



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, 2016, 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 the Riverside Local School District, Lake County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this 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 February 24, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 24, 2017

Riverside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
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, 2016. 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 2016 due an increase in property taxes receivable and a decrease in long-term obligations as the School District fully retired their school improvement refunding term bonds.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.
- The School District is committed to meeting the academic needs of our students by providing them with updated instructional materials to compete in a global environment. During fiscal year 2016, the School District entered into a lease agreement for an additional 1,455 Chromebooks to provide for student use.

Overview of the Financial Statements

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

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

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

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

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

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

Riverside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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 2016 compared to 2015.

Riverside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Table 1
 Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and Other Assets	\$38,049,456	\$36,111,913	\$472,887	\$465,614	\$38,522,343	\$36,577,527
Capital Assets, Net	18,941,739	19,570,492	322,415	329,682	19,264,154	19,900,174
<i>Total Assets</i>	<u>56,991,195</u>	<u>55,682,405</u>	<u>795,302</u>	<u>795,296</u>	<u>57,786,497</u>	<u>56,477,701</u>
Deferred Outflows of Resources						
Pension	5,623,947	3,439,982	155,660	103,137	5,779,607	3,543,119
Liabilities						
Current Liabilities	5,062,812	5,562,610	127,328	106,316	5,190,140	5,668,926
Long-Term Liabilities						
Due Within One Year	1,121,160	1,871,166	7,208	7,498	1,128,368	1,878,664
Due In More Than One Year						
Net Pension Liability	53,671,941	46,904,458	1,311,427	1,156,354	54,983,368	48,060,812
Other Amounts	2,319,736	2,942,447	64,403	63,033	2,384,139	3,005,480
<i>Total Liabilities</i>	<u>62,175,649</u>	<u>57,280,681</u>	<u>1,510,366</u>	<u>1,333,201</u>	<u>63,686,015</u>	<u>58,613,882</u>
Deferred Inflows of Resources						
Property Taxes	26,098,562	23,913,150	0	0	26,098,562	23,913,150
Pension	3,492,667	8,492,080	70,478	187,679	3,563,145	8,679,759
<i>Total Deferred Inflows of Resources</i>	<u>29,591,229</u>	<u>32,405,230</u>	<u>70,478</u>	<u>187,679</u>	<u>29,661,707</u>	<u>32,592,909</u>
Net Position						
Net Investment in Capital Assets	17,812,390	16,919,851	322,415	329,682	18,134,805	17,249,533
Restricted for:						
Capital Projects	560,349	663,350	0	0	560,349	663,350
Debt Service	0	471,300	0	0	0	471,300
Unclaimed Monies	3,142	3,142	0	0	3,142	3,142
Other Purposes	481,942	345,017	0	0	481,942	345,017
Unrestricted (Deficit)	(48,009,559)	(48,966,184)	(952,297)	(952,129)	(48,961,856)	(49,918,313)
<i>Total Net Position</i>	<u>(\$29,151,736)</u>	<u>(\$30,563,524)</u>	<u>(\$629,882)</u>	<u>(\$622,447)</u>	<u>(\$29,781,618)</u>	<u>(\$31,185,971)</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Riverside Local School District
Management's Discussion and Analysis
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GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

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

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

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

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

Current assets increased due an increase in property tax receivables and intergovernmental receivables. Property tax receivables increased due to an increase in property values in the School District. The increase in intergovernmental receivable is due to the School District seeking more grant money than the prior fiscal year. These increases were offset by a decrease in capital assets with the removal of a number of old buses as well as another year of depreciation.

Total liabilities increased during fiscal year 2016, which is mainly attributable to the change in net pension liability which was offset by a decrease in current liabilities and long-term liabilities. The current liabilities decrease relates to a decrease in intergovernmental payables as prior Medicaid reimbursements were paid back to the State before fiscal year end. Long-term liabilities decreased as the School District paid another year down on their long-term obligations.

Table 2 shows the changes in net position for fiscal year 2016 compared to 2015.

Riverside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Table 2

Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program Revenues						
Charges for Services and Sales	\$1,500,604	\$1,444,172	\$1,180,140	\$1,142,638	\$2,680,744	\$2,586,810
Operating Grants, Interest and Contributions	2,471,548	2,522,459	799,582	699,421	3,271,130	3,221,880
Capital Grants	0	210,216	0	0	0	210,216
<i>Total Program Revenues</i>	<u>3,972,152</u>	<u>4,176,847</u>	<u>1,979,722</u>	<u>1,842,059</u>	<u>5,951,874</u>	<u>6,018,906</u>
General Revenues						
Property Taxes	28,246,939	28,010,991	0	0	28,246,939	28,010,991
Grants and Entitlements	13,155,033	12,966,064	0	0	13,155,033	12,966,064
Investment Earnings	12,165	912	0	0	12,165	912
Payment in Lieu of Taxes	139,883	123,341	0	0	139,883	123,341
Miscellaneous	223,354	127,593	0	0	223,354	127,593
<i>Total General Revenues</i>	<u>41,777,374</u>	<u>41,228,901</u>	<u>0</u>	<u>0</u>	<u>41,777,374</u>	<u>41,228,901</u>
<i>Total Revenues</i>	<u>45,749,526</u>	<u>45,405,748</u>	<u>1,979,722</u>	<u>1,842,059</u>	<u>47,729,248</u>	<u>47,247,807</u>
Program Expenses						
Instruction:						
Regular	20,807,582	20,483,851	0	0	20,807,582	20,483,851
Special	5,049,175	5,126,823	0	0	5,049,175	5,126,823
Vocational	67,458	38,575	0	0	67,458	38,575
Student Intervention Services	81,499	0	0	0	81,499	0
Support Services:						
Pupils	2,571,925	2,542,154	0	0	2,571,925	2,542,154
Instructional Staff	620,653	523,682	0	0	620,653	523,682
Board of Education	104,628	23,244	0	0	104,628	23,244
Administration	4,174,926	4,079,832	0	0	4,174,926	4,079,832
Fiscal	1,124,818	1,118,371	0	0	1,124,818	1,118,371
Business	40,385	0	0	0	40,385	0
Operation and Maintenance of Plant	4,440,970	4,847,529	0	0	4,440,970	4,847,529
Pupil Transportation	3,905,403	3,834,230	0	0	3,905,403	3,834,230
Central	399,652	282,498	0	0	399,652	282,498
Extracurricular Activities	654,363	635,509	0	0	654,363	635,509
Operation of Food Service	8,286	44,736	0	0	8,286	44,736
Shared Services	0	33,167	0	0	0	33,167
Operation of Non-Instructional Services	188,398	25,680	0	0	188,398	25,680
Interest and Fiscal Charges	97,617	120,776	0	0	97,617	120,776
Food Service	0	0	1,525,266	1,526,139	1,525,266	1,526,139
Latchkey	0	0	461,891	324,492	461,891	324,492
<i>Total Program Expenses</i>	<u>44,337,738</u>	<u>43,760,657</u>	<u>1,987,157</u>	<u>1,850,631</u>	<u>46,324,895</u>	<u>45,611,288</u>
Transfers	0	(12,000)	0	12,000	0	0
<i>Change in Net Position</i>	<u>1,411,788</u>	<u>1,633,091</u>	<u>(7,435)</u>	<u>3,428</u>	<u>1,404,353</u>	<u>1,636,519</u>
Net Position Beginning 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>
Net Position End of Year	<u>(\$29,151,736)</u>	<u>(\$30,563,524)</u>	<u>(\$629,882)</u>	<u>(\$622,447)</u>	<u>(\$29,781,618)</u>	<u>(\$31,185,971)</u>

