

**RIVERSIDE LOCAL  
SCHOOL DISTRICT  
LOGAN COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**





# Dave Yost • Auditor of State

Board of Education  
Riverside Local School District  
2096 CR 24 S  
Degraff, Ohio 43318

We have reviewed the *Independent Auditor's Report* of the Riverside Local School District, Logan County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Riverside Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

December 21, 2017

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**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY, OHIO  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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**INDEPENDENT AUDITOR'S REPORT**

To the Members of Board of Education  
Riverside Local School District  
DeGraff, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

**Report on the Financial Statements**

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Riverside Local School District as of June 30, 2017, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with 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 that the Management's Discussion and Analysis and Schedules of Net Pension Liabilities and Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

October 18, 2017



**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The management's discussion and analysis of the Riverside Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position of governmental activities increased \$1,721,896 which represents a 27.67% increase from 2016's net position.
- General revenues accounted for \$8,272,456 in revenue or 82.30% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,779,109 or 17.70% of total revenues of \$10,051,565.
- The District had \$8,329,669 in expenses related to governmental activities; \$1,779,109 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,272,456 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$8,676,713 in revenues and other financing sources and \$7,000,146 in expenditures and other financing uses. During fiscal year 2017, the general fund's fund balance increased \$1,676,567 from \$5,311,148 to \$6,987,715.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

These two statements report the District's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations. These services are primarily funded by property tax revenues, school district income tax and from intergovernmental revenues, including unrestricted state entitlements, federal and state grants and other shared revenues.

The District's statement of net position and statement of activities can be found on pages 14 and 15 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government 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 finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

***Fiduciary Funds***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***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. These notes to the basic financial statements can be found on pages 23-57 of this report.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 58 through 64 of this report.

**The District as a Whole**

The table below provides a summary of the District's net position at June 30, 2017 and June 30, 2016.

|  | <b>Net Position</b>                       |   |
|--|---|---|
|  | Governmental<br>Activities<br><u>2017</u> | Governmental<br>Activities<br><u>2016</u> |
|  |   |   |
| <b><u>Assets</u></b>                           |   |   |
| Current and other assets                       | \$ 10,591,489                             | \$ 8,554,334                              |
| Capital assets, net                            | <u>9,440,168</u>                          | <u>9,488,985</u>                          |
| Total assets                                   | <u>20,031,657</u>                         | <u>18,043,319</u>                         |
| <b><u>Deferred Outflows of Resources</u></b>   |   |   |
| Pension  | <u>1,855,008</u>                          | <u>859,485</u>                            |
| Total deferred outflows of resources           | <u>1,855,008</u>                          | <u>859,485</u>                            |
| <b><u>Liabilities</u></b>                      |   |   |
| Current liabilities                            | 570,430                                   | 574,253                                   |
| Long-term liabilities:                         |   |   |
| Due within one year                            | 278,662                                   | 253,348                                   |
| Due in more than one year:                     |   |   |
| Net pension liability                          | 10,020,905                                | 8,597,118                                 |
| Other amounts                                  | <u>1,135,091</u>                          | <u>1,316,770</u>                          |
| Total liabilities                              | <u>12,005,088</u>                         | <u>10,741,489</u>                         |
| <b><u>Deferred Inflows of Resources</u></b>    |   |   |
| Property taxes levied for next year            | 1,606,256                                 | 1,379,473                                 |
| Unamortized deferred charges on debt refunding | 4,970                                     | 5,887                                     |
| Pensions                                       | <u>326,355</u>                            | <u>553,855</u>                            |
| Total deferred inflows of resources            | <u>1,937,581</u>                          | <u>1,939,215</u>                          |
| <b><u>Net Position</u></b>                     |   |   |
| Net investment in capital assets               | 8,371,681                                 | 8,190,740                                 |
| Restricted                                     | 760,574                                   | 786,904                                   |
| Unrestricted (deficit)                         | <u>(1,188,259)</u>                        | <u>(2,755,544)</u>                        |
| Total net position                             | <u>\$ 7,943,996</u>                       | <u>\$ 6,222,100</u>                       |

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

In 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement 71 "Pension Transition for Contributions made subsequent to the measurement date—an Amendment of GASB Statement No.68," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

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

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

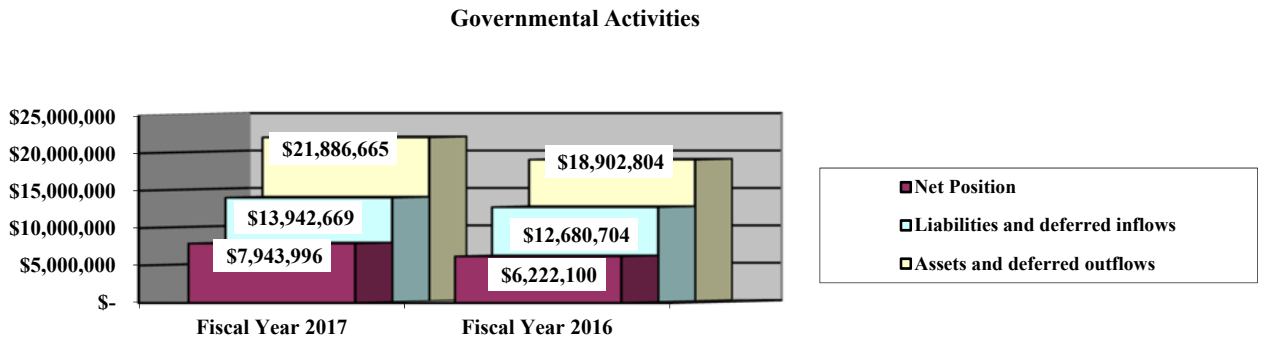
**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Over time, net position can serve as a useful indicator of a government’s financial position. At June 30, 2017, the District’s assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$7,943,996.

At year-end, capital assets represented 47.13% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles, and textbooks. Capital assets, net of related debt to acquire the assets at June 30, 2017, were \$8,371,681. These capital assets are used to provide services to the students and are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District’s net position, \$760,574, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position balance is a deficit balance of \$1,188,259.

The graph below shows the District’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2017 and June 30, 2016.



