



OHIO AUDITOR OF STATE
KEITH FABER



**RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY**

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RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Riverside Local School District, Lake County, Ohio (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Riverside Local School District, Lake County, Ohio, as of June 30, 2019, 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 and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

March 17, 2020

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Riverside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
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, 2019. 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 2019 due to an increase in capital assets as well as a decrease in both the net pension and net OPEB liabilities due to changes in assumptions and benefit terms.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.
- The School District is committed to meeting the academic needs of our students by providing them with updated instructional materials to compete in a global environment.
- The School District celebrated the groundbreaking of its two new elementary school buildings on May 22, 2018. Construction of these two new elementary schools was complete in time for the 2019-2020 school year.

Overview of the Financial Statements

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

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

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

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

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

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

Riverside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
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 State and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. These fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and building improvement fund. All of the funds of the School District can be divided into three categories: governmental, proprietary and fiduciary.

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

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

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

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's Net Position for 2019 compared to 2018.

Table 1
Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|---------------------|--------------------------|------------------|---------------------|---------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Assets | | | | | | |
| Current and Other Assets | \$72,623,730 | \$85,466,418 | \$313,945 | \$347,725 | \$72,937,675 | \$85,814,143 |
| Net OPEB Asset | 2,556,276 | 0 | 0 | 0 | 2,556,276 | 0 |
| Capital Assets, Net | 49,286,523 | 24,362,702 | 218,089 | 246,681 | 49,504,612 | 24,609,383 |
| Total Assets | 124,466,529 | 109,829,120 | 532,034 | 594,406 | 124,998,563 | 110,423,526 |
| Deferred Outflows of Resources | | | | | | |
| Pension | 11,729,059 | 14,148,279 | 299,233 | 270,023 | 12,015,101 | 14,386,790 |
| OPEB | 784,744 | 477,734 | 64,970 | 11,568 | 849,714 | 489,302 |
| Total Deferred Outflows of Resources | \$12,513,803 | \$14,626,013 | \$364,203 | \$281,591 | \$12,864,815 | \$14,876,092 |

Riverside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Table 1

| | Net Position (continued) | | | | | |
|--|--------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Liabilities | | | | | | |
| Current Liabilities | \$13,531,665 | \$7,426,779 | \$142,590 | \$140,229 | \$13,674,255 | \$7,567,008 |
| Long-Term Liabilities: | | | | | | |
| Due Within One Year | 551,192 | 508,493 | 10,714 | 9,484 | 561,906 | 517,977 |
| Due In More Than One Year: | | | | | | |
| Net Pension Liability | 44,454,089 | 46,846,579 | 1,415,901 | 1,358,144 | 45,869,990 | 48,204,723 |
| Net OPEB Liability | 4,639,238 | 10,349,536 | 693,221 | 619,836 | 5,332,459 | 10,969,372 |
| Other Amounts | 40,606,159 | 41,022,803 | 87,214 | 81,582 | 40,693,373 | 41,104,385 |
| <i>Total Liabilities</i> | <u>103,782,343</u> | <u>106,154,190</u> | <u>2,349,640</u> | <u>2,209,275</u> | <u>106,131,983</u> | <u>108,363,465</u> |
| Deferred Inflows of Resources | | | | | | |
| Property Taxes | 34,018,063 | 28,363,001 | 0 | 0 | 34,018,063 | 28,363,001 |
| Pension | 3,320,181 | 2,617,233 | 78,009 | 67,259 | 3,384,999 | 2,652,980 |
| OPEB | 4,553,426 | 1,462,091 | 82,076 | 89,868 | 4,635,502 | 1,551,959 |
| <i>Total Deferred Inflows of Resources</i> | <u>41,891,670</u> | <u>32,442,325</u> | <u>160,085</u> | <u>157,127</u> | <u>42,038,564</u> | <u>32,567,940</u> |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 19,236,488 | 19,780,085 | 218,089 | 246,681 | 19,454,577 | 20,026,766 |
| Restricted for: | | | | | | |
| Capital Projects | 3,352,356 | 2,031,230 | 0 | 0 | 3,352,356 | 2,031,230 |
| Unclaimed Monies | 6,374 | 5,104 | 0 | 0 | 6,374 | 5,104 |
| Other Purposes | 705,006 | 454,687 | 0 | 0 | 705,006 | 454,687 |
| Unrestricted (Deficit) | <u>(31,993,905)</u> | <u>(36,412,488)</u> | <u>(1,831,577)</u> | <u>(1,737,086)</u> | <u>(33,825,482)</u> | <u>(38,149,574)</u> |
| <i>Total Net Position</i> | <u>(\$8,693,681)</u> | <u>(\$14,141,382)</u> | <u>(\$1,613,488)</u> | <u>(\$1,490,405)</u> | <u>(\$10,307,169)</u> | <u>(\$15,631,787)</u> |

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Riverside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Governmental total assets increased due to the change in net OPEB asset and capital assets. The increase in capital assets is mainly due to the construction of two new elementary schools and the purchase of service vehicles and buses.

Total liabilities decreased during fiscal year 2019, which is mainly attributable to the change in net pension/OPEB liability. The decrease in net pension/OPEB liability was due to changes in assumptions and benefit terms.

Table 2 shows the changes in net position for fiscal year 2019 compared to 2018.

Table 2
Change in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Program Revenues | | | | | | |
| Charges for Services and Sales | \$2,000,121 | \$1,878,086 | \$1,190,008 | \$1,105,035 | \$3,190,129 | \$2,983,121 |
| Operating Grants and Contributions | 2,787,871 | 2,348,204 | 814,449 | 850,955 | 3,602,320 | 3,199,159 |
| Capital Grants | 58,707 | 61,317 | 0 | 0 | 58,707 | 61,317 |
| <i>Total Program Revenues</i> | <u>4,846,699</u> | <u>4,287,607</u> | <u>2,004,457</u> | <u>1,955,990</u> | <u>6,851,156</u> | <u>6,243,597</u> |
| General Revenues | | | | | | |
| Property Taxes | 32,725,133 | 38,849,975 | 0 | 0 | 32,725,133 | 38,849,975 |
| Grants and Entitlements | 12,614,102 | 13,236,509 | 0 | 0 | 12,614,102 | 13,236,509 |
| Unrestricted Contributions | 7,024 | 1,567 | 0 | 0 | 7,024 | 1,567 |
| Investment Earnings | 1,011,513 | 595,094 | 4,682 | 3,300 | 1,016,195 | 598,394 |
| Payment in Lieu of Taxes | 165,549 | 151,725 | 0 | 0 | 165,549 | 151,725 |
| Gain on Sale of Capital Assets | 400 | 0 | 0 | 0 | 400 | 0 |
| Miscellaneous | 162,764 | 490,323 | 0 | 0 | 162,764 | 490,323 |
| <i>Total General Revenues</i> | <u>46,686,485</u> | <u>53,325,193</u> | <u>4,682</u> | <u>3,300</u> | <u>46,691,167</u> | <u>53,328,493</u> |
| <i>Total Revenues</i> | <u>51,533,184</u> | <u>57,612,800</u> | <u>2,009,139</u> | <u>1,959,290</u> | <u>53,542,323</u> | <u>59,572,090</u> |
| Program Expenses | | | | | | |
| Instruction: | | | | | | |
| Regular | 19,296,171 | 4,367,470 | 0 | 0 | 19,296,171 | 4,367,470 |
| Special | 5,370,957 | 5,264,728 | 0 | 0 | 5,370,957 | 5,264,728 |
| Vocational | 166,975 | 171,170 | 0 | 0 | 166,975 | 171,170 |
| Student Intervention Services | 0 | 17,267 | 0 | 0 | 0 | 17,267 |
| Support Services: | | | | | | |
| Pupils | 2,690,374 | 2,561,917 | 0 | 0 | 2,690,374 | 2,561,917 |
| Instructional Staff | 763,887 | 574,938 | 0 | 0 | 763,887 | 574,938 |
| Board of Education | 21,069 | 22,472 | 0 | 0 | 21,069 | 22,472 |
| Administration | 4,504,710 | 3,019,252 | 0 | 0 | 4,504,710 | 3,019,252 |
| Fiscal | 1,105,217 | 1,022,269 | 0 | 0 | 1,105,217 | 1,022,269 |
| Business | 113,977 | 112,721 | 0 | 0 | 113,977 | 112,721 |
| Operation and Maintenance of Plant | 4,769,194 | 4,184,657 | 0 | 0 | 4,769,194 | 4,184,657 |
| Pupil Transportation | 4,292,705 | 3,629,563 | 0 | 0 | 4,292,705 | 3,629,563 |
| Central | 386,955 | 336,042 | 0 | 0 | 386,955 | 336,042 |
| Extracurricular Activities | 945,502 | 630,329 | 0 | 0 | 945,502 | 630,329 |
| Operation of Food Service | 56,854 | 52,262 | 0 | 0 | 56,854 | 52,262 |
| Operation of Non-Instructional Services | 29,784 | 23,556 | 0 | 0 | 29,784 | 23,556 |
| Interest and Fiscal Charges | 1,571,152 | 1,547,748 | 0 | 0 | 1,571,152 | 1,547,748 |
| Food Service | 0 | 0 | 387,263 | 340,688 | 387,263 | 340,688 |
| Latchkey | 0 | 0 | 1,744,959 | 1,588,451 | 1,744,959 | 1,588,451 |
| <i>Total Program Expenses</i> | <u>46,085,483</u> | <u>27,538,361</u> | <u>2,132,222</u> | <u>1,929,139</u> | <u>48,217,705</u> | <u>29,467,500</u> |
| <i>Change in Net Position</i> | <u>5,447,701</u> | <u>30,074,439</u> | <u>(123,083)</u> | <u>30,151</u> | <u>5,324,618</u> | <u>30,104,590</u> |
| Net Position Beginning of Year | <u>(14,141,382)</u> | <u>(44,215,821)</u> | <u>(1,490,405)</u> | <u>(1,520,556)</u> | <u>(15,631,787)</u> | <u>(45,736,377)</u> |
| Net Position End of Year | <u>(\$8,693,681)</u> | <u>(\$14,141,382)</u> | <u>(\$1,613,488)</u> | <u>(\$1,490,405)</u> | <u>(\$10,307,169)</u> | <u>(\$15,631,787)</u> |

Riverside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

The largest component of the increase in program expenses results from changes in assumptions and benefit terms related to pensions in the prior year. For the prior year, STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). As a result of these changes, pension expense decreased from \$5,508,966 in fiscal year 2017 to a negative pension expense of \$15,156,157 for fiscal year 2018. For fiscal year 2019, pension expense increased to \$4,275,229 closer to the 2017 pension expense amount.