Riverside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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

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

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 2016 compared to 2015.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2016		2015	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$26,005,714	\$22,992,612	\$25,649,249	\$22,635,130
Support Services:				
Pupils and Instructional Staff	3,192,578	2,963,284	3,065,836	2,828,193
Board of Education, Administration Fiscal and Business	5,444,757	5,242,259	5,221,447	4,963,125
Operation and Maintenance of Plant	4,440,970	4,440,049	4,847,529	4,632,105
Pupil Transportation	3,905,403	3,668,912	3,834,230	3,651,544
Central	399,652	350,677	282,498	261,261
Extracurricular Activities	654,363	453,321	635,509	417,900
Operation of Food Service	8,286	8,286	44,736	44,736
Shared Services	0	0	33,167	33,167
Operation of Non-Instructional Services	188,398	148,569	25,680	(4,127)
Interest and Fiscal Charges	97,617	97,617	120,776	120,776
Total	\$44,337,738	\$40,365,586	\$43,760,657	\$39,583,810

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.

Riverside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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 2016, 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 lower than the original budget appropriations of the general fund. The change was attributed to decreases in instructional and support services.

Capital Assets and Long-term Liabilities

Capital Assets

Table 4 shows fiscal year 2016 values compared to fiscal year 2015.

Table 4
 Capital Assets at June 30, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$1,495,805	\$1,495,805	\$0	\$0	\$1,495,805	\$1,495,805
Land Improvements	970,961	1,069,451	0	0	970,961	1,069,451
Buildings and Improvements	13,155,735	13,288,058	47,073	3,529	13,202,808	13,291,587
Furniture and Fixtures	1,489,051	1,614,812	275,342	326,153	1,764,393	1,940,965
Vehicles	1,830,187	2,102,366	0	0	1,830,187	2,102,366
Total Capital Assets	\$18,941,739	\$19,570,492	\$322,415	\$329,682	\$19,264,154	\$19,900,174

The decrease in capital assets is due to current year depreciation exceeding capital asset additions. In fiscal year 2016, capital asset additions included buildings and improvements, various other furniture and fixtures, and a new vehicle. For more information about the School District's capital assets, see Note 11 to the basic financial statements.

Riverside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$875,718	\$1,713,500	\$0	\$0	\$875,718	\$1,713,500
Net Pension Liability	53,671,941	46,904,458	1,311,427	1,156,354	54,983,368	48,060,812
Capital Leases	1,678,652	2,263,256	0	0	1,678,652	2,263,256
Compensated Absences	886,526	836,857	71,611	70,531	958,137	907,388
Total	\$57,112,837	\$51,718,071	\$1,383,038	\$1,226,885	\$58,495,875	\$52,944,956

The School District's overall legal debt margin was \$86,785,355 with an unvoted debt margin of \$974,012. For more information about the School District's long-term obligations, see Note 12 to the basic financial statements.

School District Outlook

The general budget is balanced through fiscal year 2018. The School District has completed five years of spending within current revenue, yielding an accumulated favorable ending fund balance from fiscal year 2012 to fiscal year 2016. Fiscal year 2017 is projected as the beginning of deficit spending in regards to current revenue and expenditure sources. Further strategic spending and possible new funding through a new operating levy is necessary in fiscal year 2018 going forward. As of June 30, 2016, the School District has inside millage of 4.80 mills, a 33.10 mill levy from 1976, a 4.50 mill levy from 1980, a 4.90 mill levy from 1986, a 4.59 mill substitute levy from 2009, a 1.89 mill permanent improvement levy from 2001, and a 0.85 mill debt service levy from 1993 that expires in 2016. In November 2015, the School District passed a 2.50 mill permanent improvement levy that will replace the 1.89 mill permanent improvement levy from 2001 and the 0.85 mill debt service levy from 1993. The School District continues to strategically plan for the financial future.

The elimination of Tangible Personal Property taxes (TPPT) by House Bill 66, House Bill 1 and Senate Bill 153 is eliminating a \$3 million revenue stream for the School District which is a substantial portion of a \$41 million general fund budget. The elimination of this local tax 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 86 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 greater burden on all local taxpayers. The concern for TPPT continues as the current bi-annual budget from the State of Ohio eliminates this \$1.7 million revenue stream for the School District in future years.