The table below shows the change in net position for fiscal years 2017 and 2016.

|                                    | <b>Change in Net Position</b>      |                                    |
|------------------------------------|------------------------------------|------------------------------------|
|                                    | Governmental<br>Activities<br>2017 | Governmental<br>Activities<br>2016 |
| <b>Revenues</b>                    |                                    |                                    |
| Program revenues:                  |                                    |                                    |
| Charges for services and sales     | \$ 630,709                         | \$ 644,928                         |
| Operating grants and contributions | 1,148,400                          | 1,138,647                          |
| General revenues:                  |                                    |                                    |
| Property taxes                     | 1,708,741                          | 1,818,336                          |
| School district income tax         | 1,324,859                          | 1,230,831                          |
| Grants and entitlements            | 5,177,532                          | 5,147,329                          |
| Investment earnings                | 19,367                             | 15,079                             |
| Miscellaneous                      | 41,957                             | 78,129                             |
| <b>Total revenues</b>              | <b>10,051,565</b>                  | <b>10,073,279</b>                  |

(continued)

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Charges for services decreased \$14,219 or 2.20% primarily due to a decrease in tuition revenue. Operating grants and contributions increased \$9,753 or 0.86% primarily due to an increase in Title I federal grants. Property tax revenue decreased \$109,595 or 6.03% primarily due to a decrease in the amount of real estate tax revenue received by the District during fiscal year 2017 compared to fiscal year 2016. School district income tax increased \$94,028 or 7.64% primarily due to an increase in the amount of income tax revenue received by the District during fiscal year 2017 compared to fiscal year 2016. Grants and entitlements increased \$30,203 or 0.59% primarily due to an increase in the amount foundation revenue received by the District during fiscal year 2017 compared to fiscal year 2016.

|  | <b>Change in Net Position (continued)</b> |              |
|--|---|--------------|
|  | Governmental                              | Governmental |
|  | Activities                                | Activities   |
|  | 2017                                      | 2016         |
| <b><u>Expenses</u></b>                   |   |              |
| Program expenses:                        |   |              |
| Instruction:                             |   |              |
| Regular                                  | \$ 3,856,857                              | \$ 3,473,953 |
| Special                                  | 1,124,538                                 | 1,038,184    |
| Vocational                               | 15,198                                    | 14,673       |
| Other                                    | 153,714                                   | 174,702      |
| Support services:                        |   |              |
| Pupil                                    | 241,326                                   | 232,649      |
| Instructional staff                      | 255,795                                   | 214,123      |
| Board of education                       | 12,652                                    | 12,416       |
| Administration                           | 533,677                                   | 476,666      |
| Fiscal                                   | 274,709                                   | 272,228      |
| Business                                 | 1,073                                     | 1,000        |
| Operations and maintenance               | 716,914                                   | 725,557      |
| Pupil transportation                     | 403,972                                   | 442,586      |
| Central                                  | 37,705                                    | 39,650       |
| Operation of non-instructional services: |   |              |
| Food service operations                  | 358,691                                   | 329,714      |
| Other non-instructional services         | 38,783                                    | 34,905       |
| Extracurricular activities               | 284,616                                   | 317,112      |
| Interest and fiscal charges              | 19,449                                    | 78,088       |
| Total expenses                           | 8,329,669                                 | 7,878,206    |
| Change in net position                   | 1,721,896                                 | 2,195,073    |
| Net position at beginning of year        | 6,222,100                                 | 4,027,027    |
| Net position at end of year              | \$ 7,943,996                              | \$ 6,222,100 |

**Governmental Activities**

Net position of the District's governmental activities increased \$1,721,896. Total governmental expenses of \$8,329,669 were offset by program revenues of \$1,779,109 and general revenues of \$8,272,456. Program revenues supported 21.36% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 81.69% of total governmental revenue.

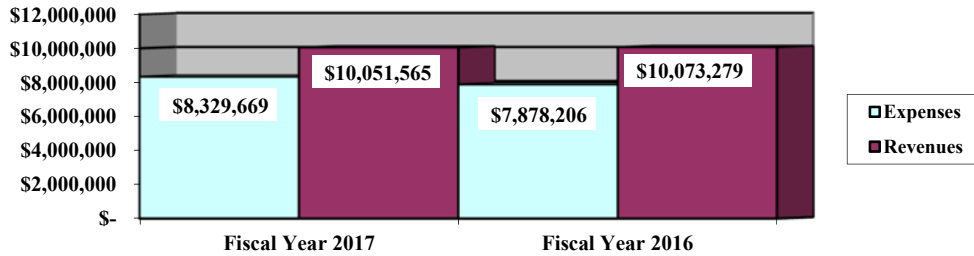
**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,150,307 or 61.83% of total governmental expenses for fiscal year 2017.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2017 and 2016.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and sales and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2017 and 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

|  | Total Cost of<br>Services<br><u>2017</u> | Net Cost of<br>Services<br><u>2017</u> | Total Cost of<br>Services<br><u>2016</u> | Net Cost of<br>Services<br><u>2016</u> |
|--|--|--|--|--|
| <b>Program expenses</b>                  |  |  |  |  |
| Instruction:                             |  |  |  |  |
| Regular                                  | \$ 3,856,857                             | \$ 3,400,468                           | \$ 3,473,953                             | \$ 3,036,095                           |
| Special                                  | 1,124,538                                | 316,995                                | 1,038,184                                | 270,642                                |
| Vocational                               | 15,198                                   | 9,358                                  | 14,673                                   | 5,807                                  |
| Other                                    | 153,714                                  | 67,235                                 | 174,702                                  | 59,941                                 |
| Support services:                        |  |  |  |  |
| Pupil                                    | 241,326                                  | 239,799                                | 232,649                                  | 231,092                                |
| Instructional staff                      | 255,795                                  | 254,265                                | 214,123                                  | 212,571                                |
| Board of education                       | 12,652                                   | 12,652                                 | 12,416                                   | 12,416                                 |
| Administration                           | 533,677                                  | 533,677                                | 476,666                                  | 476,666                                |
| Fiscal                                   | 274,709                                  | 274,709                                | 272,228                                  | 272,228                                |
| Business                                 | 1,073                                    | 66                                     | 1,000                                    | (753)                                  |
| Operations and maintenance               | 716,914                                  | 687,983                                | 725,557                                  | 698,997                                |
| Pupil transportation                     | 403,972                                  | 379,227                                | 442,586                                  | 408,936                                |
| Central                                  | 37,705                                   | 37,705                                 | 39,650                                   | 39,650                                 |
| Operation of non-instructional services: |  |  |  |  |
| Food service operations                  | 358,691                                  | 37,990                                 | 329,714                                  | 11,406                                 |
| Other non-instructional services         | 38,783                                   | 36,315                                 | 34,905                                   | 34,224                                 |
| Extracurricular activities               | 284,616                                  | 242,667                                | 317,112                                  | 246,625                                |
| Interest and fiscal charges              | 19,449                                   | 19,449                                 | 78,088                                   | 78,088                                 |
| <b>Total expenses</b>                    | <u>\$ 8,329,669</u>                      | <u>\$ 6,550,560</u>                    | <u>\$ 7,878,206</u>                      | <u>\$ 6,094,631</u>                    |