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 and administration costs related to pensions. Open enrollment and community school costs continue to be a major expense for the School District. The School District continues to show vigilance in monitoring all facets of spending.

The *statement of activities* shows the cost of program services and charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2019 compared to 2018.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

| | 2019 | | 2018 | |
|---|--------------------------|------------------------|--------------------------|------------------------|
| | Total Cost of Service | Net Cost of Service | Total Cost of Service | Net Cost of Service |
| Instruction | \$24,834,103 | \$21,408,795 | \$9,820,635 | \$6,578,899 |
| Support Services: | | | | |
| Pupils and Instructional Staff | 3,454,261 | 3,055,240 | 3,136,855 | 2,860,584 |
| Board of Education, Administration | | | | |
| Fiscal and Business | 5,744,973 | 5,385,408 | 4,176,714 | 3,982,077 |
| Operation and Maintenance of Plant | 4,769,194 | 4,709,246 | 4,184,657 | 4,123,161 |
| Pupil Transportation | 4,292,705 | 4,066,948 | 3,629,563 | 3,367,780 |
| Central | 386,955 | 361,231 | 336,042 | 304,408 |
| Extracurricular Activities | 945,502 | 606,543 | 630,329 | 417,333 |
| Operation of Food Service | 56,854 | 60,747 | 52,262 | 52,262 |
| Operation of Non-Instructional Services | 29,784 | 13,474 | 23,556 | 16,502 |
| Interest and Fiscal Charges | 1,571,152 | 1,571,152 | 1,547,748 | 1,547,748 |
| Total | \$46,085,483 | \$41,238,784 | \$27,538,361 | \$23,250,754 |

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.

Riverside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Financial Analysis of the School District's Funds

Governmental Funds Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. The general fund had a decrease in fund balance due to an increase in accrued wages, intergovernmental payables, matured compensated absences payable and early retirement incentive payables. The building improvement fund had a decrease in fund balance due to some of the proceeds of the general obligation bonds being spent on the construction of two new elementary schools.

General Fund Budgeting Highlights

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

During the course of fiscal year 2019, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

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

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

Capital Assets and Long-term Liabilities

Capital Assets

The increase in capital assets is due to current year capital asset purchases exceeding capital asset depreciation. In fiscal year 2019, capital asset additions included the construction of two new elementary schools, service vehicles and the purchase of buses. For more information about the School District's capital assets, see Note 12 to the basic financial statements.

Other Long-term Obligations

The decrease in long-term obligations is due to general obligation bonds being paid down and the decrease of net pension and OPEB liabilities as a result of the changes in assumptions during the fiscal year. The School District's overall legal debt margin was \$62,481,340 with an unvoted debt margin of \$1,013,613. For more information about the School District's long-term obligations, see Note 13 to the basic financial statements.

School District Outlook

The School District recently completed two years of spending within current revenue on a cash basis, yielding an accumulated favorable ending fund balance at the end of fiscal year 2019. In November 2016, the School District passed a bond issue that raised \$38.5 million for the purpose of building two new elementary schools that resulted in the decommissioning of Hale Road, Hadden, Leroy, and Madison Avenue

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For the Fiscal Year Ended June 30, 2019
Unaudited

elementary schools at the end of the 2018-2019 school year. In May 2017, the School District passed a new 4.9 mill operating levy to restore transportation services, restore elementary level programs, and reduce pay to participate fees. As of June 30, 2019, the School District has inside millage of 4.80 mills, cumulative levies of 33.10 mills through 1976, a 4.50 mill levy from 1980, a 4.90 mill levy from 1986, a 4.19 mill substitute levy from 2009, a 2.50 mill permanent improvement levy from 2016, a 1.56 mill debt service levy from 2016 and a 4.90 mill levy from 2017. Due to House Bill 920 passed in 1976, with the purpose of preventing inflation from increasing voted taxes, the total effective millage for collection year 2019 is 34.24 mills for residential property. The School District continues to closely monitor its finances and strategically plan for the financial future.

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

The State funding formula increased slightly in fiscal year 2019, but the burden of funding is still placed on local taxpayers. The State funding formula calculation starts at \$6,020 per student in fiscal year 2019. With funding based on the average daily membership of 4,242 students, the State funding formula should hypothetically generate \$25,536,840 in fiscal year 2019. However, the State funding formula is then reduced based on various indexes such as the School District's property tax valuation per pupil and the median income of taxpayers in the School District compared to State averages. State funding for fiscal year 2019 was actually only \$8,351,743 resulting in \$1,969 per student. Direct deductions for community schools, open enrollment, post-secondary option and other deductions reduced the State funding in fiscal year 2019 to an unrestricted amount of \$6,124,754 (\$1,444 per student) for the School District to utilize in general operations. Overall enrollment is decreasing, which is included in projections for State funding.

The School District continues to address the challenging aspects of managing its limited resources and increasing expenditures with minimal impact to the classroom setting. The Board continues to assess the cost of personnel and benefits in a manner that is prudent for the long-term fiscal plan of the School District with a close eye on the levy cycle for local taxpayers. The Board of Education strategically plans to avoid voter fatigue by limiting any future levy requests, while providing a high quality education to the students of Riverside Local School District.

Contacting the School District's Financial Management

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

Basic Financial Statements

Riverside Local School District

Statement of Net Position

June 30, 2019

| | Governmental Activities | Business-Type Activities * | Total * |
|--|----------------------------|-------------------------------|-----------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$32,281,641 | \$296,511 | \$32,578,152 |
| Accrued Interest Receivable | 16,059 | 0 | 16,059 |
| Accounts Receivable | 6,237 | 1,871 | 8,108 |
| Intergovernmental Receivable | 1,200,634 | 0 | 1,200,634 |
| Inventory Held for Resale | 0 | 10,574 | 10,574 |
| Materials and Supplies Inventory | 167,318 | 4,989 | 172,307 |
| Property Taxes Receivable | 38,951,841 | 0 | 38,951,841 |
| Net OPEB Asset | 2,556,276 | 0 | 2,556,276 |
| Nondepreciable Capital Assets | 32,092,243 | 0 | 32,092,243 |
| Depreciable Capital Assets, Net | 17,194,280 | 218,089 | 17,412,369 |
| <i>Total Assets</i> | <u>124,466,529</u> | <u>532,034</u> | <u>124,998,563</u> |
| Deferred Outflows of Resources | | | |
| Pension | 11,729,059 | 299,233 | 12,015,101 |
| OPEB | 784,744 | 64,970 | 849,714 |
| <i>Total Deferred Outflows of Resources</i> | <u>12,513,803</u> | <u>364,203</u> | <u>12,864,815</u> |
| Liabilities | | | |
| Accounts Payable | 369,648 | 9,737 | 379,385 |
| Accrued Wages and Benefits | 4,356,187 | 113,995 | 4,470,182 |
| Contracts Payable | 6,052,899 | 0 | 6,052,899 |
| Retainage Payable | 702,544 | 0 | 702,544 |
| Intergovernmental Payable | 1,352,940 | 18,858 | 1,371,798 |
| Accrued Interest Payable | 412,247 | 0 | 412,247 |
| Matured Compensated Absences Payable | 187,047 | 0 | 187,047 |
| Matured Special Termination Benefits Payable | 98,153 | 0 | 98,153 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 551,192 | 10,714 | 561,906 |
| Due in More Than One Year: | | | |
| Net Pension Liability (Note 19) | 44,454,089 | 1,415,901 | 45,869,990 |
| Net OPEB Liability (Note 20) | 4,639,238 | 693,221 | 5,332,459 |
| Other Amounts | 40,606,159 | 87,214 | 40,693,373 |
| <i>Total Liabilities</i> | <u>103,782,343</u> | <u>2,349,640</u> | <u>106,131,983</u> |
| Deferred Inflows of Resources | | | |
| Property Taxes | 34,018,063 | 0 | 34,018,063 |
| Pension | 3,320,181 | 78,009 | 3,384,999 |
| OPEB | 4,553,426 | 82,076 | 4,635,502 |
| <i>Total Deferred Inflows of Resources</i> | <u>41,891,670</u> | <u>160,085</u> | <u>42,038,564</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 19,236,488 | 218,089 | 19,454,577 |
| Restricted for: | | | |
| Capital Projects | 3,352,356 | 0 | 3,352,356 |
| Unclaimed Monies | 6,374 | 0 | 6,374 |
| Other Purposes | 705,006 | 0 | 705,006 |
| Unrestricted (Deficit) | (31,993,905) | (1,831,577) | (33,825,482) |
| <i>Total Net Position</i> | <u>(\$8,693,681)</u> | <u>(\$1,613,488)</u> | <u>(\$10,307,169)</u> |