State formula funding increased in fiscal year 2015 and fiscal year 2016, but the burden of funding is still placed on local taxpayers. The new State funding formula provided \$5,800 per student in fiscal year 2015 and \$5,900 per student in fiscal year 2016. With 4,384 students the funding was \$25,865,600 in fiscal year 2016. 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 2016 was \$8,119,126 resulting in

Riverside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

\$1,852 per student. Direct deductions for community schools, open enrollment, post-secondary option and other deductions reduce the funding from \$8,119,126 in fiscal year 2016 to an unrestricted amount of \$5,815,351 (\$1,326 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 District continues to address the challenging aspects of reducing overall expenditures with minimal impact to the classroom setting. The District continues to participate in the Energy Education Program, health insurance premiums that range from 18 to 23 percent, depending on the consortium plan selected, and true freezes on wages with no step increases or educational degree changes. Certified staff (teachers) wages were frozen for fiscal year 2012 to fiscal year 2014 with classified and administration wages frozen for fiscal year 2011 to fiscal year 2014. In fiscal years 2015, 2016, and 2017, negotiated contracts with Certified, Classified, and Administrative Staff have resulted in small increases returning. The Board continues to assess the cost of personnel in a manner that is prudent for the long-term fiscal plan of the School District with a close eye on the levy cycle for local taxpayers. The Board of Education strategically plans to avoid voter fatigue by limiting levy requests to 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 Gary A. Platko, CPA, Treasurer/CFO, Riverside Local School District, 585 Riverside Drive, Painesville, Ohio 44077 or email at gary.platko@riversideschools.net.

Riverside Local School District

Statement of Net Position

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$7,661,796	\$457,004	\$8,118,800
Accounts Receivable	4,310	0	4,310
Intergovernmental Receivable	392,689	0	392,689
Inventory Held for Resale	0	10,299	10,299
Materials and Supplies Inventory	148,585	5,584	154,169
Property Taxes Receivable	29,842,076	0	29,842,076
Nondepreciable Capital Assets	1,495,805	0	1,495,805
Depreciable Capital Assets, Net	17,445,934	322,415	17,768,349
<i>Total Assets</i>	<u>56,991,195</u>	<u>795,302</u>	<u>57,786,497</u>
Deferred Outflows of Resources			
Pension	5,623,947	155,660	5,779,607
Liabilities			
Accounts Payable	203,200	100,417	303,617
Accrued Wages and Benefits	3,852,317	1,750	3,854,067
Intergovernmental Payable	987,410	23,682	1,011,092
Accrued Interest Payable	14,786	0	14,786
Matured Compensated Absences Payable	5,099	1,479	6,578
Long-Term Liabilities:			
Due Within One Year	1,121,160	7,208	1,128,368
Due in More Than One Year			
Net Pension Liability (Note 18)	53,671,941	1,311,427	54,983,368
Other Amounts	2,319,736	64,403	2,384,139
<i>Total Liabilities</i>	<u>62,175,649</u>	<u>1,510,366</u>	<u>63,686,015</u>
Deferred Inflows of Resources			
Property Taxes	26,098,562	0	26,098,562
Pension	3,492,667	70,478	3,563,145
<i>Total Deferred Inflows of Resources</i>	<u>29,591,229</u>	<u>70,478</u>	<u>29,661,707</u>
Net Position			
Net Investment in Capital Assets	17,812,390	322,415	18,134,805
Restricted for:			
Capital Projects	560,349	0	560,349
Unclaimed Monies	3,142	0	3,142
Other Purposes	481,942	0	481,942
Unrestricted (Deficit)	(48,009,559)	(952,297)	(48,961,856)
<i>Total Net Position</i>	<u>(\$29,151,736)</u>	<u>(\$629,882)</u>	<u>(\$29,781,618)</u>

See accompanying notes to the basic financial statements

Riverside Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants, Interest and Contributions
Governmental Activities			
Instruction:			
Regular	\$20,807,582	\$1,030,182	\$80,284
Special	5,049,175	227,043	1,669,007
Vocational	67,458	0	6,586
Student Intervention Services	81,499	0	0
Support Services:			
Pupils	2,571,925	0	28,353
Instructional Staff	620,653	0	200,941
Board of Education	104,628	0	0
Administration	4,174,926	34,218	168,280
Fiscal	1,124,818	0	0
Business	40,385	0	0
Operation and Maintenance of Plant	4,440,970	921	0
Pupil Transportation	3,905,403	0	236,491
Central	399,652	19,167	29,808
Extracurricular Activities	654,363	189,073	11,969
Operation of Non-Instructional Services:			
Food Service Operations	8,286	0	0
Other Non-Instructional Services	188,398	0	39,829
Interest and Fiscal Charges	97,617	0	0
<i>Total Governmental Activities</i>	<u>44,337,738</u>	<u>1,500,604</u>	<u>2,471,548</u>
Business-Type Activities			
Food Service	1,525,266	814,884	799,582
Latchkey	461,891	365,256	0
<i>Total Business-Type Activities</i>	<u>1,987,157</u>	<u>1,180,140</u>	<u>799,582</u>
Totals	<u><u>\$46,324,895</u></u>	<u><u>\$2,680,744</u></u>	<u><u>\$3,271,130</u></u>

General Revenues

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

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net Revenue/(Expense) and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$19,697,116)	\$0	(\$19,697,116)
(3,153,125)	0	(3,153,125)
(60,872)	0	(60,872)
(81,499)	0	(81,499)
(2,543,572)	0	(2,543,572)
(419,712)	0	(419,712)
(104,628)	0	(104,628)
(3,972,428)	0	(3,972,428)
(1,124,818)	0	(1,124,818)
(40,385)	0	(40,385)
(4,440,049)	0	(4,440,049)
(3,668,912)	0	(3,668,912)
(350,677)	0	(350,677)
(453,321)	0	(453,321)
(8,286)	0	(8,286)
(148,569)	0	(148,569)
(97,617)	0	(97,617)
<u>(40,365,586)</u>	<u>0</u>	<u>(40,365,586)</u>
0	89,200	89,200
0	(96,635)	(96,635)
0	(7,435)	(7,435)
<u>(40,365,586)</u>	<u>(7,435)</u>	<u>(40,373,021)</u>
24,170,826	0	24,170,826
248,259	0	248,259
1,618,379	0	1,618,379
2,209,475	0	2,209,475
13,155,033	0	13,155,033
12,165	0	12,165
139,883	0	139,883
<u>223,354</u>	<u>0</u>	<u>223,354</u>
41,777,374	0	41,777,374
1,411,788	(7,435)	1,404,353
<u>(30,563,524)</u>	<u>(622,447)</u>	<u>(31,185,971)</u>
<u>(\$29,151,736)</u>	<u>(\$629,882)</u>	<u>(\$29,781,618)</u>