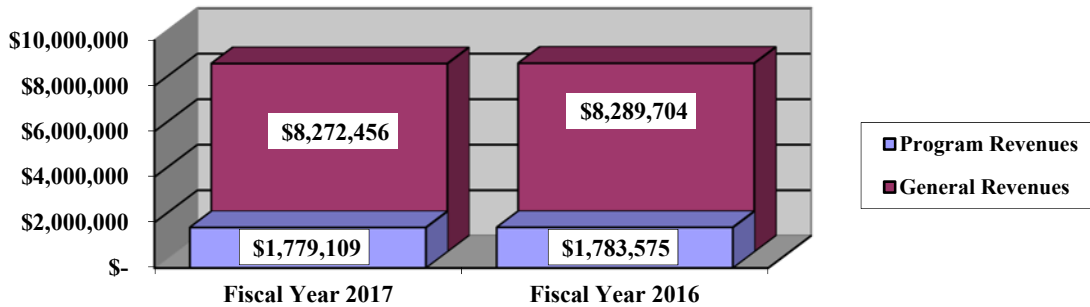
**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The dependence upon tax and other general revenues for governmental activities is apparent; most of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.64%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2017 and 2016.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$8,113,215, which is higher than last year's total balance of \$6,332,468. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and June 30, 2016.

|                    | Fund Balance<br>June 30, 2017 | Fund Balance<br>June 30, 2016 | Increase            | Percentage<br>Change |
|--------------------|-------------------------------|-------------------------------|---------------------|----------------------|
| General            | \$ 6,987,715                  | \$ 5,311,148                  | \$ 1,676,567        | 31.57 %              |
| Other Governmental | <u>1,125,500</u>              | <u>1,021,320</u>              | <u>104,180</u>      | 10.20 %              |
| Total              | <u>\$ 8,113,215</u>           | <u>\$ 6,332,468</u>           | <u>\$ 1,780,747</u> | 28.12 %              |

**General Fund**

The general fund's fund balance increased \$1,676,567 from a balance of \$5,311,148 to \$6,987,715. The table that follows assists in illustrating the financial activities and fund balance of the general fund.



**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|                            | <u>2017</u><br><u>Amount</u> | <u>2016</u><br><u>Amount</u> | <u>Increase/</u><br><u>(Decrease)</u> | <u>Percentage</u><br><u>Change</u> |
|----------------------------|------------------------------|------------------------------|---------------------------------------|------------------------------------|
| <b><u>Revenues</u></b>     |                              |                              |                                       |                                    |
| Taxes                      | \$ 2,714,089                 | \$ 2,711,571                 | \$ 2,518                              | 0.09 %                             |
| Tuition                    | 423,442                      | 434,436                      | (10,994)                              | (2.53) %                           |
| Earnings on investments    | 12,169                       | 15,079                       | (2,910)                               | (19.30) %                          |
| Intergovernmental          | 5,462,966                    | 5,466,272                    | (3,306)                               | (0.06) %                           |
| Other revenues             | <u>54,728</u>                | <u>103,660</u>               | <u>(48,932)</u>                       | (47.20) %                          |
| <br>                       |                              |                              |                                       |                                    |
| Total                      | <u>\$ 8,667,394</u>          | <u>\$ 8,731,018</u>          | <u>\$ (63,624)</u>                    | (0.73) %                           |
| <br>                       |                              |                              |                                       |                                    |
| <b><u>Expenditures</u></b> |                              |                              |                                       |                                    |
| Instruction                | \$ 4,104,590                 | \$ 3,939,546                 | \$ 165,044                            | 4.19 %                             |
| Support Services           | 2,302,508                    | 2,113,391                    | 189,117                               | 8.95 %                             |
| Non-instructional services | 7,255                        | -                            | 7,255                                 | 100.00 %                           |
| Extracurricular activities | 224,853                      | 186,687                      | 38,166                                | 20.44 %                            |
| Debt Service               | <u>35,940</u>                | <u>449,451</u>               | <u>(413,511)</u>                      | (92.00) %                          |
| <br>                       |                              |                              |                                       |                                    |
| Total                      | <u>\$ 6,675,146</u>          | <u>\$ 6,689,075</u>          | <u>\$ (13,929)</u>                    | (0.21) %                           |

Overall revenues of the general fund decreased \$63,624 or 0.73%. Tax revenue increased \$2,518 or 0.09% primarily due to an increase in the amount of income tax revenues received by the District during fiscal year 2017 compared to fiscal year 2016. Other revenues decreased \$48,932 or 47.20% primarily due to a decrease in donations.

Overall expenditures of the general fund decreased \$13,929 or 0.21%. This decrease is mainly attributable to a decrease in debt service expenditures. During the prior fiscal year, the District paid off the energy conservation notes.

***General Fund Budgeting Highlights***

The 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 budgeted fund is the general fund.

For the general fund, original and final budgeted revenues and other financing sources were \$8,729,800. Actual revenues and other financing sources for fiscal year 2017 were \$8,835,555, which is higher than the final budgeted amounts by \$105,755.

General fund original and final appropriations and other financing uses totaled \$7,487,187. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$7,199,179, which is lower than the final budgeted amounts by \$288,008.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2017, the District had \$9,440,168 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles, and textbooks. This entire amount is reported in governmental activities. The following table shows June 30, 2017 balances compared to June 30, 2016:

**Capital Assets at June 30  
(Net of Depreciation)**

|                                   | Governmental Activities |               |
|-----------------------------------|-------------------------|---------------|
|                                   | June 30, 2017           | June 30, 2016 |
| Land                              | \$ 11,423               | \$ 11,423     |
| Construction in progress          | -                       | 17,281        |
| Land improvements                 | 233,009                 | 291,355       |
| Buildings and improvements        | 8,415,708               | 8,707,816     |
| Furniture, fixtures and equipment | 371,395                 | 222,225       |
| Vehicles                          | 408,633                 | 238,885       |
| Textbooks                         | -                       | -             |
| Total                             | \$ 9,440,168            | \$ 9,488,985  |

The overall decrease in capital assets is due to depreciation expense of \$506,681 and disposals (net of accumulated depreciation) of \$1,277 exceeding capital outlays of \$459,141 in the current period.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2017, the District had \$1,040,000 in general obligation bonds and \$23,517 in capital leases outstanding. Of this total, \$218,517 is due within one year and \$845,000 is due in more than one year. The following table summarizes the bonds outstanding.