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

See accompanying notes to the basic financial statements

Riverside Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2019

| | Program Revenues | | | |
|--|---------------------|--------------------------------------|---------------------------------------|----------------|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants |
| Governmental Activities | | | | |
| Instruction: | | | | |
| Regular | \$19,296,171 | \$1,292,128 | \$81,285 | \$0 |
| Special | 5,370,957 | 314,678 | 1,726,400 | 0 |
| Vocational | 166,975 | 0 | 10,817 | 0 |
| Support Services: | | | | |
| Pupils | 2,690,374 | 0 | 118,269 | 0 |
| Instructional Staff | 763,887 | 9,488 | 271,264 | 0 |
| Board of Education | 21,069 | 0 | 0 | 0 |
| Administration | 4,504,710 | 39,696 | 319,869 | 0 |
| Fiscal | 1,105,217 | 0 | 0 | 0 |
| Business | 113,977 | 0 | 0 | 0 |
| Operation and Maintenance of Plant | 4,769,194 | 1,241 | 0 | 58,707 |
| Pupil Transportation | 4,292,705 | 0 | 225,757 | 0 |
| Central | 386,955 | 1,721 | 24,003 | 0 |
| Extracurricular Activities | 945,502 | 335,089 | 3,870 | 0 |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 56,854 | 0 | 0 | 0 |
| Other Non-Instructional Services | 29,784 | 6,080 | 6,337 | 0 |
| Interest and Fiscal Charges | 1,571,152 | 0 | 0 | 0 |
| <i>Total Governmental Activities</i> | <u>46,085,483</u> | <u>2,000,121</u> | <u>2,787,871</u> | <u>58,707</u> |
| Business-Type Activities | | | | |
| Latchkey | 387,263 | 359,267 | 0 | 0 |
| Food Service | 1,744,959 | 830,741 | 814,449 | 0 |
| <i>Total Business-Type Activities</i> | <u>2,132,222</u> | <u>1,190,008</u> | <u>814,449</u> | <u>0</u> |
| <i>Totals</i> | <u>\$48,217,705</u> | <u>\$3,190,129</u> | <u>\$3,602,320</u> | <u>58,707</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
Unrestricted Contributions
Investment Earnings
Payment in Lieu of Taxes
Gain from Sale of Capital Assets
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 |
| (\$17,922,758) | \$0 | (\$17,922,758) |
| (3,329,879) | 0 | (3,329,879) |
| (156,158) | 0 | (156,158) |
| (2,572,105) | 0 | (2,572,105) |
| (483,135) | 0 | (483,135) |
| (21,069) | 0 | (21,069) |
| (4,145,145) | 0 | (4,145,145) |
| (1,105,217) | 0 | (1,105,217) |
| (113,977) | 0 | (113,977) |
| (4,709,246) | 0 | (4,709,246) |
| (4,066,948) | 0 | (4,066,948) |
| (361,231) | 0 | (361,231) |
| (606,543) | 0 | (606,543) |
| (56,854) | 0 | (56,854) |
| (17,367) | 0 | (17,367) |
| (1,571,152) | 0 | (1,571,152) |
| (41,238,784) | 0 | (41,238,784) |
| 0 | (27,996) | (27,996) |
| 0 | (99,769) | (99,769) |
| 0 | (127,765) | (127,765) |
| (41,238,784) | (127,765) | (41,366,549) |
| 27,296,279 | 0 | 27,296,279 |
| 1,434,491 | 0 | 1,434,491 |
| 2,049,609 | 0 | 2,049,609 |
| 1,944,754 | 0 | 1,944,754 |
| 12,614,102 | 0 | 12,614,102 |
| 7,024 | 0 | 7,024 |
| 1,011,513 | 4,682 | 1,016,195 |
| 165,549 | 0 | 165,549 |
| 400 | 0 | 400 |
| 162,764 | 0 | 162,764 |
| 46,686,485 | 4,682 | 46,691,167 |
| 5,447,701 | (123,083) | 5,324,618 |
| (14,141,382) | (1,490,405) | (15,631,787) |
| (\$8,693,681) | (\$1,613,488) | (\$10,307,169) |

Riverside Local School District

*Balance Sheet
Governmental Funds
June 30, 2019*

| | <u>General</u> | <u>Building Improvement</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---------------------------------|---|---|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$12,816,755 | \$15,914,999 | \$3,543,513 | \$32,275,267 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 6,374 | 0 | 0 | 6,374 |
| Accounts Receivable | 3,788 | 0 | 2,449 | 6,237 |
| Intergovernmental Receivable | 267,997 | 0 | 932,637 | 1,200,634 |
| Property Taxes Receivable | 32,600,277 | 0 | 6,351,564 | 38,951,841 |
| Interfund Receivable | 96,252 | 0 | 0 | 96,252 |
| Accrued Interest Receivable | 0 | 16,059 | 0 | 16,059 |
| Materials and Supplies Inventory | 167,318 | 0 | 0 | 167,318 |
| <i>Total Assets</i> | <u>\$45,958,761</u> | <u>\$15,931,058</u> | <u>\$10,830,163</u> | <u>\$72,719,982</u> |
| Liabilities | | | | |
| Accounts Payable | \$189,753 | \$18,416 | \$161,479 | \$369,648 |
| Accrued Wages and Benefits | 3,932,812 | 0 | 423,375 | 4,356,187 |
| Contracts Payable | 0 | 6,052,899 | 0 | 6,052,899 |
| Retainage Payable | 0 | 702,544 | 0 | 702,544 |
| Intergovernmental Payable | 1,346,089 | 0 | 6,851 | 1,352,940 |
| Interfund Payable | 0 | 0 | 96,252 | 96,252 |
| Matured Compensated Absences Payable | 187,047 | 0 | 0 | 187,047 |
| Matured Special Termination Benefits Payable | 98,153 | 0 | 0 | 98,153 |
| <i>Total Liabilities</i> | <u>5,753,854</u> | <u>6,773,859</u> | <u>687,957</u> | <u>13,215,670</u> |
| Deferred Inflows of Resources | | | | |
| Property Taxes | 28,412,823 | 0 | 5,605,240 | 34,018,063 |
| Unavailable Revenue | 1,927,387 | 0 | 990,868 | 2,918,255 |
| <i>Total Deferred Inflows of Resources</i> | <u>30,340,210</u> | <u>0</u> | <u>6,596,108</u> | <u>36,936,318</u> |
| Fund Balances: | | | | |
| Nonspendable | 173,692 | 0 | 0 | 173,692 |
| Restricted | 0 | 9,157,199 | 3,699,479 | 12,856,678 |
| Committed | 148,723 | 0 | 0 | 148,723 |
| Assigned | 350,894 | 0 | 29,550 | 380,444 |
| Unassigned (Deficit) | 9,191,388 | 0 | (182,931) | 9,008,457 |
| <i>Total Fund Balances</i> | <u>9,864,697</u> | <u>9,157,199</u> | <u>3,546,098</u> | <u>22,567,994</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i> | <u>\$45,958,761</u> | <u>\$15,931,058</u> | <u>\$10,830,163</u> | <u>\$72,719,982</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, 2019*

| | |
|--|---------------------|
| Total Governmental Funds Balances | \$22,567,994 |
|--|---------------------|

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. | 49,286,523 |
|---|------------|

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 | 1,914,992 |
| Intergovernmental | 932,421 |
| Tuition and Fees | 70,842 |

| | |
|-------|-----------|
| Total | 2,918,255 |
|-------|-----------|

The net pension liability and net OPEB (asset) liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

| | |
|-----------------------------|--------------|
| Net OPEB Asset | 2,556,276 |
| Deferred Outflows - Pension | 11,729,059 |
| Deferred Outflows - OPEB | 784,744 |
| Net Pension Liability | (44,454,089) |
| Net OPEB Liability | (4,639,238) |
| Deferred Inflows - Pension | (3,320,181) |
| Deferred Inflows - OPEB | (4,553,426) |

| | |
|-------|--------------|
| Total | (41,896,855) |
|-------|--------------|

| | |
|---|-----------|
| In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due. | (412,247) |
|---|-----------|

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

| | |
|--------------------------|--------------|
| General Obligation Bonds | (39,858,277) |
| Capital Lease Payable | (240,948) |
| Compensated Absences | (1,058,126) |

| | |
|-------|--------------|
| Total | (41,157,351) |
|-------|--------------|

| | |
|--|----------------------|
| <i>Net Position of Governmental Activities</i> | <i>(\$8,693,681)</i> |
|--|----------------------|

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, 2019

| | General | Building Improvement | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|-------------------------|--------------------------------|--------------------------------|
| Revenues | | | | |
| Property Taxes | \$27,300,336 | \$0 | \$5,427,683 | \$32,728,019 |
| Intergovernmental | 13,540,221 | 0 | 1,703,517 | 15,243,738 |
| Interest | 274,231 | 674,545 | 62,737 | 1,011,513 |
| Tuition and Fees | 1,512,615 | 0 | 0 | 1,512,615 |
| Extracurricular Activities | 90,913 | 0 | 335,089 | 426,002 |
| Rentals | 729 | 0 | 0 | 729 |
| Contributions and Donations | 46,956 | 0 | 3,870 | 50,826 |
| Payment in Lieu of Taxes | 165,549 | 0 | 0 | 165,549 |
| Miscellaneous | 132,627 | 0 | 30,137 | 162,764 |
| <i>Total Revenues</i> | <u>43,064,177</u> | <u>674,545</u> | <u>7,563,033</u> | <u>51,301,755</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 21,084,168 | 0 | 2,577,674 | 23,661,842 |
| Special | 4,398,376 | 0 | 927,037 | 5,325,413 |
| Vocational | 179,301 | 0 | 0 | 179,301 |
| Support Services: | | | | |
| Pupils | 2,525,019 | 0 | 164,126 | 2,689,145 |
| Instructional Staff | 470,466 | 0 | 208,823 | 679,289 |
| Board of Education | 19,737 | 0 | 0 | 19,737 |
| Administration | 4,656,169 | 0 | 145,975 | 4,802,144 |
| Fiscal | 1,048,312 | 0 | 48,558 | 1,096,870 |
| Business | 113,175 | 0 | 1 | 113,176 |
| Operation and Maintenance of Plant | 3,921,621 | 0 | 256,577 | 4,178,198 |
| Pupil Transportation | 3,863,310 | 0 | 505,250 | 4,368,560 |
| Central | 356,672 | 0 | 143,007 | 499,679 |
| Extracurricular Activities | 426,765 | 0 | 405,114 | 831,879 |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 42,901 | 0 | 0 | 42,901 |
| Other Non-Instructional Services | 19,913 | 0 | 9,871 | 29,784 |
| Capital Outlay | 6,632 | 25,674,802 | 587 | 25,682,021 |
| Debt Service: | | | | |
| Principal Retirement | 131,571 | 0 | 185,163 | 316,734 |
| Interest and Fiscal Charges | 33,364 | 0 | 1,592,731 | 1,626,095 |
| <i>Total Expenditures</i> | <u>43,297,472</u> | <u>25,674,802</u> | <u>7,170,494</u> | <u>76,142,768</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(233,295)</u> | <u>(25,000,257)</u> | <u>392,539</u> | <u>(24,841,013)</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | 1,200 | 0 | 0 | 1,200 |
| Transfers In | 0 | 0 | 75,000 | 75,000 |
| Transfers Out | (75,000) | 0 | 0 | (75,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(73,800)</u> | <u>0</u> | <u>75,000</u> | <u>1,200</u> |
| <i>Net Change in Fund Balances</i> | <u>(307,095)</u> | <u>(25,000,257)</u> | <u>467,539</u> | <u>(24,839,813)</u> |
| <i>Fund Balances Beginning of Year</i> | <u>10,171,792</u> | <u>34,157,456</u> | <u>3,078,559</u> | <u>47,407,807</u> |
| <i>Fund Balances End of Year</i> | <u>\$9,864,697</u> | <u>\$9,157,199</u> | <u>\$3,546,098</u> | <u>\$22,567,994</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, 2019*

Net Change in Fund Balances - Total Governmental Funds (\$24,839,813)

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

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

| | |
|---------------------------|--------------------|
| Capital Asset Additions | 26,442,199 |
| Current Year Depreciation | <u>(1,509,635)</u> |

Total 24,932,564

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. (8,743)

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

| | |
|---------------------------|---------------|
| Delinquent Property Taxes | (2,886) |
| Intergovernmental | 173,140 |
| Tuition and Fees | <u>60,775</u> |