Riverside Local School District

Balance Sheet

Governmental Funds

June 30, 2016

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$6,753,106	\$905,548	\$7,658,654
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	3,142	0	3,142
Accounts Receivable	4,310	0	4,310
Intergovernmental Receivable	3,482	389,207	392,689
Property Taxes Receivable	25,699,533	4,142,543	29,842,076
Interfund Receivable	45,567	0	45,567
Materials and Supplies Inventory	148,585	0	148,585
<i>Total Assets</i>	<u>\$32,657,725</u>	<u>\$5,437,298</u>	<u>\$38,095,023</u>
Liabilities			
Accounts Payable	\$164,292	\$38,908	\$203,200
Accrued Wages and Benefits	3,702,177	150,140	3,852,317
Intergovernmental Payable	985,233	2,177	987,410
Interfund Payable	0	45,567	45,567
Matured Compensated Absences Payable	5,099	0	5,099
<i>Total Liabilities</i>	<u>4,856,801</u>	<u>236,792</u>	<u>5,093,593</u>
Deferred Inflows of Resources			
Property Taxes	22,366,151	3,732,411	26,098,562
Unavailable Revenue	1,374,003	429,141	1,803,144
<i>Total Deferred Inflows of Resources</i>	<u>23,740,154</u>	<u>4,161,552</u>	<u>27,901,706</u>
Fund Balances:			
Nonspendable	151,727	0	151,727
Restricted	0	1,081,833	1,081,833
Committed	311,254	0	311,254
Assigned	2,660,481	34,070	2,694,551
Unassigned (Deficit)	937,308	(76,949)	860,359
<i>Total Fund Balances</i>	<u>4,060,770</u>	<u>1,038,954</u>	<u>5,099,724</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$32,657,725</u>	<u>\$5,437,298</u>	<u>\$38,095,023</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, 2016*

Total Governmental Funds Balances	\$5,099,724
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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.	18,941,739
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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	1,535,315
Intergovernmental	<u>267,829</u>

Total	1,803,144
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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	5,623,947
Deferred Inflows - Pension	(3,492,667)
Net Pension Liability	<u>(53,671,941)</u>

Total	(51,540,661)
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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.	(14,786)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds	(875,718)
Capital Lease Payable	(1,678,652)
Compensated Absences	<u>(886,526)</u>

Total	<u>(3,440,896)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>(\$29,151,736)</u></u>
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See accompanying notes to the basic financial statements

Riverside Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$24,129,094	\$3,769,586	\$27,898,680
Intergovernmental	13,827,885	1,609,409	15,437,294
Interest	12,131	166	12,297
Tuition and Fees	1,223,503	0	1,223,503
Extracurricular Activities	87,107	189,073	276,180
Rentals	921	0	921
Contributions and Donations	70,023	11,969	81,992
Payment in Lieu of Taxes	139,883	0	139,883
Miscellaneous	221,249	2,105	223,354
<i>Total Revenues</i>	<u>39,711,796</u>	<u>5,582,308</u>	<u>45,294,104</u>
Expenditures			
Current:			
Instruction:			
Regular	18,540,697	2,157,606	20,698,303
Special	4,212,803	833,621	5,046,424
Vocational	67,458	0	67,458
Student Intervention Services	81,499	0	81,499
Support Services:			
Pupils	2,507,280	64,645	2,571,925
Instructional Staff	358,650	225,895	584,545
Board of Education	107,283	0	107,283
Administration	4,041,137	122,542	4,163,679
Fiscal	1,102,658	3,122	1,105,780
Business	40,385	0	40,385
Operation and Maintenance of Plant	3,479,966	0	3,479,966
Pupil Transportation	3,680,946	0	3,680,946
Central	383,560	14,400	397,960
Extracurricular Activities	340,419	217,759	558,178
Operation of Non-Instructional Services:			
Food Service Operations	1,282	0	1,282
Other Non-Instructional Services	119,164	69,234	188,398
Capital Outlay	4,300	1,217,283	1,221,583
Debt Service:			
Principal Retirement	209,500	1,517,997	1,727,497
Interest and Fiscal Charges	61,528	51,060	112,588
<i>Total Expenditures</i>	<u>39,340,515</u>	<u>6,495,164</u>	<u>45,835,679</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>371,281</u>	<u>(912,856)</u>	<u>(541,575)</u>
Other Financing Sources (Uses)			
Sale of Capital Assets	0	18,000	18,000
Inception of Capital Lease	0	305,111	305,111
Transfers In	0	20,046	20,046
Transfers Out	(20,046)	0	(20,046)
<i>Total Other Financing Sources (Uses)</i>	<u>(20,046)</u>	<u>343,157</u>	<u>323,111</u>
<i>Net Change in Fund Balances</i>	351,235	(569,699)	(218,464)
<i>Fund Balances Beginning of Year</i>	<u>3,709,535</u>	<u>1,608,653</u>	<u>5,318,188</u>
<i>Fund Balances End of Year</i>	<u>\$4,060,770</u>	<u>\$1,038,954</u>	<u>\$5,099,724</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, 2016*

Net Change in Fund Balances - Total Governmental Funds (\$218,464)

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

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

Capital Asset Additions	643,018
Current Year Depreciation	<u>(1,245,195)</u>

Total (602,177)