**Outstanding Debt, at Fiscal Year End**

|                          | Governmental<br>Activities<br>2017 | Governmental<br>Activities<br>2016 |
|--------------------------|------------------------------------|------------------------------------|
| Capital lease            | \$ 23,517                          | \$ 57,358                          |
| General Obligation Bonds | 1,040,000                          | 1,235,000                          |
| Total                    | \$ 1,063,517                       | \$ 1,292,358                       |

At June 30, 2017, the District's overall legal debt margin was \$6,892,989, and an unvoted debt margin of \$82,691.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**Current Financial Related Activities**

Riverside Local School District continues to be very proud of its community support of the school system. The District voters approved a five year 1.75% income tax renewal levy on November 5, 2013, effective January 1, 2015 through December 31, 2019. This support has been and will continue to be crucial to the financial condition of the District. Community support and continued strong stewardship of public funds in fiscal year 2017 resulted in the seventh consecutive year of revenue exceeding expenditures. Continued support by the community has enabled the School Board to waive all academic and athletic fees in fiscal years 2017 and 2018 offering every student an opportunity to thrive.

The District is always concerned with state funding formulas, the resources available to the state, and the proportions allocated to education. In June of 2017, Governor Kasich signed the two year budget for fiscal years 2018 and 2019 into law which included slight changes to the previous school funding formula. The funding system will continue to calculate the main component of the formula, known as Opportunity Grant, using a per pupil amount times the ADM of the District. The per pupil amounts are \$6,010 in fiscal year 2018 and \$6,020 in fiscal year 2019 (up slightly from \$6,000 in fiscal year 2017.) This allocation is then multiplied by a State Share index which is determined based on the District's 3 year average valuation per pupil and median income compared to statewide averages. The Capacity Aid component is additional funding that will provide additional funding for school districts where the income generated for one mill of property tax is below the state median for what is generated. With minimal increases to the per pupil amount, the District is expecting flat revenue from the state for the next couple years.

The administration continues to try to balance education needs and community interests with the resources made available. The challenge for all districts is to provide quality services to the public while staying within the restrictions imposed by limited and changing funding. Current operating trends indicate, that with careful oversight, the District will have at least two months of operating cash on hand and be financially solvent for the foreseeable future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ronnie Fitchpatrick CPA, Treasurer/CFO, Riverside Local School District, 2096 CR 24 S, DeGraff, Ohio 43318.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2017

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>Assets:</b>  |                                    |
| Equity in pooled cash and cash equivalents. . . . .     | \$ 8,108,541                       |
| Receivables:  |                                    |
| Property taxes . . . . .                                | 1,948,478                          |
| Income taxes. . . . .                                   | 497,475                            |
| Accrued interest . . . . .                              | 8,387                              |
| Intergovernmental . . . . .                             | 14,096                             |
| Prepayments . . . . .                                   | 9,773                              |
| Materials and supplies inventory. . . . .               | 453                                |
| Inventory held for resale. . . . .                      | 4,286                              |
| Capital assets:   |                                    |
| Nondepreciable capital assets . . . . .                 | 11,423                             |
| Depreciable capital assets, net. . . . .                | 9,428,745                          |
| Capital assets, net . . . . .                           | 9,440,168                          |
| Total assets. . . . .                                   | 20,031,657                         |
| <br><b>Deferred outflows of resources:</b>              |                                    |
| Pension - STRS . . . . .                                | 1,413,583                          |
| Pension - SERS . . . . .                                | 441,425                            |
| Total deferred outflows of resources . . . . .          | 1,855,008                          |
| <br><b>Liabilities:</b>                                 |                                    |
| Accounts payable . . . . .                              | 39,447                             |
| Accrued wages and benefits payable. . . . .             | 386,459                            |
| Intergovernmental payable . . . . .                     | 45,917                             |
| Pension and post employment benefits payable. . . . .   | 97,182                             |
| Accrued interest payable. . . . .                       | 1,425                              |
| Long-term liabilities:                                  |                                    |
| Due within one year . . . . .                           | 278,662                            |
| Due in more than one year:                              |                                    |
| Net pension liability. . . . .                          | 10,020,905                         |
| Other amounts due in more than one year . . . . .       | 1,135,091                          |
| Total liabilities. . . . .                              | 12,005,088                         |
| <br><b>Deferred inflows of resources:</b>               |                                    |
| Property taxes levied for the next fiscal year. . . . . | 1,606,256                          |
| Unamortized deferred charges                            |                                    |
| on debt refunding . . . . .                             | 4,970                              |
| Pension - STRS. . . . .                                 | 240,815                            |
| Pension - SERS. . . . .                                 | 85,540                             |
| Total deferred inflows of resources . . . . .           | 1,937,581                          |
| <br><b>Net position:</b>                                |                                    |
| Net investment in capital assets . . . . .              | 8,371,681                          |
| Restricted for:   |                                    |
| Capital projects . . . . .                              | 73,774                             |
| Classroom facilities maintenance . . . . .              | 109,960                            |
| Debt service. . . . .                                   | 513,286                            |
| Locally funded programs . . . . .                       | 3,497                              |
| Student activities . . . . .                            | 26,043                             |
| Other purposes . . . . .                                | 34,014                             |
| Unrestricted (deficit) . . . . .                        | (1,188,259)                        |
| Total net position. . . . .                             | \$ 7,943,996                       |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|  | Expenses            | Program Revenues                  |                                       | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position<br>Governmental<br>Activities |
|--|---------------------|-----------------------------------|---------------------------------------|--|
|  |                     | Charges for<br>Services and Sales | Operating Grants<br>and Contributions |  |
| <b>Governmental activities:</b>                |                     |                                   |                                       |  |
| Instruction:                                   |                     |                                   |                                       |  |
| Regular . . . . .                              | \$ 3,856,857        | \$ 412,291                        | \$ 44,098                             | \$ (3,400,468)   |
| Special . . . . .                              | 1,124,538           | 21,785                            | 785,758                               | (316,995)  |
| Vocational . . . . .                           | 15,198              | -                                 | 5,840                                 | (9,358)  |
| Other . . . . .                                | 153,714             | -                                 | 86,479                                | (67,235)   |
| Support services:                              |                     |                                   |                                       |  |
| Pupil . . . . .                                | 241,326             | -                                 | 1,527                                 | (239,799)  |
| Instructional staff . . . . .                  | 255,795             | -                                 | 1,530                                 | (254,265)  |
| Board of education . . . . .                   | 12,652              | -                                 | -                                     | (12,652)   |
| Administration . . . . .                       | 533,677             | -                                 | -                                     | (533,677)  |
| Fiscal . . . . .                               | 274,709             | -                                 | -                                     | (274,709)  |
| Business . . . . .                             | 1,073               | 1,007                             | -                                     | (66)   |
| Operations and maintenance . . . . .           | 716,914             | 11,126                            | 17,805                                | (687,983)  |
| Pupil transportation . . . . .                 | 403,972             | 6,313                             | 18,432                                | (379,227)  |
| Central . . . . .                              | 37,705              | -                                 | -                                     | (37,705)   |
| Operation of non-instructional services:       |                     |                                   |                                       |  |
| Other non-instructional services . . . . .     | 38,783              | -                                 | 2,468                                 | (36,315)   |
| Food service operations . . . . .              | 358,691             | 140,859                           | 179,842                               | (37,990)   |
| Extracurricular activities . . . . .           | 284,616             | 37,328                            | 4,621                                 | (242,667)  |
| Interest and fiscal charges . . . . .          | 19,449              | -                                 | -                                     | (19,449)   |
| <b>Total governmental activities . . . . .</b> | <b>\$ 8,329,669</b> | <b>\$ 630,709</b>                 | <b>\$ 1,148,400</b>                   | <b>(6,550,560)</b>   |

