	\$135,988	\$0	\$135,988
<i>Assigned to</i>			
Capital Improvements	0	34,070	34,070
Extracurricular Activities	224,305	0	224,305
Purchases on Order:			
Purchased Services	56,507	0	56,507
Materials and Supplies	120,684	0	120,684
Capital Outlay	5,339	0	5,339
Other	1,147	0	1,147
Fiscal Year 2016 Appropriations	631,779	0	631,779
<i>Total Assigned</i>	1,039,761	34,070	1,073,831
<i>Unassigned (Deficit)</i>	2,373,109	(37,397)	2,335,712
<i>Total Fund Balances</i>	\$3,709,535	\$1,608,653	\$5,318,188

Note 4 – Accountability

Fund balances at June 30, 2015, included the following individual fund deficits:

Special Revenue Funds

Joint Financing District	\$36,862
Title I	377
Class Size Reduction	158

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

Note 5 - 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).

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3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).
4. 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 statements to the budgetary basis statements on a fund type basis for the general fund:

Net Change in Fund Balance	
	General
GAAP Basis	\$1,420,534
Net Adjustment for Revenue Accruals	(954,418)
Perspective Difference:	
Public School Support	3,713
Net Adjustment for Expenditure Accruals	637,895
Encumbrances	(552,392)
Budget Basis	\$555,332

Note 6 - 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation,

Riverside Local School District
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Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. 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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain commercial paper notes and bankers' acceptances for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) 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.

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,705,271 of the School District's bank balance of \$3,989,636 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2015, the School District had STAR Ohio as the only investment with an amount of \$4,725,316 and a maturity of 53.4 days. The investment is an internal investment pool.

Riverside Local School District
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For the Fiscal Year Ended June 30, 2015

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.

Note 7 – 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 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 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, 2015, are available to finance fiscal year 2015 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, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 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.

Riverside Local School District
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The amount available as an advance at June 30, 2015, was \$2,244,835 in the general fund, \$156,354 in the joint financing district special revenue fund, \$67,523 in the bond retirement debt service fund and \$134,601 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2014, was \$1,672,904 in the general fund, \$111,214 in the joint financing district special revenue fund, \$52,048 in the bond retirement debt service fund and \$100,257 in the permanent improvement capital projects fund.

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

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$911,328,210	97.40%	\$920,981,060	97.28%
Public Utility Personal	24,283,860	2.60	25,715,100	2.72
Total	\$935,612,070	100.00%	\$946,696,160	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$54.74		\$54.71	

Note 8 – 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, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 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, 2015. The Joint Financing District levy was renewed in May 2015 for another five year term, which extends the levy to December 2020.

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Receivables

Receivables at June 30, 2015, consisted of taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Title IV-B Grant	\$130,860
Title I Grant	103,537
Improving Teacher Quality Grant	38,430
Painesville City School District	12,828
Title III Grant	5,916
Chagrin Falls Exempted Village School District	500
Total	\$292,071

Note 10 – Capital Assets

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

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities				
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,495,805	\$0	\$0	\$1,495,805
<i>Capital assets being Depreciated:</i>				
Land Improvements	2,657,768	0	0	2,657,768
Buildings and Improvements	20,993,228	930,723	0	21,923,951
Furniture and Fixtures	5,169,274	161,226	0	5,330,500
Vehicles	5,105,713	626,278	0	5,731,991
<i>Total Capital Assets being Depreciated</i>	\$33,925,983	\$1,718,227	\$0	\$35,644,210

Riverside Local School District
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	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities (continued)				
Less Accumulated Depreciation:				
Land Improvements	(\$1,482,264)	(\$106,053)	\$0	(\$1,588,317)
Buildings and Improvements	(8,097,682)	(538,211)	0	(8,635,893)
Furniture and Fixtures	(3,449,427)	(266,261)	0	(3,715,688)
Vehicles	(3,290,360)	(339,265)	0	(3,629,625)
<i>Total Accumulated Depreciation</i>	<u>(16,319,733)</u>	<u>(1,249,790) *</u>	<u>0</u>	<u>(17,569,523)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>17,606,250</u>	<u>468,437</u>	<u>0</u>	<u>18,074,687</u>
<i>Governmental Activities Capital Assets, Net</i>	<u><u>\$19,102,055</u></u>	<u><u>\$468,437</u></u>	<u><u>\$0</u></u>	<u><u>\$19,570,492</u></u>
Business-Type Activities				
Buildings and Improvements	\$4,553	\$0	\$0	\$4,553
Furniture and Fixtures	788,466	0	0	788,466
<i>Total Capital Assets being Depreciated</i>	<u>793,019</u>	<u>0</u>	<u>0</u>	<u>793,019</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(569)	(455)	0	(1,024)
Furniture and Fixtures	(409,895)	(52,418)	0	(462,313)
<i>Total Accumulated Depreciation</i>	<u>(410,464)</u>	<u>(52,873)</u>	<u>0</u>	<u>(463,337)</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u><u>\$382,555</u></u>	<u><u>(\$52,873)</u></u>	<u><u>\$0</u></u>	<u><u>\$329,682</u></u>

* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$285,117
Support Services	
Board of Education	393
Administration	51,369
Fiscal	465
Operation and Maintenance of Plant	493,640
Pupil Transportation	314,374
Operation of Food Service	11,390
Extracurricular Activities	93,042
Total Depreciation Expense	<u><u>\$1,249,790</u></u>

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 11 – Long-Term Obligations

Original issue amounts and interest rates of the School District’s debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
2003 School Improvement Refunding Bonds:			
Serial Bonds	2.00% to 3.15%	\$5,420,000	2005 to 2014
Term Bonds	4.00%	1,545,000	2016
2005 General Obligation Bonds			
Serial Bonds	5.33%	541,002	2006 to 2015
2015 School Energy Conservation Improvement Bonds			
Term Bonds	3.68%	928,500	2029

Changes in long-term obligations of the School District during fiscal year 2015 were as follows:

	Principal Outstanding			Principal Outstanding	Amount Due in
	June 30, 2014			Additions	Deductions
Governmental Activities					
2003 School Improvement Refunding Bonds					
Term Bonds	\$1,545,000	\$0	(\$760,000)	\$785,000	\$785,000
2005 General Obligation Bonds					
Serial Bonds	168,289	0	(168,289)	0	0
2015 School Energy Conservation Improvement Bonds	0	928,500	0	928,500	52,782
<i>Total General Obligation Bonds</i>	<u>1,713,289</u>	<u>928,500</u>	<u>(928,289)</u>	<u>1,713,500</u>	<u>837,782</u>
Other Long-term Obligations					
Net Pension Liability					
STRS	46,142,521	0	(7,406,142)	38,736,379	0
SERS	9,597,608	0	(1,429,529)	8,168,079	0
<i>Total Net Pension Liability</i>	<u>55,740,129</u>	<u>0</u>	<u>(8,835,671)</u>	<u>46,904,458</u>	<u>0</u>
Capital Leases	2,205,803	896,552	(839,099)	2,263,256	838,262
Compensated Absences	856,201	177,052	(196,396)	836,857	195,122
<i>Total Other Long-term Obligations</i>	<u>58,802,133</u>	<u>1,073,604</u>	<u>(9,871,166)</u>	<u>50,004,571</u>	<u>1,033,384</u>
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$60,515,422</u>	<u>\$2,002,104</u>	<u>(\$10,799,455)</u>	<u>\$51,718,071</u>	<u>\$1,871,166</u>
Business-Type Activities					
Net Pension Liability					
SERS	\$1,358,732	\$0	(\$202,378)	\$1,156,354	\$0
Compensated Absences	58,307	18,490	(6,266)	70,531	7,498
<i>Total Business-Type Activities</i>	<u>\$1,417,039</u>	<u>\$18,490</u>	<u>(\$208,644)</u>	<u>\$1,226,885</u>	<u>\$7,498</u>
<i>Long-Term Liabilities</i>	<u>\$1,417,039</u>	<u>\$18,490</u>	<u>(\$208,644)</u>	<u>\$1,226,885</u>	<u>\$7,498</u>

On June 4, 2003, the School District issued \$7,730,000 in general obligation bonds to refund the 1993 special improvement bonds. The general obligation bonds included serial, term and capital appreciation (deep discount) bonds in the amount of \$5,420,000, \$1,545,000 and \$765,000, respectively. The bonds were issued for a twelve year period with a final maturity at December 1, 2015. The bonds will be retired from the debt service fund.

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The refunding bonds were sold at a premium of \$474,730. Net proceeds of \$8,073,931 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. As of June 30, 2015, \$855,000 of the defeased bonds are still outstanding.

On June 23, 2005, the School District issued \$541,002 in general obligation bonds for the purchase of land. The bonds were issued for a ten year period with a final maturity at June 23, 2015. The bonds were retired from the debt service fund.

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.

Compensated absences will be paid from the general fund, the joint financing district, title VI-B, title I and class size reduction special revenue funds and the food service and latchkey enterprise funds. The School District pays obligations related to employee compensation from the fund benefiting from their service. The capital leases will be repaid from the general fund and the permanent improvement levy capital projects fund.