Governmental Funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (26,576)

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

Delinquent Property Taxes	348,259
Intergovernmental	<u>107,163</u>

Total 455,422

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. 1,727,497

Other financing sources in the governmental funds such as inception of capital lease increase long-term liabilities in the statement of net position. (305,111)

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. 14,971

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. (49,669)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 3,122,132

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (2,706,237)

Change in Net Position of Governmental Activities \$1,411,788

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, 2016

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$23,783,244	\$24,240,753	\$24,240,753	\$0
Intergovernmental	13,471,446	13,756,453	13,763,549	7,096
Interest	2,500	9,695	12,019	2,324
Tuition and Fees	1,066,678	1,220,687	1,221,934	1,247
Rentals	5,000	921	921	0
Payment in Lieu of Taxes	139,883	139,883	139,883	0
Miscellaneous	257,363	108,979	109,309	330
<i>Total Revenues</i>	<u>38,726,114</u>	<u>39,477,371</u>	<u>39,488,368</u>	<u>10,997</u>
Expenditures				
Current:				
Instruction:				
Regular	18,992,547	18,099,013	18,099,013	0
Special	4,303,980	4,381,797	4,381,797	0
Vocational	55,542	62,147	62,147	0
Student Intervention Services	97,461	81,499	81,499	0
Support Services:				
Pupils	2,683,737	2,538,975	2,538,975	0
Instructional Staff	297,877	352,800	352,800	0
Board of Education	26,200	25,461	25,461	0
Administration	4,167,159	4,120,802	4,120,802	0
Fiscal	1,089,386	1,061,282	1,061,282	0
Business	45,000	83,857	83,857	0
Operation and Maintenance of Plant	3,398,789	3,708,437	3,708,437	0
Pupil Transportation	3,677,658	3,672,922	3,664,970	7,952
Central	289,970	575,749	575,749	0
Extracurricular Activities	351,952	346,010	346,010	0
Operation of Non-Instructional Services:				
Food Service Operations	40,547	29,349	29,349	0
Shared Services	104,465	89,816	89,816	0
Capital Outlay	3,312	4,300	4,300	0
Debt Service:				
Principal Retirement	271,072	52,782	52,782	0
Interest and Fiscal Charges	11,154	44,449	44,449	0
<i>Total Expenditures</i>	<u>39,907,808</u>	<u>39,331,447</u>	<u>39,323,495</u>	<u>7,952</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,181,694)	145,924	164,873	18,949
Other Financing Uses				
Advances Out	0	(45,567)	(45,567)	0
Transfers Out	(2,477)	(20,046)	(20,046)	0
<i>Total Other Financing Uses</i>	<u>(2,477)</u>	<u>(65,613)</u>	<u>(65,613)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,184,171)	80,311	99,260	18,949
<i>Fund Balance Beginning of Year</i>	4,974,891	4,974,891	4,974,891	0
Prior Year Encumbrances Appropriated	552,392	552,392	552,392	0
<i>Fund Balance End of Year</i>	<u>\$4,343,112</u>	<u>\$5,607,594</u>	<u>\$5,626,543</u>	<u>\$18,949</u>

See accompanying notes to the basic financial statements

Riverside Local School District
Statement of Fund Net Position
Enterprise Funds
June 30, 2016

	Nonmajor Enterprise Funds
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$457,004
Inventory Held for Resale	10,299
Materials and Supplies Inventory	5,584
<i>Total Current Assets</i>	472,887
<i>Noncurrent Assets:</i>	
Depreciable Capital Assets, Net	322,415
<i>Total Assets</i>	795,302
Deferred Outflows of Resources	
Pension	155,660
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	100,417
Accrued Wages and Benefits	1,750
Matured Compensated Absences Payable	1,479
Intergovernmental Payable	23,682
Compensated Absences Payable	7,208
<i>Total Current Liabilities</i>	134,536
<i>Long-Term Liabilities (net of current portion):</i>	
Compensated Absences Payable	64,403
Net Pension Liability	1,311,427
<i>Total Long-Term Liabilities</i>	1,375,830
<i>Total Liabilities</i>	1,510,366
Deferred Inflows of Resources	
Pension	70,478
Net Position	
Investment in Capital Assets	322,415
Unrestricted (Deficit)	(952,297)
<i>Total Net Position</i>	(\$629,882)

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, 2016*

	Nonmajor Enterprise Funds
Operating Revenues	
Charges for Services	\$1,180,140
Operating Expenses	
Salaries	739,057
Fringe Benefits	328,274
Purchased Services	116,777
Materials and Supplies	722,421
Depreciation	53,992
Capital Outlay	26,636
<i>Total Operating Expenses</i>	1,987,157
<i>Operating Loss</i>	(807,017)
Non-Operating Revenues	
Operating Grants	799,582
<i>Change in Net Position</i>	(7,435)
<i>Net Position Beginning of Year</i>	(622,447)
<i>Net Position End of Year</i>	(\$629,882)

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, 2016

	Nonmajor Enterprise
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$1,180,140
Cash Payments to Employees for Services	(678,441)
Cash Payments for Employee Benefits	(381,694)
Cash Payments to Suppliers for Goods and Services	(862,470)
<i>Net Cash Provided by (Used for) Operating Activities</i>	(742,465)
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	799,582
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	(46,725)
<i>Net Increase in Cash and Cash Equivalents</i>	10,392
<i>Cash and Cash Equivalents Beginning of Year</i>	446,612
<i>Cash and Cash Equivalents End of Year</i>	\$457,004
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	(\$807,017)
Adjustments:	
Depreciation	53,992
(Increase) Decrease in Assets:	
Inventory Held for Resale	2,212
Materials and Supplies Inventory	907
Decrease in Deferred Outflows - Pension	14,688
Increase (Decrease) in Liabilities:	
Accounts Payable	96,983
Accrued Wages	(68,981)
Compensated Absences Payable	1,080
Matured Compensated Absences Payable	1,479
Intergovernmental Payable	(8,469)
Net Pension Liability	15,567
Decrease in Deferred Inflows - Pension	(44,906)
<i>Total Adjustments</i>	64,552
<i>Net Cash Provided by (Used for) Operating Activities</i>	(\$742,465)

See accompanying notes to the basic financial statements

Riverside Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

Assets	
Equity in Pooled Cash and Cash Equivalents	\$56,868
Cash and Cash Equivalents in Segregated Accounts	<u>13,732</u>
<i>Total Assets</i>	<u><u>\$70,600</u></u>
Liabilities	
Due to Students	\$56,868
Due to Employees	<u>13,732</u>
<i>Total Liabilities</i>	<u><u>\$70,600</u></u>

See accompanying notes to the basic financial statements

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 280 certificated employees who provide services to 4,208 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 15 and 16 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, 2016

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, 2016

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, 2016

Basis of Accounting

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

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to pension are explained in Note 18.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 18).