**General revenues:**

|   |                     |
|---|---------------------|
| Property taxes levied for:  |                     |
| General purposes . . . . .  | 1,386,521           |
| Debt service . . . . .  | 232,620             |
| Capital outlay . . . . .  | 68,738              |
| Special revenue . . . . .   | 20,862              |
| School district income tax:   |                     |
| General purposes . . . . .  | 1,324,859           |
| Grants and entitlements not restricted to specific programs . . . . . |                     |
| Investment earnings . . . . .   | 5,177,532           |
| Miscellaneous . . . . .   | 19,367              |
|   | 41,957              |
| <b>Total general revenues . . . . .</b>                               | <b>8,272,456</b>    |
| Change in net position . . . . .                                      | 1,721,896           |
| <b>Net position at beginning of year . . . . .</b>                    | <b>6,222,100</b>    |
| <b>Net position at end of year . . . . .</b>                          | <b>\$ 7,943,996</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

|  | <u>General</u>      | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|--|---|
| <b>Assets:</b>   |                     |  |   |
| Equity in pooled cash<br>and cash equivalents. . . . .   | \$ 6,970,556        | \$ 1,137,985                               | \$ 8,108,541                            |
| Receivables:   |                     |  |   |
| Property taxes. . . . .                                  | 1,582,083           | 366,395                                    | 1,948,478                               |
| Income taxes. . . . .                                    | 497,475             | -  | 497,475                                 |
| Accrued interest . . . . .                               | 8,387               | -  | 8,387                                   |
| Intergovernmental. . . . .                               | 9,918               | 4,178                                      | 14,096                                  |
| Prepayments. . . . .                                     | 8,941               | 832  | 9,773                                   |
| Materials and supplies inventory. . . . .                | -                   | 453  | 453                                     |
| Inventory held for resale. . . . .                       | -                   | 4,286                                      | 4,286                                   |
| Total assets . . . . .                                   | <u>\$ 9,077,360</u> | <u>\$ 1,514,129</u>                        | <u>\$ 10,591,489</u>                    |
| <b>Liabilities:</b>                                      |                     |  |   |
| Accounts payable . . . . .                               | \$ 21,283           | \$ 18,164                                  | \$ 39,447                               |
| Accrued wages and benefits payable . . . . .             | 357,261             | 29,198                                     | 386,459                                 |
| Compensated absences payable . . . . .                   | 30,474              | -  | 30,474                                  |
| Intergovernmental payable . . . . .                      | 45,523              | 394  | 45,917                                  |
| Pension and post employment<br>benefits payable. . . . . | 90,567              | 6,615                                      | 97,182                                  |
| Total liabilities. . . . .                               | <u>545,108</u>      | <u>54,371</u>                              | <u>599,479</u>                          |
| <b>Deferred inflows of resources:</b>                    |                     |  |   |
| Property taxes levied for the next fiscal year. . .      | 1,304,893           | 301,363                                    | 1,606,256                               |
| Delinquent property tax revenue not available. . .       | 142,044             | 32,895                                     | 174,939                                 |
| Income tax revenue not available . . . . .               | 89,495              | -  | 89,495                                  |
| Intergovernmental revenue not available. . . . .         | 907                 | -  | 907                                     |
| Accrued interest not available. . . . .                  | 7,198               | -  | 7,198                                   |
| Total deferred inflows of resources . . . . .            | <u>1,544,537</u>    | <u>334,258</u>                             | <u>1,878,795</u>                        |
| <b>Fund balances:</b>                                    |                     |  |   |
| Nonspendable:  |                     |  |   |
| Materials and supplies inventory. . . . .                | -                   | 453  | 453                                     |
| Prepays. . . . .   | 8,941               | 832  | 9,773                                   |
| Restricted:  |                     |  |   |
| Debt service . . . . .                                   | -                   | 490,811                                    | 490,811                                 |
| Capital improvements . . . . .                           | -                   | 66,771                                     | 66,771                                  |
| Classroom facilities maintenance . . . . .               | -                   | 107,968                                    | 107,968                                 |
| Food service operations . . . . .                        | -                   | 44,785                                     | 44,785                                  |
| Other purposes. . . . .                                  | -                   | 3,497                                      | 3,497                                   |
| Extracurricular. . . . .                                 | -                   | 26,043                                     | 26,043                                  |
| Committed:   |                     |  |   |
| Capital improvements . . . . .                           | -                   | 400,423                                    | 400,423                                 |
| Termination benefits. . . . .                            | 146,887             | -  | 146,887                                 |
| Student instruction . . . . .                            | 99,598              | -  | 99,598                                  |
| Assigned:  |                     |  |   |
| Student instruction . . . . .                            | 6,454               | -  | 6,454                                   |
| Student and staff support. . . . .                       | 44,782              | -  | 44,782                                  |
| Extracurricular activities . . . . .                     | 14,259              | -  | 14,259                                  |
| School supplies . . . . .                                | 1,202               | -  | 1,202                                   |
| Other purposes. . . . .                                  | 4,710               | -  | 4,710                                   |
| Unassigned (deficit) . . . . .                           | 6,660,882           | (16,083)                                   | 6,644,799                               |
| Total fund balances . . . . .                            | <u>6,987,715</u>    | <u>1,125,500</u>                           | <u>8,113,215</u>                        |
| Total liabilities, deferred inflows and fund balances    | <u>\$ 9,077,360</u> | <u>\$ 1,514,129</u>                        | <u>\$ 10,591,489</u>                    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2017