Total 231,029

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. 316,734

Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

| | |
|-------------------------------|---------------|
| Accrued Interest | 6,148 |
| Amortization of Bond Premiums | <u>48,795</u> |

Total 54,943

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. 8,416

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

| | |
|---------|----------------|
| Pension | 3,395,553 |
| OPEB | <u>133,029</u> |

Total 3,528,582

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities:

| | |
|---------|------------------|
| Pension | (4,125,231) |
| OPEB | <u>5,349,220</u> |

Total 1,223,989

Change in Net Position of Governmental Activities \$5,447,701

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, 2019

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|---|--------------------|--------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Property Taxes | \$29,438,637 | \$29,345,000 | \$30,375,335 | \$1,030,335 |
| Intergovernmental | 13,202,012 | 13,285,249 | 13,673,561 | 388,312 |
| Interest | 135,000 | 175,000 | 274,231 | 99,231 |
| Tuition and Fees | 1,591,000 | 1,560,000 | 1,519,382 | (40,618) |
| Rentals | 0 | 0 | 580 | 580 |
| Contributions and Donations | 0 | 0 | 6,924 | 6,924 |
| Payment in Lieu of Taxes | 165,549 | 165,549 | 165,549 | 0 |
| Miscellaneous | 49,314 | 50,314 | 96,619 | 46,305 |
| <i>Total Revenues</i> | <u>44,581,512</u> | <u>44,581,112</u> | <u>46,112,181</u> | <u>1,531,069</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 20,375,988 | 20,431,955 | 20,157,852 | 274,103 |
| Special | 5,583,846 | 5,396,261 | 4,711,685 | 684,576 |
| Vocational | 136,330 | 186,512 | 186,512 | 0 |
| Student Intervention Services | 18,165 | 18,165 | 0 | 18,165 |
| Support Services: | | | | |
| Pupils | 2,891,482 | 2,664,082 | 2,529,986 | 134,096 |
| Instructional Staff | 315,391 | 447,722 | 447,722 | 0 |
| Board of Education | 12,200 | 23,300 | 19,737 | 3,563 |
| Administration | 4,139,906 | 4,626,156 | 4,587,871 | 38,285 |
| Fiscal | 785,466 | 1,064,819 | 1,064,819 | 0 |
| Business | 71,028 | 113,050 | 113,050 | 0 |
| Operation and Maintenance of Plant | 4,998,334 | 4,119,742 | 4,035,903 | 83,839 |
| Pupil Transportation | 4,061,944 | 4,112,445 | 3,966,923 | 145,522 |
| Central | 276,998 | 363,862 | 363,862 | 0 |
| Extracurricular Activities | 352,863 | 435,801 | 435,801 | 0 |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 37,511 | 43,380 | 43,380 | 0 |
| Other Non-Instructional Services | 9,284 | 9,284 | 7,080 | 2,204 |
| Capital Outlay | 0 | 10,200 | 10,200 | 0 |
| Debt Service: | | | | |
| Principal Retirement | 52,603 | 52,603 | 52,603 | 0 |
| Interest and Fiscal Charges | 27,591 | 27,591 | 27,591 | 0 |
| <i>Total Expenditures</i> | <u>44,146,930</u> | <u>44,146,930</u> | <u>42,762,577</u> | <u>1,384,353</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>434,582</u> | <u>434,182</u> | <u>3,349,604</u> | <u>2,915,422</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from Sale of Capital Assets | 0 | 400 | 1,200 | 800 |
| Advances In | 101,536 | 101,536 | 101,536 | 0 |
| Transfers Out | 0 | 0 | (75,000) | (75,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>101,536</u> | <u>101,936</u> | <u>27,736</u> | <u>(74,200)</u> |
| <i>Net Change in Fund Balance</i> | 536,118 | 536,118 | 3,377,340 | 2,841,222 |
| <i>Fund Balance Beginning of Year</i> | 8,337,742 | 8,337,742 | 8,337,742 | 0 |
| Prior Year Encumbrances Appropriated | 544,930 | 544,930 | 544,930 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$9,418,790</u> | <u>\$9,418,790</u> | <u>\$12,260,012</u> | <u>\$2,841,222</u> |

See accompanying notes to the basic financial statements

Riverside Local School District
Statement of Fund Net Position
Enterprise Funds
June 30, 2019

| | Nonmajor Enterprise Funds |
|--|------------------------------|
| Assets | |
| <i>Current Assets:</i> | |
| Equity in Pooled Cash and Cash Equivalents | \$296,511 |
| Accounts Receivable | 1,871 |
| Inventory Held for Resale | 10,574 |
| Materials and Supplies Inventory | 4,989 |
| <i>Total Current Assets</i> | 313,945 |
| <i>Noncurrent Assets:</i> | |
| Depreciable Capital Assets, Net | 218,089 |
| <i>Total Assets</i> | 532,034 |
| Deferred Outflows of Resources | |
| Pension | 302,398 |
| OPEB | 64,970 |
| <i>Total Deferred Outflows of Resources</i> | 367,368 |
| Liabilities | |
| <i>Current Liabilities:</i> | |
| Accounts Payable | 9,737 |
| Accrued Wages and Benefits | 113,995 |
| Intergovernmental Payable | 18,858 |
| Compensated Absences Payable | 10,714 |
| <i>Total Current Liabilities</i> | 153,304 |
| <i>Long-Term Liabilities (net of current portion):</i> | |
| Compensated Absences Payable | 87,214 |
| Net Pension Liability | 1,415,901 |
| Net OPEB Liability | 693,221 |
| <i>Total Long-Term Liabilities</i> | 2,196,336 |
| <i>Total Liabilities</i> | 2,349,640 |
| Deferred Inflows of Resources | |
| Pension | 81,174 |
| OPEB | 82,076 |
| <i>Total Deferred Inflows of Resources</i> | 163,250 |
| Net Position | |
| Investment in Capital Assets | 218,089 |
| Unrestricted (Deficit) | (1,831,577) |
| <i>Total Net Position</i> | (\$1,613,488) |

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, 2019*

| | <u>Nonmajor Enterprise Funds</u> |
|--|--------------------------------------|
| Operating Revenues | |
| Charges for Services | <u>\$1,190,008</u> |
| Operating Expenses | |
| Salaries | 796,757 |
| Fringe Benefits | 476,882 |
| Purchased Services | 72,260 |
| Materials and Supplies | 737,969 |
| Depreciation | <u>48,354</u> |
| <i>Total Operating Expenses</i> | <u>2,132,222</u> |
| <i>Operating Income (Loss)</i> | <u>(942,214)</u> |
| Non-Operating Revenues (Expenses) | |
| Operating Grants | 814,449 |
| Interest | <u>4,682</u> |
| <i>Total Non-Operating Revenues (Expenses)</i> | <u>819,131</u> |
| <i>Change in Net Position</i> | (123,083) |
| <i>Net Position Beginning of Year</i> | <u>(1,490,405)</u> |
| <i>Net Position End of Year</i> | <u><u>(\$1,613,488)</u></u> |
| 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, 2019

| | Nonmajor Enterprise Funds |
|--|------------------------------|
| <i>Increase (Decrease) in Cash and Cash Equivalents</i> | |
| Cash Flows from Operating Activities | |
| Cash Received from Customers | \$1,188,137 |
| Cash Payments to Employees for Services | (782,724) |
| Cash Payments for Employee Benefits | (426,332) |
| Cash Payments to Suppliers for Goods and Services | (810,580) |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | (831,499) |
| Cash Flows from Noncapital Financing Activities | |
| Operating Grants Received | 814,449 |
| Cash Flows from Capital and Related Financing Activities | |
| Acquisition of Capital Assets | (20,684) |
| Proceeds from Sale of Capital Assets | 922 |
| <i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i> | (19,762) |
| Cash Flows from Investing Activities | |
| Interest on Investments | 4,682 |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i> | (32,130) |
| <i>Cash and Cash Equivalents Beginning of Year</i> | 328,641 |
| <i>Cash and Cash Equivalents End of Year</i> | \$296,511 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities | |
| Operating Loss | (\$942,214) |
| Adjustments: | |
| Depreciation | 48,354 |
| (Increase) Decrease in Assets: | |
| Accounts Receivable | (1,871) |
| Inventory Held for Resale | 1,251 |
| Materials and Supplies Inventory | 2,270 |
| Deferred Outflow - Pension | 241,869 |
| Deferred Outflow - OPEB | 8,324 |
| Increase (Decrease) in Liabilities: | |
| Accounts Payable | 4,307 |
| Accrued Wages | 7,171 |
| Compensated Absences Payable | 6,862 |
| Intergovernmental Payable | (9,117) |
| Net Pension Liability | (71,833) |
| Net OPEB Liability | 42,034 |
| Deferred Inflow - Pension | (130,739) |
| Deferred Inflow - OPEB | (38,167) |
| <i>Total Adjustments</i> | 110,715 |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | (\$831,499) |

See accompanying notes to the basic financial statements

Riverside Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2019

Assets

| | |
|--|---------------|
| Equity in Pooled Cash and Cash Equivalents | \$60,116 |
| Cash and Cash Equivalents in Segregated Accounts | <u>15,708</u> |

| | |
|---------------------|------------------------|
| <i>Total Assets</i> | <u><u>\$75,824</u></u> |
|---------------------|------------------------|

Liabilities

| | |
|------------------|---------------|
| Due to Students | \$60,116 |
| Due to Employees | <u>15,708</u> |

| | |
|--------------------------|------------------------|
| <i>Total Liabilities</i> | <u><u>\$75,824</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, 2019

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 265 classified employees and 288 certificated employees who provide services to 3,994 students and other community members. At the end of the fiscal year 2019, the School District decommissioned four of its six existing elementary schools and will be opening two new elementary schools at the beginning of fiscal year 2020.

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 16 and 17 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, 2019

Basis of Presentation

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

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

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

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

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

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

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

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

Measurement Focus

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

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

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Basis of Accounting

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

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 19 and 20.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, intergovernmental grants and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Notes 19 and 20).

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

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

Cash and Cash Equivalents

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

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

During fiscal year 2019, investments were limited to STAR Ohio, a money market account, treasury bills and commercial paper.

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

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the building improvement capital projects fund during fiscal year 2019 amounted to \$674,545, of which \$175,864 was assigned from other School District funds.

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

Inventory

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

Restricted Assets

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

Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital 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 enterprise funds are reported both in the business type activities column of the government-wide statement of net position and in the respective funds.