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

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

Cash and Cash Equivalents

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

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

During fiscal year 2016, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$12,131, of which \$1,287 was assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Inventory

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

Restricted Assets

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

Capital Assets

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

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

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

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

Compensated Absences

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

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

Accrued Liabilities and Long-term Obligations

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

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

Internal Activity

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

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

Fund Balance

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

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for extracurricular activities and to cover a gap between estimated revenue and appropriations in fiscal year 2017's budget.

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

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

Net Position

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

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

Operating Revenues and Expenses

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Estimates

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

Budgetary Data

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

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

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

Note 3 – Changes in Accounting Principles

For fiscal year 2016, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," GASB Statement No 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68," GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," GASB Statement No. 79, "Certain External Investment Pools and Pool Participants," and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the School District's financial statements.

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

GASB Statement No. 76 identifies – in the context of the current governmental financial reporting environment – the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the School District’s financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The School District participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The School District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Budgetary Basis of Accounting

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

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

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Net Change in Fund Balance

	General
GAAP Basis	\$351,235
Net Adjustment for Revenue Accruals	(503,806)
Ending Unrecorded Cash	(112)
Perspective Difference:	
Public School Support	18,504
Net Adjustment for Expenditure Accruals	1,171,922
Advances Out	(45,567)
Encumbrances	(892,916)
Budget Basis	\$99,260

Note 5 – 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	\$148,585	\$0	\$148,585
Unclaimed Funds	3,142	0	3,142
<i>Total Nonspendable</i>	<i>151,727</i>	<i>0</i>	<i>151,727</i>
<i>Restricted for</i>			
Joint Financing District	0	131,567	131,567
Band	0	64,022	64,022
Auxiliary Services	0	17,754	17,754
Capital Improvements	0	868,490	868,490
<i>Total Restricted</i>	<i>0</i>	<i>1,081,833</i>	<i>1,081,833</i>
<i>Committed to</i>			
Educational Services	311,254	0	311,254
<i>Assigned to</i>			
Capital Improvements	0	34,070	34,070
Public School Support	223,411	0	223,411
Purchases on Order:			
Support Services	482,856	0	482,856
Fiscal Year 2017 Appropriations	1,954,214	0	1,954,214
<i>Total Assigned</i>	<i>2,660,481</i>	<i>34,070</i>	<i>2,694,551</i>
<i>Unassigned (Deficit)</i>	<i>937,308</i>	<i>(76,949)</i>	<i>860,359</i>
<i>Total Fund Balances</i>	<i>\$4,060,770</i>	<i>\$1,038,954</i>	<i>\$5,099,724</i>

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 6 – Accountability

Fund balances at June 30, 2016, included the following individual fund deficits:

<i>Special Revenue Funds</i>	
Title VI-B	\$32,485
Title III	1,965
Title I - Disadvantage Children	33,431
Title II-A	9,068

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 7 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,531,124 of the School District's bank balance of \$2,781,124 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, 2016, the School District's only investment was in STAR Ohio in the amount of \$5,081,455. This investment is measured at net asset value per share.

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.

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 8 - Receivables

Receivables at June 30, 2016, consisted of taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Title VI-B Grant	\$214,979
Title I Grant	130,387
Improving Teacher Quality Grant	36,159
Title III Grant	7,682
Other	<u>3,482</u>
Total	<u><u>\$392,689</u></u>

Note 9 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Riverside Local School District
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Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

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

The amount available as an advance at June 30, 2016, was \$1,959,379 in the general fund, \$131,567 in the joint financing district special revenue fund, and \$117,253 in the permanent improvement capital projects fund. The 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 assessed values upon which the fiscal year 2016 taxes were collected are as follows:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$920,981,060	97.28%	\$945,953,950	97.12%
Public Utility Personal	25,715,100	2.72	28,057,970	2.88
Total	\$946,696,160	100.00%	\$974,011,920	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$54.71		\$53.78	

Note 10 – 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.

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

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

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
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	6,858	0	2,664,626
Buildings and Improvements	21,923,951	466,471	0	22,390,422
Furniture and Fixtures	5,330,500	133,199	0	5,463,699
Vehicles	5,731,991	36,490	(857,911)	4,910,570
<i>Total Capital Assets being Depreciated</i>	35,644,210	643,018	(857,911)	35,429,317
Less Accumulated Depreciation:				
Land Improvements	(\$1,588,317)	(\$105,348)	\$0	(\$1,693,665)
Buildings and Improvements	(8,635,893)	(598,794)	0	(9,234,687)
Furniture and Fixtures	(3,715,688)	(258,960)	0	(3,974,648)
Vehicles	(3,629,625)	(282,093)	831,335	(3,080,383)
<i>Total Accumulated Depreciation</i>	(17,569,523)	(1,245,195) *	831,335	(17,983,383)
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	18,074,687	(602,177)	(26,576)	17,445,934
<i>Governmental Activities Capital Assets, Net</i>	\$19,570,492	(\$602,177)	(\$26,576)	\$18,941,739