|   |    |              |             |
|---|----|--------------|-------------|
| <b>Total governmental fund balances</b>   |    | \$           | 8,113,215   |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i>   |    |              |             |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.   |    |              | 9,440,168   |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.  |    |              |             |
| Delinquent property taxes   | \$ | 174,939      |             |
| Income taxes  |    | 89,495       |             |
| Accrued interest  |    | 7,198        |             |
| Intergovernmental   |    | 907          |             |
| Total   |    | 272,539      | 272,539     |
| Unamortized deferred charges are not recognized in the funds.   |    |              | (4,970)     |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.   |    |              | (1,425)     |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds: |    |              |             |
| Deferred outflows of resources - pension  |    | 1,855,008    |             |
| Deferred inflows of resources - pension   |    | (326,355)    |             |
| Net pension liability   |    | (10,020,905) |             |
| Total   |    | (8,492,252)  | (8,492,252) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.                                      |    |              |             |
| General obligation bonds  |    | (1,040,000)  |             |
| Capital lease obligations   |    | (23,517)     |             |
| Compensated absences  |    | (319,762)    |             |
| Total   |    | (1,383,279)  | (1,383,279) |
| <b>Net position of governmental activities</b>  |    | \$           | 7,943,996   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|  | <b>General</b>      | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|---------------------|--|---|
| <b>Revenues:</b>   |                     |  |   |
| From local sources:  |                     |  |   |
| Property taxes . . . . .   | \$ 1,392,212        | \$ 324,571                                 | \$ 1,716,783                            |
| Income taxes . . . . .   | 1,321,877           | -  | 1,321,877                               |
| Tuition . . . . .  | 423,442             | -  | 423,442                                 |
| Transportation fees . . . . .  | 736                 | -  | 736                                     |
| Earnings on investments . . . . .                                      | 12,169              | 112  | 12,281                                  |
| Charges for services . . . . .   | -                   | 151,985                                    | 151,985                                 |
| Extracurricular . . . . .  | 1,007               | 42,511                                     | 43,518                                  |
| Classroom materials and fees . . . . .                                 | 1,742               | -  | 1,742                                   |
| Contributions and donations . . . . .                                  | 5,371               | -  | 5,371                                   |
| Contract services . . . . .  | 9,286               | -  | 9,286                                   |
| Other local revenues . . . . .   | 36,586              | 5,319                                      | 41,905                                  |
| Intergovernmental - intermediate . . . . .                             | -                   | 4,466                                      | 4,466                                   |
| Intergovernmental - state . . . . .                                    | 5,462,966           | 97,910                                     | 5,560,876                               |
| Intergovernmental - federal . . . . .                                  | -                   | 756,860                                    | 756,860                                 |
| Total revenues . . . . .   | <u>8,667,394</u>    | <u>1,383,734</u>                           | <u>10,051,128</u>                       |
| <b>Expenditures:</b>   |                     |  |   |
| Current:   |                     |  |   |
| Instruction:   |                     |  |   |
| Regular . . . . .  | 3,418,405           | 44,064                                     | 3,462,469                               |
| Special . . . . .  | 623,828             | 463,697                                    | 1,087,525                               |
| Vocational . . . . .   | 55                  | -  | 55                                      |
| Other . . . . .  | 62,302              | 85,619                                     | 147,921                                 |
| Support services:  |                     |  |   |
| Pupil . . . . .  | 234,117             | 1,644                                      | 235,761                                 |
| Instructional staff . . . . .  | 212,668             | 1,648                                      | 214,316                                 |
| Board of education . . . . .   | 12,222              | -  | 12,222                                  |
| Administration . . . . .   | 490,147             | -  | 490,147                                 |
| Fiscal . . . . .   | 243,513             | 9,563                                      | 253,076                                 |
| Business . . . . .   | 1,073               | -  | 1,073                                   |
| Operations and maintenance . . . . .                                   | 631,808             | 127,963                                    | 759,771                                 |
| Pupil transportation . . . . .   | 439,255             | 107,039                                    | 546,294                                 |
| Central . . . . .  | 37,705              | -  | 37,705                                  |
| Operation of non-instructional services:                               |                     |  |   |
| Other non-instructional services . . . . .                             | 7,255               | 2,456                                      | 9,711                                   |
| Food service operations . . . . .                                      | -                   | 342,736                                    | 342,736                                 |
| Extracurricular activities . . . . .                                   | 224,853             | 117,333                                    | 342,186                                 |
| Facilities acquisition and construction . . . . .                      | -                   | 84,988                                     | 84,988                                  |
| Debt service:  |                     |  |   |
| Principal retirement . . . . .   | 33,841              | 195,000                                    | 228,841                                 |
| Interest and fiscal charges . . . . .                                  | 2,099               | 20,804                                     | 22,903                                  |
| Total expenditures . . . . .   | <u>6,675,146</u>    | <u>1,604,554</u>                           | <u>8,279,700</u>                        |
| Excess (deficiency) of revenues<br>over (under) expenditures . . . . . | <u>1,992,248</u>    | <u>(220,820)</u>                           | <u>1,771,428</u>                        |
| <b>Other financing sources (uses):</b>                                 |                     |  |   |
| Sale of capital assets . . . . .                                       | 9,319               | -  | 9,319                                   |
| Transfers in . . . . .   | -                   | 325,000                                    | 325,000                                 |
| Transfers (out) . . . . .  | <u>(325,000)</u>    | <u>-</u>                                   | <u>(325,000)</u>                        |
| Total other financing sources (uses) . . . . .                         | <u>(315,681)</u>    | <u>325,000</u>                             | <u>9,319</u>                            |
| Net change in fund balances . . . . .                                  | 1,676,567           | 104,180                                    | 1,780,747                               |
| <b>Fund balances at beginning of year . . . . .</b>                    | <u>5,311,148</u>    | <u>1,021,320</u>                           | <u>6,332,468</u>                        |
| <b>Fund balances at end of year . . . . .</b>                          | <u>\$ 6,987,715</u> | <u>\$ 1,125,500</u>                        | <u>\$ 8,113,215</u>                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|   |                  |                         |
|---|------------------|-------------------------|
| <b>Net change in fund balances - total governmental funds</b>   | \$               | 1,780,747               |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i>   |                  |                         |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.  |                  |                         |
| Capital asset additions   | \$ 459,141       |                         |
| Current year depreciation   | <u>(506,681)</u> |                         |
| Total   |                  | (47,540)                |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.   |                  |                         |
|   |                  | (1,277)                 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  |                  |                         |
| Delinquent property taxes   | (8,042)          |                         |
| Income taxes  | 2,982            |                         |
| Accrued interest  | 7,198            |                         |
| Intergovernmental   | <u>(1,701)</u>   |                         |
| Total   |                  | 437                     |
| Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:                                     |                  |                         |
| Bonds   | 195,000          |                         |
| Capital leases  | <u>33,841</u>    |                         |
| Total   |                  | 228,841                 |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities: |                  |                         |
| Increase in accrued interest payable  | 2,537            |                         |
| Amortization of deferred charges  | <u>917</u>       |                         |
| Total   |                  | 3,454                   |
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.   |                  |                         |
|   |                  | 515,816                 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.  |                  |                         |
|   |                  | (716,580)               |
| 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.  |                  |                         |
|   |                  | <u>(42,002)</u>         |
| <b>Change in net position of governmental activities</b>  | <b>\$</b>        | <b><u>1,721,896</u></b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|   | <u>Budgeted Amounts</u> |                     |                     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|---------------------|---------------------|---|
|   | <u>Original</u>         | <u>Final</u>        | <u>Actual</u>       |   |
| <b>Revenues:</b>  |                         |                     |                     |   |
| From local sources:                                     |                         |                     |                     |   |
| Property taxes . . . . .                                | \$ 1,440,000            | \$ 1,440,000        | \$ 1,488,248        | \$ 48,248   |
| Income taxes . . . . .                                  | 1,320,000               | 1,320,000           | 1,269,404           | (50,596)  |
| Tuition . . . . .                                       | 436,000                 | 436,000             | 423,442             | (12,558)  |
| Transportation fees . . . . .                           | 3,600                   | 3,600               | 736                 | (2,864)   |
| Earnings on investments . . . . .                       | 16,000                  | 16,000              | 21,360              | 5,360   |
| Classroom materials and fees . . . . .                  | 200                     | 200                 | 1,348               | 1,148   |
| Rental income . . . . .                                 | 250                     | 250                 | -                   | (250)   |
| Contract services . . . . .                             | -                       | -                   | 9,286               | 9,286   |
| Other local revenues . . . . .                          | 45,000                  | 45,000              | 36,586              | (8,414)   |
| Intergovernmental - state . . . . .                     | 5,383,750               | 5,383,750           | 5,495,492           | 111,742   |
| <b>Total revenues . . . . .</b>                         | <b>8,644,800</b>        | <b>8,644,800</b>    | <b>8,745,902</b>    | <b>101,102</b>  |
| <b>Expenditures:</b>                                    |                         |                     |                     |   |
| Current:  |                         |                     |                     |   |
| Instruction:  |                         |                     |                     |   |
| Regular . . . . .                                       | 3,554,969               | 3,554,969           | 3,495,613           | 59,356  |
| Special . . . . .                                       | 746,857                 | 746,857             | 627,837             | 119,020   |
| Vocational . . . . .                                    | -                       | -                   | 103                 | (103)   |
| Other . . . . .   | 62,800                  | 62,800              | 61,852              | 948   |
| Support services:                                       |                         |                     |                     |   |
| Pupil . . . . .   | 228,469                 | 228,469             | 231,310             | (2,841)   |
| Instructional staff . . . . .                           | 222,810                 | 222,810             | 216,048             | 6,762   |
| Board of education . . . . .                            | 4,330                   | 4,330               | 12,233              | (7,903)   |
| Administration . . . . .                                | 515,235                 | 515,235             | 490,192             | 25,043  |
| Fiscal . . . . .  | 285,808                 | 285,808             | 250,233             | 35,575  |
| Operations and maintenance . . . . .                    | 742,465                 | 742,465             | 676,538             | 65,927  |
| Pupil transportation . . . . .                          | 509,854                 | 509,854             | 439,924             | 69,930  |
| Central . . . . .                                       | 25,000                  | 25,000              | 37,705              | (12,705)  |
| Other operation of non-instructional services . . . . . | -                       | -                   | 8,265               | (8,265)   |
| Extracurricular activities . . . . .                    | 252,650                 | 252,650             | 238,118             | 14,532  |
| Debt service:   |                         |                     |                     |   |
| Principal . . . . .                                     | 33,841                  | 33,841              | 33,841              | -   |
| Interest and fiscal charges . . . . .                   | 2,099                   | 2,099               | 2,099               | -   |
| <b>Total expenditures . . . . .</b>                     | <b>7,187,187</b>        | <b>7,187,187</b>    | <b>6,821,911</b>    | <b>365,276</b>  |
| <b>Excess of revenues over expenditures . . . . .</b>   | <b>1,457,613</b>        | <b>1,457,613</b>    | <b>1,923,991</b>    | <b>466,378</b>  |
| <b>Other financing sources (uses):</b>                  |                         |                     |                     |   |
| Sale of capital assets . . . . .                        | -                       | -                   | 9,319               | 9,319   |
| Transfers (out) . . . . .                               | (250,000)               | (250,000)           | (375,000)           | (125,000)   |
| Advances in . . . . .                                   | 80,000                  | 80,000              | 79,466              | (534)   |
| Advances (out) . . . . .                                | (50,000)                | (50,000)            | -                   | 50,000  |
| Refund of prior year's expenditures . . . . .           | 5,000                   | 5,000               | 868                 | (4,132)   |
| Other uses . . . . .                                    | -                       | -                   | (2,268)             | (2,268)   |
| <b>Total other financing sources (uses) . . . . .</b>   | <b>(215,000)</b>        | <b>(215,000)</b>    | <b>(287,615)</b>    | <b>(72,615)</b>   |
| <b>Net change in fund balance . . . . .</b>             | <b>1,242,613</b>        | <b>1,242,613</b>    | <b>1,636,376</b>    | <b>393,763</b>  |
| <b>Fund balance at beginning of year . . . . .</b>      | <b>4,854,961</b>        | <b>4,854,961</b>    | <b>4,854,961</b>    | <b>-</b>  |
| <b>Prior year encumbrances appropriated . . . . .</b>   | <b>138,943</b>          | <b>138,943</b>      | <b>138,943</b>      | <b>-</b>  |
| <b>Fund balance at end of year . . . . .</b>            | <b>\$ 6,236,517</b>     | <b>\$ 6,236,517</b> | <b>\$ 6,630,280</b> | <b>\$ 393,763</b>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017