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, 2019

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

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

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

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, and are reported as obligations of the funds; however, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due. Net pension/OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

Internal Activity

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

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

Interfund Balances

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

Fund Balance

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for public school support.

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

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Net Position

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

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

Operating Revenues and Expenses

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

Estimates

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

Budgetary Data

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

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

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 3 – Changes in Accounting Principles

For fiscal year 2019, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

For fiscal year 2019, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-2*. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Advances in/out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
4. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).
5. Budgetary revenues and expenditures of the public school support fund are classified to general fund for GAAP Reporting.

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

| Net Change in Fund Balance | General |
|---|-------------|
| GAAP Basis | (\$307,095) |
| Net Adjustment for Revenue Accruals | 2,879,920 |
| Advances In | 101,536 |
| Perspective Difference: | |
| Public School Support | (23,131) |
| Net Adjustment for Expenditure Accruals | 1,179,411 |
| Encumbrances | (453,301) |
| Budget Basis | \$3,377,340 |

Note 5 – Accountability

Fund balances at June 30, 2019, included the following individual fund deficits:

| <i>Special Revenue Funds</i> | |
|------------------------------|----------|
| Joint Financing District | \$99,479 |
| Title VI-B | 43,143 |
| Title I | 37,254 |
| Title III | 2,103 |
| Title II-A | 952 |

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

Note 6 – Fund Balances

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

| Fund Balances | General | Building Improvement | Other Governmental Funds | Total |
|------------------------------------|--------------------|-------------------------|--------------------------------|---------------------|
| <i>Nonspendable</i> | | | | |
| Materials and Supplies Inventory | \$167,318 | \$0 | \$0 | \$167,318 |
| Unclaimed Monies | 6,374 | | 0 | 6,374 |
| <i>Total Nonspendable</i> | 173,692 | 0 | 0 | 173,692 |
| <i>Restricted for</i> | | | | |
| Capital Projects | 0 | 9,157,199 | 1,991,478 | 11,148,677 |
| Other Purposes | 0 | 0 | 1,708,001 | 1,708,001 |
| <i>Total Restricted</i> | 0 | 9,157,199 | 3,699,479 | 12,856,678 |
| <i>Committed to</i> | | | | |
| Educational Services | 148,723 | 0 | 0 | 148,723 |
| <i>Assigned to</i> | | | | |
| Capital Projects | 0 | 0 | 29,550 | 29,550 |
| Public School Support | 201,918 | 0 | 0 | 201,918 |
| Purchases on Order: | | | | |
| Support Services | 148,976 | 0 | 0 | 148,976 |
| <i>Total Assigned</i> | 350,894 | 0 | 29,550 | 380,444 |
| <i>Unassigned (Deficit)</i> | 9,191,388 | 0 | (182,931) | 9,008,457 |
| <i>Total Fund Balances</i> | \$9,864,697 | \$9,157,199 | \$3,546,098 | \$22,567,994 |

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;

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2019, \$1,001,699 of the School District's total bank balance of \$2,258,600 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The School District's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

Investments are reported at fair value. As of June 30, 2019, the School District had the following investments:

| Measurement/Investment | Measurement Amount | Maturity | Standard & Poor's Rating | Percentage of Total Investments |
|-------------------------------------|-----------------------|---------------------|--------------------------------|---------------------------------------|
| Net Asset Value Per Share | | | | |
| STAR Ohio | \$14,773,855 | Average 53.3 Days | | N/A |
| Fair Value - Level One Inputs | | | | |
| Money Market Fund | 6,620 | Less than One Years | AA+ | N/A |
| Fair Value - Level Two Inputs | | | | |
| Treasury Note | 4,365,663 | Less than One Years | AA+ | N/A |
| Commercial Paper | 11,498,696 | Less than One Years | AA+ | 37.52 |
| Total Fair Value - Level Two Inputs | 15,864,359 | | | |
| Total Investments | \$30,644,834 | | | |

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2019. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

Note 8 - Receivables

Receivables at June 30, 2019, consisted of taxes, intergovernmental grants and tuition and fees. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

| | <u>Amounts</u> |
|---|---------------------------|
| Title VI-B Grant | \$510,843 |
| Title I Grant | 219,148 |
| Worker's Compensation Rebate | 193,004 |
| Improving Teacher Quality Grant | 148,968 |
| State of Ohio | 75,243 |
| Miscellaneous Federal Grants | 39,121 |
| Title III Grant | 8,317 |
| Medicaid Rebate | 2,584 |
| Early Childhood Special Education Grant | 1,840 |
| City of Painesville | 1,566 |
| Total | <u><u>\$1,200,634</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 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, 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.

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Public utility property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, 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, 2019, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2019 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, 2019, was \$2,523,913 in the general fund, \$136,747 in the joint financing district special revenue fund, \$144,197 in the bond retirement fund and \$213,929 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2018, was \$5,683,653 in the general fund, \$286,413 in the joint financing district special revenue fund, \$370,783 in the bond retirement fund and \$547,197 in the permanent improvement capital projects fund.

The assessed values upon which the fiscal year 2019 taxes were collected are as follows:

| | 2018 Second Half Collections | | 2019 First Half Collections | |
|--|---------------------------------|----------------|--------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Real Estate | \$963,672,210 | 95.13% | \$1,053,471,090 | 95.46% |
| Public Utility Personal | 49,381,520 | 4.87 | 50,142,300 | 4.54 |
| Total | <u>\$1,013,053,730</u> | <u>100.00%</u> | <u>\$1,103,613,390</u> | <u>100.00%</u> |
| Full Tax Rate per \$1,000 of assessed valuation | \$60.88 | | \$60.45 | |

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 10 - Tax Abatements

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

| Overlapping Government | Amount of Fiscal Year 2019 Taxes Abated |
|------------------------------------|--|
| <i>Community Reinvestment Act:</i> | |
| The City of Painesville | \$74,260 |

Note 11 – Lake County School Financing District

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

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

Property taxes collected by the Financing District available to the School District at June 30 are recorded in the same manner and included with property taxes receivable. Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2019 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.

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 12 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

| | Balance June 30, 2018 | Additions | Deletions | Balance June 30, 2019 |
|--|--------------------------|---------------|-----------|--------------------------|
| Governmental Activities | | | | |
| <i>Capital Assets not being Depreciated:</i> | | | | |
| Land | \$2,152,174 | \$0 | \$0 | \$2,152,174 |
| Construction in Progress | 4,313,061 | 25,627,008 | 0 | 29,940,069 |
| <i>Total Capital Assets not being Depreciated</i> | 6,465,235 | 25,627,008 | 0 | 32,092,243 |
| <i>Capital assets being Depreciated:</i> | | | | |
| Land Improvements | 3,552,444 | 65,781 | 0 | 3,618,225 |
| Buildings and Improvements | 23,627,706 | 34,325 | 0 | 23,662,031 |
| Furniture and Fixtures | 5,863,506 | 187,499 | (14,999) | 6,036,006 |
| Vehicles | 5,210,859 | 527,586 | (76,162) | 5,662,283 |
| <i>Total Capital Assets being Depreciated</i> | 38,254,515 | 815,191 | (91,161) | 38,978,545 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (1,884,418) | (119,678) | 0 | (2,004,096) |
| Buildings and Improvements | (10,822,207) | (782,845) | 0 | (11,605,052) |
| Furniture and Fixtures | (4,451,712) | (263,586) | 9,749 | (4,705,549) |
| Vehicles | (3,198,711) | (343,526) | 72,669 | (3,469,568) |
| <i>Total Accumulated Depreciation</i> | (20,357,048) | (1,509,635) * | 82,418 | (21,784,265) |
| <i>Depreciable Capital Assets, Net of Accumulated Depreciation</i> | 17,897,467 | (694,444) | (8,743) | 17,194,280 |
| <i>Governmental Activities Capital Assets, Net</i> | \$24,362,702 | \$24,932,564 | (\$8,743) | \$49,286,523 |
| Business-Type Activities | | | | |
| Buildings and Improvements | \$79,095 | \$0 | \$0 | \$79,095 |
| Furniture and Fixtures | 797,830 | 20,684 | (9,221) | 809,293 |
| <i>Total Capital Assets being Depreciated</i> | 876,925 | 20,684 | (9,221) | 888,388 |
| Less Accumulated Depreciation: | | | | |
| Buildings and Improvements | (19,232) | (7,909) | 0 | (27,141) |
| Furniture and Fixtures | (611,012) | (40,445) | 8,299 | (643,158) |
| <i>Total Accumulated Depreciation</i> | (630,244) | (48,354) | 8,299 | (670,299) |
| <i>Business-Type Activities Capital Assets, Net</i> | \$246,681 | (\$27,670) | (\$922) | \$218,089 |

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

* Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------------------|-------------|
| Instruction | |
| Regular | \$226,080 |
| Special | 2,538 |
| Support Services | |
| Pupils | 1,229 |
| Board of Education | 1,332 |
| Administration | 57,693 |
| Fiscal | 1,428 |
| Operation and Maintenance of Plant | 754,697 |
| Pupil Transportation | 327,204 |
| Central | 15,883 |
| Operation of Food Service | 13,178 |
| Extracurricular Activities | 108,373 |
| Total Depreciation Expense | \$1,509,635 |

Note 13 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2019 were as follows:

| | Principal Outstanding June 30, 2018 | Additions | Deductions | Principal Outstanding June 30, 2019 | Amount Due in One Year |
|--|---|-----------|-------------|---|------------------------------|
| Governmental Activities | | | | | |
| 2017 School Construction and Improvement Bonds | | | | | |
| Series A & B | | | | | |
| Term Bonds | \$29,065,000 | \$0 | (\$10,000) | \$29,055,000 | \$10,000 |
| Premium | 1,119,868 | 0 | (31,107) | 1,088,761 | 0 |
| Series C | | | | | |
| Serial Bonds | 2,910,000 | 0 | (100,000) | 2,810,000 | 110,000 |
| Term Bonds | 5,845,000 | 0 | 0 | 5,845,000 | 0 |
| Premium | 353,760 | 0 | (17,688) | 336,072 | 0 |
| Total 2017 School Construction and Improvement Bonds | 39,293,628 | 0 | (158,795) | 39,134,833 | 120,000 |
| 2015 School Energy Conservation Improvement Bonds 3.68% | 776,047 | 0 | (52,603) | 723,444 | 54,539 |
| <i>Total General Obligation Bonds</i> | \$40,069,675 | \$0 | (\$211,398) | \$39,858,277 | \$174,539 |

(continued)