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Business-Type Activities				
Buildings and Improvements	\$4,553	\$46,725	\$0	\$51,278
Furniture and Fixtures	788,466	0	0	788,466
<i>Total Capital Assets being Depreciated</i>	<u>793,019</u>	<u>46,725</u>	<u>0</u>	<u>839,744</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(1,024)	(3,181)	0	(4,205)
Furniture and Fixtures	(462,313)	(50,811)	0	(513,124)
<i>Total Accumulated Depreciation</i>	<u>(463,337)</u>	<u>(53,992)</u>	<u>0</u>	<u>(517,329)</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$329,682</u>	<u>(\$7,267)</u>	<u>\$0</u>	<u>\$322,415</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$274,358
Special	506
Support Services	
Board of Education	797
Administration	50,941
Fiscal	412
Operation and Maintenance of Plant	556,917
Pupil Transportation	257,020
Operation of Food Service	12,488
Extracurricular Activities	91,756
Total Depreciation Expense	<u>\$1,245,195</u>

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 12 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2016 were as follows:

	Principal Outstanding June 30, 2015	Additions	Deductions	Principal Outstanding June 30, 2016	Amount Due in One Year
Governmental Activities					
2003 School Improvement Refunding Bonds					
Term Bonds 4.00%	\$785,000	\$0	(\$785,000)	\$0	\$0
2015 School Energy Conservation Improvement Bonds 3.68%	928,500	0	(52,782)	875,718	48,935
<i>Total General Obligation Bonds</i>	<u>1,713,500</u>	<u>0</u>	<u>(837,782)</u>	<u>875,718</u>	<u>48,935</u>
Other Long-term Obligations					
Net Pension Liability					
STRS	38,736,379	5,464,010	0	44,200,389	0
SERS	8,168,079	1,303,473	0	9,471,552	0
<i>Total Net Pension Liability</i>	<u>46,904,458</u>	<u>6,767,483</u>	<u>0</u>	<u>53,671,941</u>	<u>0</u>
Capital Leases	2,263,256	305,111	(889,715)	1,678,652	885,526
Compensated Absences	836,857	244,791	(195,122)	886,526	186,699
<i>Total Other Long-term Obligations</i>	<u>50,004,571</u>	<u>7,317,385</u>	<u>(1,084,837)</u>	<u>56,237,119</u>	<u>1,072,225</u>
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$51,718,071</u>	<u>\$7,317,385</u>	<u>(\$1,922,619)</u>	<u>\$57,112,837</u>	<u>\$1,121,160</u>
Business-Type Activities					
Net Pension Liability					
SERS	\$1,156,354	\$155,073	\$0	\$1,311,427	\$0
Compensated Absences	70,531	8,578	(7,498)	71,611	7,208
<i>Total Business-Type Activities Long-Term Liabilities</i>	<u>\$1,226,885</u>	<u>\$163,651</u>	<u>(\$7,498)</u>	<u>\$1,383,038</u>	<u>\$7,208</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 were retired from the debt service fund.

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.

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.

Riverside Local School District
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Compensated absences will be paid from the general fund, title VI-B, and title I special revenue funds and the food service and latchkey enterprise funds. The 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, 2016, was \$86,785,355 with an unvoted debt margin of \$974,012. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2016, are as follows:

Fiscal Year Ending June 30	School Energy Conservation Bonds	
	Principal	Interest
2017	\$48,935	\$31,326
2018	50,736	29,492
2019	52,603	27,590
2020	54,539	25,619
2021	56,546	23,575
2022 - 2026	315,516	84,485
2027 - 2030	296,843	22,342
Total	\$875,718	\$244,429

Note 13 – Capital Lease

In prior fiscal years, the School District entered into a capital lease for a HVAC system and electrical equipment at Hale Road Elementary, musical instruments, school buses, computers, and chromebooks in the governmental activities. In fiscal year 2016, the School District entered into capital leases for chromebooks in the governmental activities. These lease obligations meet the criteria of a capital lease and have been recorded as capital assets on the government-wide statements. Capital lease payments are reflected as debt service expenditures in the general fund and permanent improvement levy capital projects fund on the basic financial statements.

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

	Governmental Activities
Asset:	
Buildings and Improvements	\$2,500,000
Furniture and Fixtures	215,181
Vehicles	848,512
Less: Accumulated Depreciation	(523,464)
Current Book Value	\$3,040,229

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, 2016.

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Fiscal Year Ending June 30,	Activities
2017	\$902,136
2018	355,929
2019	213,620
2020	160,410
2021	82,769
Total Minimum Lease Payments	1,714,864
Less: Amount Representing Interest	(36,212)
Present Value of Net Minimum Lease Payments	\$1,678,652

Note 14 - Interfund Transactions

Interfund Balances

Interfund balances at June 30, 2016, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable General Fund
Other Governmental Funds:	
Title VI-B	\$21,600
Title III	955
Title 1	18,049
Reducing Class Size	4,963
Total	\$45,567

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

Interfund Transfers

The general fund made transfers to other governmental funds in the amount of \$20,046 to move unrestricted balances to support programs and projects accounted for in other funds.

Note 15 - 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

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participation. LGCA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. In fiscal year 2016, the School District paid \$156,624 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 2016, the School District paid \$1,710 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 16 – 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.

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 17 - 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 2016, 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.

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 16).

Note 18 – 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

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the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org 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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

Riverside Local School District
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The School District's contractually required contribution to SERS was \$834,566 for fiscal year 2016. Of this amount \$199,595 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 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, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of 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.