The overall debt margin of the School District as of June 30, 2014, was \$83,968,532 with an unvoted debt margin of \$946,696. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2015, are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>General Obligation Bonds</u>	
	<u>Term</u>	
	<u>Principal</u>	<u>Interest</u>
2016	<u>\$785,000</u>	<u>\$15,700</u>
<u>Fiscal Year</u> <u>Ending June 30</u>	<u>School Energy Conservation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$52,782	\$44,492
2017	48,935	31,326
2018	50,736	29,492
2019	52,603	27,590
2020	54,539	25,619
2021 - 2025	304,318	95,890
2026 - 2030	<u>364,587</u>	<u>34,512</u>
Total	<u>\$928,500</u>	<u>\$288,921</u>

Note 12 – 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 and computers in the governmental activities. In fiscal year 2015, the School District entered into capital leases for chromebooks and school

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buses 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	(320,376)
Current Book Value	\$3,243,317

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, 2015.

Fiscal Year Ending June 30,	Activities
2016	\$887,065
2017	887,066
2018	283,976
2019	139,831
2020	84,742
2021	84,742
Total Minimum Lease Payments	2,367,422
Less: Amount Representing Interest	(104,166)
Present Value of Net Minimum Lease Payments	\$2,263,256

Note 13 - Interfund Transfers

The general fund made a transfer of \$12,000 to the food service enterprise fund to assist with food service operations.

Note 14 - Jointly Governed Organizations

Lake Geauga Computer Association The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its eighteen member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The Board exercises total control over operations of the LGCA including the budgetary, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. LGCA is not accumulating significant financial resources or experiencing fiscal stress which

Riverside Local School District
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would cause additional financial benefit or burden on the School District. In fiscal year 2015, the School District paid \$197,245 to the LGCA. Financial information can be obtained from: Lake Geauga Computer Association, 8221 Auburn Road, Painesville, Ohio 44077.

Ohio Schools' Council Association The Ohio Schools' Council Association (Council) is a jointly governed organization among 198 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The degree of control exercised by any participating school district is limited to its representation on the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The 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 2015, the School District paid \$1,735 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 238 school districts and 11 Developmental Disabilities boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, and Toledo Edison) the ability to purchase electricity at reduced rates. The Council's current program, Power 4 Schools, provides for a fixed per kilowatt-hour for electricity generation until May 2014, converting to a new fixed price or percent off the Price to Compare (PTC), whichever provides the greatest savings until December 2019.

Note 15 – 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 eleven 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 16 - 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 2015, 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 \$106,573,500.

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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 Health Care Benefits Program of Lake County Schools Council (See Note 15).

Note 17 – Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$752,298 for fiscal year 2015. Of this amount \$39,063 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 retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

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

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

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

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

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The School District's contractually required contribution to STRS was \$2,338,538 for fiscal year 2015. Of this amount \$113,280 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, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$9,324,433	\$38,736,379	\$48,060,812
Proportion of the Net Pension Liability	0.184243%	0.15925521%	
Pension Expense	\$544,186	\$1,498,588	\$2,042,774

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$79,361	\$372,922	\$452,283
School District contributions subsequent to the measurement date	<u>752,298</u>	<u>2,338,538</u>	<u>3,090,836</u>
Total Deferred Outflows of Resources	<u>\$831,659</u>	<u>\$2,711,460</u>	<u>\$3,543,119</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$1,513,382</u>	<u>\$7,166,377</u>	<u>\$8,679,759</u>

\$3,090,836 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	(\$358,305)	(\$1,698,364)	(\$2,056,669)
2017	(358,305)	(1,698,364)	(2,056,669)
2018	(358,305)	(1,698,364)	(2,056,669)
2019	<u>(359,106)</u>	<u>(1,698,363)</u>	<u>(2,057,469)</u>
Total	<u>(\$1,434,021)</u>	<u>(\$6,793,455)</u>	<u>(\$8,227,476)</u>

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

Sensitivity of the 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 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$13,303,195	\$9,324,433	\$5,977,951

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$55,455,349	\$38,736,379	\$24,597,755

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 18 – Postemployment Benefits

School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$98,546.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$106,510, \$97,678 and \$98,585, respectively. For fiscal year 2015, 72.32 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$0, \$164,964, and \$168,337 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Note 19 – 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 2015. 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, 2015. The School District had three teachers participate.