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

| | Principal Outstanding June 30, 2018 | Additions | Deductions | Principal Outstanding June 30, 2019 | Amount Due in One Year |
|---|---|--------------------|----------------------|---|------------------------------|
| Governmental Activities (continued) | | | | | |
| Other Long-term Obligations | | | | | |
| Net Pension Liability | | | | | |
| STRS | \$37,757,453 | \$0 | (\$2,779,023) | \$34,978,430 | \$0 |
| SERS | 9,089,126 | 386,533 | 0 | 9,475,659 | 0 |
| <i>Total Net Pension Liability</i> | <u>46,846,579</u> | <u>386,533</u> | <u>(2,779,023)</u> | <u>44,454,089</u> | <u>0</u> |
| Net OPEB Liability | | | | | |
| STRS | 6,201,402 | 0 | (6,201,402) | 0 | 0 |
| SERS | 4,148,134 | 491,104 | 0 | 4,639,238 | 0 |
| <i>Total Net OPEB Liability</i> | <u>10,349,536</u> | <u>491,104</u> | <u>(6,201,402)</u> | <u>4,639,238</u> | <u>0</u> |
| Capital Leases | 395,079 | 0 | (154,131) | 240,948 | 158,179 |
| Compensated Absences | 1,066,542 | 183,343 | (191,759) | 1,058,126 | 218,474 |
| <i>Total Other Long-term Obligations</i> | <u>58,657,736</u> | <u>1,060,980</u> | <u>(9,326,315)</u> | <u>50,392,401</u> | <u>376,653</u> |
| <i>Total Governmental Activities Long-Term Liabilities</i> | <u>\$98,727,411</u> | <u>\$1,060,980</u> | <u>(\$9,537,713)</u> | <u>\$90,250,678</u> | <u>\$551,192</u> |
| Business-Type Activities | | | | | |
| Net Pension Liability | | | | | |
| SERS | \$1,358,144 | \$57,757 | \$0 | \$1,415,901 | \$0 |
| Net OPEB Liability | | | | | |
| SERS | 619,836 | 73,385 | 0 | 693,221 | 0 |
| Compensated Absences | 91,066 | 16,346 | (9,484) | 97,928 | 10,714 |
| <i>Total Business-Type Activities Long-Term Liabilities</i> | <u>\$2,069,046</u> | <u>\$147,488</u> | <u>(\$9,484)</u> | <u>\$2,207,050</u> | <u>\$10,714</u> |

On April 5, 2017, the School District issued \$29,395,000 in general obligation bonds which included serial and term bonds in the amounts of \$330,000 and \$29,065,000, respectively. The general obligation bonds were issued for the purpose of school construction and improvement. The bonds were issued for a thirty-seven year period with a final maturity at October 1, 2053. The bonds will be retired from the bond retirement fund. As of June 30, 2019, \$23,920,975 has been spent on construction.

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

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

| Year | Issue | | | | | |
|--------------------------------|----------------|-----------------|-----------------|------------------|-----------------|------------------|
| | \$5,000 | \$25,000 | \$20,000 | \$110,000 | \$25,000 | \$195,000 |
| 2019 | \$0 | \$0 | \$5,000 | \$0 | \$0 | \$0 |
| 2020 | 0 | 5,000 | 5,000 | 0 | 0 | 0 |
| 2021 | 0 | 0 | 5,000 | 0 | 0 | 0 |
| 2022 | 0 | 0 | 0 | 25,000 | 0 | 0 |
| 2023 | 0 | 0 | 0 | 35,000 | 5,000 | 0 |
| 2024 | 0 | 0 | 0 | 0 | 5,000 | 0 |
| 2025 | 0 | 0 | 0 | 0 | 5,000 | 55,000 |
| 2026 | 0 | 0 | 0 | 0 | 5,000 | 65,000 |
| Total Mandatory Sinking | | | | | | |
| Fund Payments | 0 | 5,000 | 15,000 | 60,000 | 20,000 | 120,000 |
| Amount Due at Stated | | | | | | |
| Maturity | 5,000 | 20,000 | 5,000 | 50,000 | 5,000 | 75,000 |
| Total | <u>\$5,000</u> | <u>\$25,000</u> | <u>\$20,000</u> | <u>\$110,000</u> | <u>\$25,000</u> | <u>\$195,000</u> |
| <i>Stated Maturity</i> | 10/1/2019 | 10/1/2021 | 10/1/2022 | 10/1/2024 | 10/1/2027 | 10/1/2027 |

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

The overall debt margin of the School District as of June 30, 2019, was \$62,481,340 with an unvoted debt margin of \$1,103,613. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2019, are as follows:

| Fiscal Year Ending June 30 | General Obligation Bonds | | | | | |
|-------------------------------|--------------------------|------------------|---------------------|---------------------|---------------------|---------------------|
| | Serial | | Term | | Total | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2020 | \$164,539 | \$143,943 | \$10,000 | \$1,465,008 | \$174,539 | \$1,608,951 |
| 2021 | 176,546 | 137,299 | 10,000 | 1,464,707 | 186,546 | 1,602,006 |
| 2022 | 198,627 | 129,980 | 25,000 | 1,464,182 | 223,627 | 1,594,162 |
| 2023 | 220,784 | 121,783 | 30,000 | 1,463,357 | 250,784 | 1,585,140 |
| 2024 | 238,021 | 112,805 | 40,000 | 1,462,307 | 278,021 | 1,575,112 |
| 2025 - 2029 | 2,456,646 | 310,811 | 355,000 | 7,284,347 | 2,811,646 | 7,595,158 |
| 2030 - 2034 | 78,281 | 1,440 | 3,595,000 | 7,021,123 | 3,673,281 | 7,022,563 |
| 2035 - 2039 | 0 | 0 | 4,175,000 | 6,327,219 | 4,175,000 | 6,327,219 |
| 2040 - 2044 | 0 | 0 | 6,350,000 | 5,237,500 | 6,350,000 | 5,237,500 |
| 2045 - 2049 | 0 | 0 | 8,770,000 | 3,370,150 | 8,770,000 | 3,370,150 |
| 2050 - 2054 | 0 | 0 | 11,540,000 | 1,200,400 | 11,540,000 | 1,200,400 |
| Total | \$3,533,444 | \$958,061 | \$34,900,000 | \$37,760,300 | \$38,433,444 | \$38,718,361 |

Riverside Local School District
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Compensated absences will be paid from the general fund, joint financing district, title I, title VI-B and improving teacher quality special revenue funds and the food service and latchkey enterprise funds. The capital leases will be repaid from the general fund and the permanent improvement levy capital projects fund. There is no repayment schedule for the net pension liability and the net OPEB liability; however, employer pension and OPEB plan contributions are made from the following funds: general fund and food service and latchkey enterprise funds. For additional information related to the net pension liability and net OPEB liability see Notes 19 and 20, respectively.

Note 14 – Capital Lease

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

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

| | Governmental Activities |
|--------------------------------|----------------------------|
| Asset: | |
| Buildings and Improvements | \$2,500,000 |
| Furniture and Fixtures | 215,181 |
| Vehicles | 848,512 |
| Less: Accumulated Depreciation | (1,132,726) |
| Current Book Value | \$2,430,967 |

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, 2019.

| Fiscal Year Ending June 30, | Governmental Activities |
|---|----------------------------|
| 2020 | \$164,304 |
| 2021 | 84,742 |
| Total Minimum Lease Payments | 249,046 |
| Less: Amount Representing Interest | (8,098) |
| Present Value of Net Minimum Lease Payments | \$240,948 |

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 15 - Interfund Transactions

Interfund Balances

Interfund balances at June 30, 2019, consist of the following individual fund receivables and payables:

| Interfund Payable | Interfund Receivable General |
|---------------------------------|------------------------------------|
| Other Governmental Funds: | |
| Title VI-B | \$50,162 |
| Title III | 2,103 |
| Title 1 | 36,123 |
| Early Childhood Special Ed IDEA | 1,840 |
| Reducing Class Size | 5,247 |
| Miscellaneous Federal Grants | 777 |
| Total | \$96,252 |

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 \$75,000 to move unrestricted balances to support programs and projects accounted for in other funds.

Note 16 - Jointly Governed Organizations

Lake Geauga Computer Association The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its twenty-two member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The Board exercises total control over operations of the LGCA including the budgetary, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. LGCA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. In fiscal year 2019, the School District paid \$214,924 to the LGCA. Financial information can be obtained from: Lake Geauga Computer Association, 8221 Auburn Road, Painesville, Ohio 44077.

Ohio Schools' Council Association The Ohio Schools' Council Association (Council) is a jointly governed organization among 241 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The degree of control exercised by any participating school district is limited to its representation on the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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 2019, the School District paid \$86,180 to the Ohio Schools' Council. Financial information can be obtained by contacting William Zelei, the Executive Director at the Ohio Schools' Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the Council's electric purchase program. The Council provides over 250 school districts in the Ohio Edison, The Illuminating Company, Toledo Edison, Duke Energy and AEP Ohio Power service areas the ability to purchase electricity at reduced rates. The Council's current program, Power 4 Schools, provides for a fixed per kilowatt-hour for electricity generation until December 2019.

Note 17 – Claims Servicing Pool

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

Note 18 - 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 2019, 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 \$107,235,299.

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 retention. Vehicles are also covered by Netherlands insurance Company and have a \$250 deductible for comprehensive and \$1,000 for collision. Automobile liability has a \$1,000,000 combined single limit of liability.

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Employee Medical Coverage

The School District has elected to provide medical coverage through premium payments to the Benefits Program of Lake County Schools Council (See Note 17).

Note 19 – Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 20 for the required OPEB disclosures.

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$851,545 for fiscal year 2019. Of this amount \$101,442 is reported as an intergovernmental payable.