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$2,389,066 for fiscal year 2016. Of this amount \$364,501 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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.18424300%	0.15925521%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.18897290%</u>	<u>0.15993150%</u>	
Change in Proportionate Share	<u>0.00472990%</u>	<u>0.00067629%</u>	
Proportionate Share of the Net Pension Liability	\$10,782,979	\$44,200,389	\$54,983,368
Pension Expense	\$750,553	\$2,042,532	\$2,793,085

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$173,626	\$2,014,980	\$2,188,606
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	236,944	130,425	367,369
School District contributions subsequent to the measurement date	<u>834,566</u>	<u>2,389,066</u>	<u>3,223,632</u>
Total Deferred Outflows of Resources	<u><u>\$1,245,136</u></u>	<u><u>\$4,534,471</u></u>	<u><u>\$5,779,607</u></u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$357,275	\$3,178,844	\$3,536,119
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>27,026</u>	<u>0</u>	<u>27,026</u>
Total Deferred Inflows of Resources	<u><u>\$384,301</u></u>	<u><u>\$3,178,844</u></u>	<u><u>\$3,563,145</u></u>

\$3,223,632 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	(\$106,438)	(\$684,753)	(\$791,191)
2018	(106,438)	(\$684,753)	(791,191)
2019	(106,438)	(\$684,753)	(791,191)
2020	<u>345,583</u>	<u>1,020,820</u>	<u>1,366,403</u>
Total	<u><u>\$26,269</u></u>	<u><u>(\$1,033,439)</u></u>	<u><u>(\$1,007,170)</u></u>

Actuarial Assumptions - SERS

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

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2015, 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 an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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	\$14,952,114	\$10,782,979	\$7,272,220

Changes Between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Asset Class	Target Allocation	10 Year Expected Nominal Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$61,397,674	\$44,200,389	\$29,657,520

Note 19 – 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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 2016, no allocation 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 2016, this amount was \$23,000. 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 2016, the School District's surcharge obligation was \$94,423.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$94,423, \$106,510, and \$97,678, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$164,964, respectively. The full amount has been contributed for 2016, 2015 and 2014.

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 20 – 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 2016. 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, 2016. The School District had zero teachers participate for fiscal year 2016.

Note 21 - 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, 2016, 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 fiscal year 2015, 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, 2016 Foundation funding for the School District, therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or 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.

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 22 - 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, 2015	\$0
Current Year Set-aside Requirement	734,960
Current Year Offsets	(2,448,892)
Qualifying Disbursements	(413,958)
Total	(\$2,127,890)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set Aside Balance as of June 30, 2016	\$0

Note 23 – 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	\$892,916	Latchkey	\$29,751
Other Governmental Funds	679,835		
<i>Total Governmental Funds</i>	<i>\$1,572,751</i>		

Note 24 – Subsequent Event

The voters, on November 8, 2016, approved a 1.92 mill, 37 year bond levy that will be used to construct two new elementary school buildings, demolish the existing facilities, construct two water treatment plants, and that will be used to pay for land and other improvements. This project will commence during the tax year of 2016.

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 Three Fiscal Years (1)**

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

(1) Information prior to 2014 is not available.

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

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

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

(1) Information prior to 2014 is not available.

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$834,566	\$752,298	\$742,026	\$726,745
Contributions in Relation to the Contractually Required Contribution	<u>(834,566)</u>	<u>(752,298)</u>	<u>(742,026)</u>	<u>(726,745)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$5,961,186	\$5,707,879	\$5,353,725	\$5,251,046
Contributions as a Percentage of Covered Payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$716,687	\$807,917	\$897,940	\$642,208	\$623,199	\$589,104
<u>(716,687)</u>	<u>(807,917)</u>	<u>(897,940)</u>	<u>(642,208)</u>	<u>(623,199)</u>	<u>(589,104)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,328,528	\$6,427,341	\$6,631,761	\$6,526,502	\$6,346,223	\$5,515,955
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$2,389,066	\$2,338,538	\$2,111,275	\$2,290,785
Contributions in Relation to the Contractually Required Contribution	<u>(2,389,066)</u>	<u>(2,338,538)</u>	<u>(2,111,275)</u>	<u>(2,290,785)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$17,064,757	\$16,703,843	\$16,240,579	\$17,621,423
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
\$2,385,798	\$2,515,127	\$2,520,556	\$2,381,059	\$2,277,545	\$2,193,638
(2,385,798)	(2,515,127)	(2,520,556)	(2,381,059)	(2,277,545)	(2,193,638)
\$0	\$0	\$0	\$0	\$0	\$0
\$18,352,292	\$19,347,131	\$19,388,892	\$18,315,838	\$17,519,577	\$16,874,138
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, 2016**

Federal Grantor Pass Through Grantor Program Title	CFDA Number	Expenditures
<u>U.S. Department of Agriculture:</u>		
<i>Passed Through Ohio Department of Education</i>		
<i><u>Child Nutrition Cluster:</u></i>		
School Breakfast Program	10.553	\$154,422
National School Lunch Program	10.555	538,836
National School Lunch Program - Non Cash Assistance		94,938
Total - National School Lunch Program		<u>633,774</u>
Total - U.S. Department of Agriculture / Child Nutrition Cluster		<u>788,196</u>
<u>U.S. Department of Education</u>		
<i>Passed Through Ohio Department of Education</i>		
<i><u>Special Education Cluster:</u></i>		
Special Education: Preschool Grants	84.173	22,741
Special Education Grants to States	84.027	60,699
Total - Special Education Grants to States		<u>601,622</u>
Total - Special Education Cluster		685,062
Title I Grants to Local Educational Agencies	84.010	63,688
Total - Title I Grants to Local Educational Agencies		<u>341,328</u>
English Language Acquisition Grants	84.365	3,722
Total - English Language Acquisition Grants		<u>19,626</u>
Improving Teacher Quality State Grants	84.367	16,870
Total - Improving Teacher Quality State Grants		<u>103,889</u>
Total - U.S. Department of Education		<u>1,234,185</u>
Total - Federal Assistance		<u>\$ 2,022,381</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
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Expenditures Schedule (the Schedule) includes the federal award activity of the Riverside Local School District, Lake County, Ohio, (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

NOTE E - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2015 to 2016 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
English Language Acquisition Grants	84.365	\$70
Improving Teacher Quality State Grants	84.367	3



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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, Ohio, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 24, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

February 24, 2017



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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Riverside Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Riverside Local School District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Riverside Local School District, Lake County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

February 24, 2017

**RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster, CFDA 84.173 and 84.027.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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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
MARCH 14, 2017