Note 20 - 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, 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. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of the enrollment adjustments to the June 30, 2015 Foundation

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

funding for the School District, therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

Litigation

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

Note 21 - 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, 2014	\$0
Current Year Set-aside Requirement	749,485
Current Year Offsets	(2,418,512)
Qualifying Disbursements	(505,779)
Total	(\$2,174,806)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set Aside Balance as of June 30, 2015	\$0

Note 22 – Significant Commitments

Contractual Commitments

At June 30, 2015, the School District’s significant contractual commitments consisted of:

Company	Contract Amount	Amount Paid	Remaining on Contract
<i>Energy Conservation Lighting Project</i> CCG Energy Solutions	\$923,649	\$335,406	\$588,243

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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	\$552,392	Food Service	\$568
Other Governmental Funds	920,067	Latchkey	66,965
<i>Total Governmental Funds</i>	<u>\$1,472,459</u>	<i>Total Enterprise Funds</i>	<u>\$67,533</u>

Note 23 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68”. GASB 68 established standards for measuring and recognizing pension 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 at June 30, 2014:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Position June 30, 2014	\$20,782,194	\$640,830	\$21,423,024
Adjustments:			
Net Pension Liability	(55,740,129)	(1,358,732)	(57,098,861)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>2,761,320</u>	<u>92,027</u>	<u>2,853,347</u>
Restated Net Position June 30, 2014	<u>(\$32,196,615)</u>	<u>(\$625,875)</u>	<u>(\$32,822,490)</u>

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.

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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Required Supplementary Information

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 Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.184243%	0.184243%
School District's Proportionate Share of the Net Pension Liability	\$9,324,433	\$10,956,340
School District's Covered-Employee Payroll	\$5,353,725	\$5,251,046
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	174.17%	208.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.15925521%	0.15925521%
School District's Proportionate Share of the Net Pension Liability	\$38,736,379	\$46,142,521
School District's Covered-Employee Payroll	\$16,240,579	\$17,621,423
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	238.52%	261.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$752,298	\$742,026	\$726,745	\$716,687
Contributions in Relation to the Contractually Required Contribution	<u>(752,298)</u>	<u>(742,026)</u>	<u>(726,745)</u>	<u>(716,687)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$5,707,879	\$5,353,725	\$5,251,046	\$5,328,528
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$807,917	\$897,940	\$642,208	\$623,199	\$589,104	\$546,233
<u>(807,917)</u>	<u>(897,940)</u>	<u>(642,208)</u>	<u>(623,199)</u>	<u>(589,104)</u>	<u>(546,233)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,427,341	\$6,631,761	\$6,526,502	\$6,346,223	\$5,515,955	\$5,162,883
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$2,338,538	\$2,111,275	\$2,290,785	\$2,385,798
Contributions in Relation to the Contractually Required Contribution	<u>(2,338,538)</u>	<u>(2,111,275)</u>	<u>(2,290,785)</u>	<u>(2,385,798)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$16,703,843	\$16,240,579	\$17,621,423	\$18,352,292
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$2,515,127	\$2,520,556	\$2,381,059	\$2,277,545	\$2,193,638	\$2,146,425
<u>(2,515,127)</u>	<u>(2,520,556)</u>	<u>(2,381,059)</u>	<u>(2,277,545)</u>	<u>(2,193,638)</u>	<u>(2,146,425)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$19,347,131	\$19,388,892	\$18,315,838	\$17,519,577	\$16,874,138	\$16,510,962
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>			
<i>Passed Through Ohio Department of Education</i>			
<i>Nutrition Cluster:</i>			
School Breakfast Program	10.553	\$133,532	\$0
National School Lunch Program	10.555	477,676	87,975
Total Nutrition Cluster		<u>611,208</u>	<u>87,975</u>
Total U.S. Department of Agriculture		<u>611,208</u>	<u>87,975</u>
<u>U.S. Department of Education</u>			
<i>Passed Through Ohio Department of Education</i>			
<i>Special Education Cluster:</i>			
Special Education: Preschool Grants	84.173	21,598	-
Special Education Grants to States	84.027	745,715	-
Total Special Education Cluster		<u>767,313</u>	<u>-</u>
Title I Grants to Local Educational Agencies	84.010	446,411	-
English Language Acquisition Grants	84.365	20,611	-
Improving Teacher Quality State Grants	84.367	121,817	-
Total U.S. Department of Education		<u>1,356,152</u>	<u>-</u>
Total Federal Assistance		<u>\$ 1,967,360</u>	<u>\$87,975</u>

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Riverside Local School District's (the District) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DONATION PROGRAM

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

NOTE C – COMMINGLED FUNDS

Federal money is commingled with state subsidy reimbursements for the Nutrition Cluster. It is assumed federal moneys are expended first.

CFDA – Catalog of Federal Domestic Assistance



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Riverside Local School District, Lake County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 24, 2016, wherein we noted the District adopted Government Accounting Standard (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 24, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for Each 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) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Riverside Local School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Riverside Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801
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www.auditor.state.oh.us

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 OMB Circular A-133, 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 compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 24, 2016

**RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses 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 internal control weaknesses 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 § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: School Breakfast Program, CFDA #10.553 and School Lunch Program, CFDA #10.555, Title I, CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	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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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
APRIL 7, 2016