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Plan Description - State Teachers Retirement System (STRS)

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

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. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients’ base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. For fiscal year 2019, the contributions rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The School District’s contractually required contribution to STRS was \$2,654,709 for fiscal year 2019. Of this amount \$424,517 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, 2018, 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 | 0.17485620% | 0.15894385% | |
| Proportion of the Net Pension Liability Current Measurement Date | <u>0.19017300%</u> | <u>0.15908141%</u> | |
| Change in Proportionate Share | <u>0.01531680%</u> | <u>0.00013756%</u> | |
| Proportionate Share of the Net Pension Liability | \$10,891,560 | \$34,978,430 | \$45,869,990 |
| Pension Expense | \$1,016,078 | \$3,259,151 | \$4,275,229 |

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|---------------------------|---------------------------|----------------------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$597,333 | \$807,409 | \$1,404,742 |
| Changes of assumptions | 245,955 | 6,198,838 | 6,444,793 |
| Changes in proportionate Share and difference between School District contributions and proportionate share of contributions | 512,317 | 146,995 | 659,312 |
| School District contributions subsequent to the measurement date | <u>851,545</u> | <u>2,654,709</u> | <u>3,506,254</u> |
| Total Deferred Outflows of Resources | <u><u>\$2,207,150</u></u> | <u><u>\$9,807,951</u></u> | <u><u>\$12,015,101</u></u> |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | \$0 | \$228,431 | \$228,431 |
| Net difference between projected and actual earnings on pension plan investments | 301,772 | 2,121,053 | 2,422,825 |
| Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions | <u>333,649</u> | <u>400,094</u> | <u>733,743</u> |
| Total Deferred Inflows of Resources | <u><u>\$635,421</u></u> | <u><u>\$2,749,578</u></u> | <u><u>\$3,384,999</u></u> |

\$3,506,254 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, 2020. 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> |
|-----------------------------|-------------------------|---------------------------|---------------------------|
| 2020 | \$932,140 | \$2,902,034 | \$3,834,174 |
| 2021 | 238,025 | 1,886,462 | 2,124,487 |
| 2022 | (357,432) | 75,072 | (282,360) |
| 2023 | <u>(92,549)</u> | <u>(459,904)</u> | <u>(552,453)</u> |
| Total | <u><u>\$720,184</u></u> | <u><u>\$4,403,664</u></u> | <u><u>\$5,123,848</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.

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

| | |
|--|---|
| Inflation | 3.00 percent |
| Future Salary Increases, including inflation | 3.50 percent to 18.20 percent |
| COLA or Ad Hoc COLA | 2.5 percent |
| Investment Rate of Return | 7.50 percent net of investment expense, including inflation |
| Actuarial Cost Method | Entry Age Normal (Level Percent of Payroll) |

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

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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

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

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

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$15,341,583 | \$10,891,560 | \$7,160,513 |

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, are presented below:

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

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

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

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Notes to the Basic Financial Statements
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| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$51,081,393 | \$34,978,430 | \$21,349,457 |

Note 20 – Defined Benefit OPEB Plans

See Note 19 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. 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 2019, the School District's surcharge obligation was \$114,425.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$145,964 for fiscal year 2019. Of this amount \$117,246 is reported as an intergovernmental payable.

Riverside Local School District
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Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--------------------------------------|--------------------|--------------------|---------------|
| Proportion of the Net OPEB Liability | | | |
| Prior Measurement Date | 0.17766160% | 0.15894385% | |
| Proportion of the Net OPEB Liability | | | |
| Current Measurement Date | <u>0.19221120%</u> | <u>0.15908141%</u> | |
| Change in Proportionate Share | <u>0.01454960%</u> | <u>0.00013756%</u> | |
| Proportionate Share of the: | | | |
| Net OPEB Liability | \$5,332,459 | \$0 | \$5,332,459 |
| Net OPEB (Asset) | \$0 | (\$2,556,276) | (\$2,556,276) |
| OPEB Expense | \$235,599 | (\$5,559,693) | (\$5,324,094) |

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At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|-------------------------|---------------------------|---------------------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$87,044 | \$298,577 | \$385,621 |
| Changes in proportionate Share and difference between School District contributions and proportionate share of contributions | 313,227 | 4,902 | 318,129 |
| School District contributions subsequent to the measurement date | <u>145,964</u> | <u>0</u> | <u>145,964</u> |
| Total Deferred Outflows of Resources | <u><u>\$546,235</u></u> | <u><u>\$303,479</u></u> | <u><u>\$849,714</u></u> |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | \$0 | \$148,937 | \$148,937 |
| Changes of assumptions | 479,081 | 3,483,127 | 3,962,208 |
| Net difference between projected and actual earnings on OPEB plan investments | 8,000 | 292,034 | 300,034 |
| Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions | <u>144,270</u> | <u>80,053</u> | <u>224,323</u> |
| Total Deferred Inflows of Resources | <u><u>\$631,351</u></u> | <u><u>\$4,004,151</u></u> | <u><u>\$4,635,502</u></u> |

\$145,964 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|---------------------------|-----------------------------|-----------------------------|
| Fiscal Year Ending June 30: | | | |
| 2020 | (\$219,050) | (\$664,300) | (\$883,350) |
| 2021 | (156,810) | (664,300) | (821,110) |
| 2022 | 40,282 | (664,302) | (624,020) |
| 2023 | 43,686 | (597,979) | (554,293) |
| 2024 | 43,132 | (574,708) | (531,576) |
| Thereafter | <u>17,680</u> | <u>(535,083)</u> | <u>(517,403)</u> |
| Total | <u><u>(\$231,080)</u></u> | <u><u>(\$3,700,672)</u></u> | <u><u>(\$3,931,752)</u></u> |

Riverside Local School District
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Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

| | |
|--|---|
| Inflation | 3.00 percent |
| Wage Increases | 3.50 percent to 18.20 percent |
| Investment Rate of Return | 7.50 percent net of investment expense, including inflation |
| Municipal Bond Index Rate: | |
| Measurement Date | 3.62 percent |
| Prior Measurement Date | 3.56 percent |
| Single Equivalent Interest Rate, net of plan investment expense, including price inflation | |
| Measurement Date | 3.70 percent |
| Prior Measurement Date | 3.63 percent |
| Medical Trend Assumption | |
| Medicare | 5.375 to 4.75 percent |
| Pre-Medicare | 7.25 to 4.75 percent |

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of

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return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 19.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

| | 1% Decrease (2.70%) | Current Discount Rate (3.70%) | 1% Increase (4.70%) |
|--|--|--|--|
| School District's proportionate share of the net OPEB liability | \$6,470,518 | \$5,332,459 | \$4,431,327 |
| | | | |
| | 1% Decrease (6.25 % decreasing to 3.75%) | Current Trend Rate (7.25 % decreasing to 4.75%) | 1% Increase (8.25 % decreasing to 5.75%) |
| School District's proportionate share of the net OPEB liability | \$4,302,315 | \$5,332,459 | \$6,696,552 |

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Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented as follows:

| | |
|--|--|
| Projected salary increases | 12.50 percent at age 20 to 2.50 percent at age 65 |
| Investment Rate of Return | 7.45 percent, net of investment expenses, including inflation |
| Payroll Increases | 3 percent |
| Discount Rate of Return - Current Year | 7.45 percent |
| Blended Discount Rate of Return - Prior Year | 4.13 percent |
| Health Care Cost Trends | |
| Medical | |
| Pre-Medicare | 6 percent initial, 4 percent ultimate |
| Medicare | 5 percent initial, 4 percent ultimate |
| Prescription Drug | |
| Pre-Medicare | 8 percent initial, 4 percent ultimate |
| Medicare | -5.23 initial, 4 percent ultimate |

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

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

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the Prior Measurement Date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 19.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's

Riverside Local School District
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fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net OPEB asset | (\$2,190,968) | (\$2,556,276) | (\$2,863,300) |
| | | | |
| | 1% Decrease | Current Trend Rate | 1% Increase |
| School District's proportionate share of the net OPEB asset | (\$2,845,968) | (\$2,556,276) | (\$2,262,071) |

Note 21 – 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 2019. 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, 2019. The School District had three teachers participate for fiscal year 2019.

Riverside Local School District
Notes to the Basic Financial Statements
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Note 22 - Contingencies

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2019, if applicable, cannot be determined at this time.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. ODE has finalized the impact of enrollment adjustments as of June 30, 2019 foundation funding for the School District as a result the impact of enrollment adjustments to the June 30, 2019 foundation funding for the School District and as a result, a receivable to and a liability of the School District has not been recorded.

Litigation

The School District is not a party to legal proceedings.

Note 23 - 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, 2018 | \$0 |
| Current Year Set-aside Requirement | 731,547 |
| Current Year Offsets | (2,524,592) |
| Qualifying Disbursements | (418,753) |
| Total | (\$2,211,798) |
| Set-aside Balance Carried | |
| Forward to Future Fiscal Years | \$0 |
| Set Aside Balance as of June 30, 2019 | \$0 |

Riverside Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

Note 24 – Significant Commitments

Encumbrances

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

| Governmental Funds | | Enterprise Funds | |
|---------------------------------|---------------------|----------------------------------|-----------------|
| General | \$453,301 | <i>Nonmajor Enterprise Funds</i> | <u>\$30,923</u> |
| Building Improvement | 15,726,575 | | |
| Other Governmental Funds | <u>1,555,529</u> | | |
| <i>Total Governmental Funds</i> | <u>\$17,735,405</u> | | |

Contractual Commitments

At June 30, 2019, the School District’s significant contractual commitments consisted of the following:

| | Contract Amount | Amount Paid | Remaining Amount |
|--------------------|---------------------|---------------------|---------------------|
| Concord Elementary | | | |
| Fanning/Howey | \$1,054,373 | \$903,287 | \$151,086 |
| Icon Construction | 18,257,830 | 10,155,612 | 8,102,218 |
| Kramer | 13,125 | 6,562 | 6,563 |
| Terracon | 89,725 | 81,044 | 8,681 |
| Stan | <u>42,550</u> | <u>8,956</u> | <u>33,594</u> |
| | <u>19,457,603</u> | <u>11,155,461</u> | <u>8,302,142</u> |
| Madison Elementary | | | |
| Fanning/Howey | 1,054,373 | 909,761 | 144,612 |
| Icon Construction | 18,726,735 | 10,591,692 | 8,135,043 |
| Kramer | 8,775 | 6,581 | 2,194 |
| Terracon | 88,220 | 80,184 | 8,036 |
| Stan | <u>42,550</u> | <u>8,956</u> | <u>33,594</u> |
| | <u>19,920,653</u> | <u>11,597,174</u> | <u>8,323,479</u> |
| | <u>\$39,378,256</u> | <u>\$22,752,635</u> | <u>\$16,625,621</u> |

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

Note 25 – Subsequent Event

On February 18, 2020 the School District entered into a purchase agreement with the Educational Service Center of the Western Reserve to purchase the old Hale Road Elementary property. The Educational Service Center of Western Reserve agrees to pay the School District a total of \$110,000 over the span of the next three years.

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 Six Fiscal Years (1) **

| | 2019 | 2018 |
|---|--------------|--------------|
| School District's Proportion of the Net Pension Liability | 0.19017300% | 0.17485620% |
| School District's Proportionate Share of the Net Pension Liability | \$10,891,560 | \$10,447,270 |
| School District's Covered Payroll | \$6,134,570 | \$5,899,457 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 177.54% | 177.09% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 71.36% | 69.50% |

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

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

See accompanying notes to the Required Supplementary Information

| 2017 | 2016 | 2015 | 2014 |
|--------------|--------------|-------------|--------------|
| 0.18538600% | 0.18897290% | 0.18424300% | 0.18424300% |
| \$13,568,545 | \$10,782,979 | \$9,324,433 | \$10,956,340 |
| \$5,961,186 | \$5,707,879 | \$5,353,725 | \$5,251,046 |
| 227.61% | 188.91% | 174.17% | 208.65% |
| 62.98% | 69.16% | 71.70% | 65.52% |

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

| | 2019 | 2018 | 2017 |
|---|-------------|-------------|-------------|
| School District's Proportion of the Net OPEB Liability | 0.19221120% | 0.17766160% | 0.18773510% |
| School District's Proportionate Share of the Net OPEB Liability | \$5,332,459 | \$4,767,970 | \$5,351,145 |
| School District's Covered Payroll | \$6,134,570 | \$5,899,457 | \$5,961,186 |
| School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 86.92% | 80.82% | 89.77% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 13.57% | 12.46% | 11.49% |

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the Required Supplementary Information

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

| | 2019 | 2018 |
|---|--------------|--------------|
| School District's Proportion of the Net Pension Liability | 0.15908141% | 0.15894385% |
| School District's Proportionate Share of the Net Pension Liability | \$34,978,430 | \$37,757,453 |
| School District's Covered Payroll | \$18,144,329 | \$17,532,179 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 192.78% | 215.36% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 77.30% | 75.30% |

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

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

See accompanying notes to the Required Supplementary Information

| 2017 | 2016 | 2015 | 2014 |
|--------------|--------------|--------------|--------------|
| 0.16103947% | 0.15993150% | 0.15925521% | 0.15925521% |
| \$53,904,765 | \$44,200,389 | \$38,736,379 | \$46,142,521 |
| \$17,064,757 | \$16,703,843 | \$16,240,579 | \$17,621,423 |
| 315.88% | 264.61% | 238.52% | 261.85% |
| 66.80% | 72.10% | 74.70% | 69.30% |

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

| | 2019 | 2018 | 2017 |
|--|---------------|--------------|--------------|
| School District's Proportion of the Net OPEB (Asset) Liability | 0.15908141% | 0.15894385% | 0.16103947% |
| School District's Proportionate Share of the Net OPEB (Asset) Liability | (\$2,556,276) | \$6,201,402 | \$8,612,433 |
| School District's Covered Payroll | \$18,144,329 | \$17,532,179 | \$17,064,757 |
| School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll | -14.09% | 35.37% | 50.47% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset) Liability | 176.00% | 47.10% | 37.30% |

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the Required Supplementary Information

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

| | 2019 | 2018 | 2017 | 2016 |
|---|-------------|-------------|-------------|-------------|
| Net Pension Liability: | | | | |
| Contractually Required Contribution | \$851,545 | \$828,167 | \$825,924 | \$834,566 |
| Contributions in Relation to the Contractually Required Contribution | (851,545) | (828,167) | (825,924) | (834,566) |
| Contribution Deficiency (Excess) | \$0 | \$0 | \$0 | \$0 |
| School District Covered Payroll (1) | \$6,307,741 | \$6,134,570 | \$5,899,457 | \$5,961,186 |
| Pension Contributions as a Percentage of Covered Payroll | 13.50% | 13.50% | 14.00% | 14.00% |
| Net OPEB Liability: | | | | |
| Contractually Required Contribution (2) | \$145,964 | \$131,319 | \$97,861 | \$94,423 |
| Contributions in Relation to the Contractually Required Contribution | (145,964) | (131,319) | (97,861) | (94,423) |
| Contribution Deficiency (Excess) | \$0 | \$0 | \$0 | \$0 |
| OPEB Contributions as a Percentage of Covered Payroll | 2.31% | 2.14% | 1.66% | 1.58% |
| Total Contributions as a Percentage of Covered Payroll (2) | 15.81% | 15.64% | 15.66% | 15.58% |

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

(2) Includes Surcharge

See accompanying notes to the Required Supplementary Information

| 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|-------------|-------------|-------------|-------------|-------------|-------------|
| \$752,298 | \$742,026 | \$726,745 | \$716,687 | \$807,917 | \$897,940 |
| (752,298) | (742,026) | (726,745) | (716,687) | (807,917) | (897,940) |
| \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| \$5,707,879 | \$5,353,725 | \$5,251,046 | \$5,328,528 | \$6,427,341 | \$6,631,761 |
| 13.18% | 13.86% | 13.84% | 13.45% | 12.57% | 13.54% |
| \$145,351 | \$97,678 | \$98,585 | \$108,542 | \$183,990 | \$137,704 |
| (145,351) | (97,678) | (98,585) | (108,542) | (183,990) | (137,704) |
| \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2.55% | 1.82% | 1.88% | 2.04% | 2.86% | 2.08% |
| 15.73% | 15.68% | 15.72% | 15.49% | 15.43% | 15.62% |

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

| | 2019 | 2018 | 2017 | 2016 |
|---|---------------|---------------|---------------|---------------|
| Net Pension Liability: | | | | |
| Contractually Required Contribution | \$2,654,709 | \$2,540,206 | \$2,454,505 | \$2,389,066 |
| Contributions in Relation to the Contractually Required Contribution | (2,654,709) | (2,540,206) | (2,454,505) | (2,389,066) |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| School District Covered Payroll (1) | \$18,962,207 | \$18,144,329 | \$17,532,179 | \$17,064,757 |
| Pension Contributions as a Percentage of Covered Payroll | <u>14.00%</u> | <u>14.00%</u> | <u>14.00%</u> | <u>14.00%</u> |
| Net OPEB Liability: | | | | |
| Contractually Required Contribution | \$0 | \$0 | \$0 | \$0 |
| Contributions in Relation to the Contractually Required Contribution | 0 | 0 | 0 | 0 |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| OPEB Contributions as a Percentage of Covered Payroll | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> |
| Total Contributions as a Percentage of Covered Payroll | <u>14.00%</u> | <u>14.00%</u> | <u>14.00%</u> | <u>14.00%</u> |

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

See accompanying notes to the Required Supplementary Information

| 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$2,338,538 | \$2,111,275 | \$2,290,785 | \$2,385,798 | \$2,515,127 | \$2,520,556 |
| (2,338,538) | (2,111,275) | (2,290,785) | (2,385,798) | (2,515,127) | (2,520,556) |
| \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| \$16,703,843 | \$16,240,579 | \$17,621,423 | \$18,352,292 | \$19,347,131 | \$19,388,892 |
| 14.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |
| \$0 | \$162,406 | \$176,214 | \$183,523 | \$193,471 | \$193,889 |
| 0 | (162,406) | (176,214) | (183,523) | (193,471) | (193,889) |
| \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 0.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% |

Riverside Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

Net Pension Liability

Changes in Assumptions – SERS

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

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

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

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

Changes in Assumptions - STRS

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

| | Fiscal Year 2018 | Fiscal Year 2017 and Prior |
|--------------------------------------|--|--|
| Inflation | 2.50 percent | 2.75 percent |
| Projected salary increases | 12.50 percent at age 20 to 2.50 percent at age 65 | 12.25 percent at age 20 to 2.75 percent at age 70 |
| Investment Rate of Return | 7.45 percent, net of investment expenses, including inflation | 7.75 percent, net of investment expenses, including inflation |
| Payroll Increases | 3 percent | 3.5 percent |
| Cost-of-Living Adjustments (COLA) | 0.0 percent, effective July 1, 2017 | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date. |

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

Riverside Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

| | |
|---|--------------|
| Municipal Bond Index Rate: | |
| Fiscal year 2019 | 3.62 percent |
| Fiscal year 2018 | 3.56 percent |
| Fiscal year 2017 | 2.92 percent |
| Single Equivalent Interest Rate, net of plan investment expense, including price inflation | |
| Fiscal year 2019 | 3.70 percent |
| Fiscal year 2018 | 3.63 percent |
| Fiscal year 2017 | 2.98 percent |

Changes in Assumptions – STRS

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

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

Changes in Benefit Terms – STRS OPEB

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

Riverside Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

| 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 | 174,128 |
| National School Lunch Program | 10.555 | 527,496 |
| National School Lunch Program - Non Cash Assistance | | 99,714 |
| Total - National School Lunch Program | | <u>627,210</u> |
| Total Child Nutrition Cluster | | <u>801,338</u> |
| Total - U.S. Department of Agriculture | | 801,338 |
| <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 | 16,612 |
| Special Education Grants to States | 84.027 | 87,109 |
| | | 684,821 |
| | | 70,586 |
| Total - Special Education Grants to States | | <u>842,516</u> |
| Total - Special Education Cluster | | 859,128 |
| Title I Grants to Local Educational Agencies | 84.010 | 63,983 |
| | | 356,121 |
| Total - Title I Grants to Local Educational Agencies | | <u>420,104</u> |
| English Language Acquisition Grants | 84.365 | 3,485 |
| | | 20,930 |
| Total - English Language Acquisition Grants | | <u>24,415</u> |
| Improving Teacher Quality State Grants | 84.367 | 4,020 |
| | | 44,251 |
| Total - Improving Teacher Quality State Grants | | <u>48,271</u> |
| Striving Readers Comprehensive Literacy Development | 84.371 | 45,944 |
| | | 43,187 |
| Total - Striving Readers Comprehensive Literacy Development | | <u>89,131</u> |
| Student Support and Academic Enrichment Program | 84.424 | 20,716 |
| Total - U.S. Department of Education | | <u>1,461,765</u> |
| Total - Federal Assistance | | <u>\$ 2,263,103</u> |

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Expenditures Schedule (the Schedule) includes the federal award activity of the Riverside Local School District, Lake County, Ohio (the District) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - 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 2018 to 2019 programs:

| <u>Program Title</u> | <u>CFDA Number</u> | <u>Amt. Transferred</u> |
|--|------------------------|-----------------------------|
| Title I Grants to Local Educational Agencies | 84.010 | \$ 95,429 |
| Special Education - Grants to States | 84.027 | 190,778 |
| Improving Teacher Quality State Grants | 84.367 | 79,342 |
| English Language Acquisition Grants | 84.365 | 6,271 |
| Student Support and Academic Enrichment | 84.424 | 11,032 |



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Riverside Local School District, Lake County, Ohio (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2020.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 17, 2020



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

**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, 2019. 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 each Major Federal Program

In our opinion, the Riverside Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

March 17, 2020

**RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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OHIO AUDITOR OF STATE KEITH FABER



RIVERSIDE LOCAL SCHOOL DISTRICT

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 7, 2020