|   | <b>Private-Purpose<br/>Trust</b> |               |
|---|----------------------------------|---------------|
|   | <b>Scholarship</b>               | <b>Agency</b> |
| <b>Assets:</b>  |                                  |               |
| Current assets:   |                                  |               |
| Equity in pooled cash<br>and cash equivalents . . . . . | \$ 125,565                       | \$ 37,583     |
| Total assets. . . . .                                   | 125,565                          | \$ 37,583     |
| <b>Liabilities:</b>                                     |                                  |               |
| Due to students. . . . .                                | -                                | \$ 37,583     |
| Total liabilities . . . . .                             | -                                | \$ 37,583     |
| <b>Net position:</b>                                    |                                  |               |
| Held in trust for scholarships . . . . .                | 125,565                          |               |
| Total net position. . . . .                             | \$ 125,565                       |               |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|   | <b>Private-Purpose<br/>Trust</b> |
|---|----------------------------------|
|   | <b>Scholarship</b>               |
| <b>Additions:</b>                                 |                                  |
| Interest . . . . .                                | \$ 1,131                         |
| Gifts and contributions. . . . .                  | 102,500                          |
| Total additions. . . . .                          | 103,631                          |
| <br><b>Deductions:</b>                            |                                  |
| Scholarships awarded . . . . .                    | 2,500                            |
| Change in net position . . . . .                  | 101,131                          |
| <b>Net position at beginning of year. . . . .</b> | <b>24,434</b>                    |
| <b>Net position at end of year . . . . .</b>      | <b>\$ 125,565</b>                |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Riverside Local School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and the privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District’s instructional/support facility staffed by 35 non-certified and 68 certified full-time teaching personnel who provide services to 689 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District’s significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following organizations are described due to their relationship to the District:

*GROUP PURCHASING POOLS*

Workers' Compensation Group Rating Program

The District participates in a Workers' Compensation Group Rating Program (GRP) administered by Sheakley Uniservice, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

Logan County School Employee Consortium

The District participates in the Logan County School Employee Consortium (the "Consortium"); a public entity shared risk pool consisting of one educational service center, one joint vocational school district, Riverside Local School District, Indian Lake Local School District and Benjamin Logan Local School District. The District pays monthly premiums to the Consortium for employee health insurance. The Consortium is responsible for the payment of all Consortium liabilities to its employees, dependents and designated beneficiaries accruing as a result of withdrawal.

Ohio School Plan

The Ohio School Plan (the "Plan") is a shared liability, property and fleet insurance risk pool which is governed by a Board of thirteen school superintendents, business managers and treasurers. Harcum-Schuett, the insurance agency, has one board seat. OSBA, BASA and OASBO executive directors serve as ex-officio members. 450 educational entities are served by the Plan. The Plan's board elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the plan. All Plan revenues are generated from charges for services. For more information, write to the Ohio School Plan, Hylant Administrative Services, LLC., 811 Madison Avenue, P.O. Box 2083, Toledo, Ohio 43603-2083.

*JOINTLY GOVERNED ORGANIZATIONS*

Western Ohio Computer Organization

The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is a council of governments established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the state of Ohio, and is composed of 26 school districts, 3 educational service centers, 2 parochial schools, 2 career centers and 4 community schools. It was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions of member districts. The Organization is governed by a Board of Directors consisting of 14 members: two Superintendents from each county that is represented, one treasurer representative, a student services representative, one city school representative and non-voting independent district representative. The degree of control exercised by any participating member is limited to its representation on the Board. Financial information can be obtained from Marcia Wierwille, who serves as Treasurer, at 129 East Court Street, Sidney, Ohio 45365.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Ohio Hi-Point Joint Vocational School District

The Ohio Hi-Point Joint Vocational School District (JVS) is a distinct political subdivision of the State of Ohio that provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from participating school districts' elected boards. The degree of control exercised by the District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. Financial information can be obtained from the Ohio Hi-Point Joint Vocational School District, R. Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

Logan County Education Foundation

The Logan County Education Foundation was established to secure and distribute contributions from individuals, corporations, and foundations for the benefit of students within the county. The Foundation promotes, sponsors, and encourages the pursuit of excellence in education for students. The Foundation is managed by a Board of Trustees composed of six trustees from each school district. These trustees are nominated by their local school boards including Bellefontaine City School District, Benjamin Logan Local School District, Indian Lake Local School District, and Riverside Local School District. The Executive Board is comprised of the Logan County Educational Service Center Superintendent representing the three local school districts and the Bellefontaine City School District Superintendent representing the city school district. Financial information can be obtained by contacting Eric Tom, who serves as Financial Advisor, 121 S. Opera Street, Bellefontaine, Ohio 43311.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary funds.

*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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance.

The following is the District's major governmental fund:

*General fund* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted for debt service.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**C. Basis of Presentation and Measurement Focus**

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities and current 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 (i.e., revenues and other financing sources) and uses (i.e., 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.

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.



**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**D. 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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

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 fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the 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, income taxes, interest, tuition, grants, student fees and rentals.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will 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. For the District, see Note 14 for deferred outflows of resources related the District's net pension liability.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements 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 District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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 District unavailable revenue includes, but is not limited to, delinquent property taxes, income tax and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Note 14 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position. In addition, deferred inflows of resources include a deferred gain on debt refunding. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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.

**E. Budgets**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of 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 amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the function and object level in all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**F. Cash and Investments**

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

During fiscal year 2017, investments were limited to nonnegotiable certificates of deposit, negotiable certificates of deposits and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$12,169, which includes \$1,790 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**H. Capital Assets**

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District’s capitalization threshold is \$2,500. 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. The District does not possess infrastructure.

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

| Description                       | Governmental<br>Activities<br>Estimated Lives |
|-----------------------------------|---|
| Land improvements                 | 15 - 30 years                                 |
| Buildings and improvements        | 30 - 50 years                                 |
| Furniture, fixtures and equipment | 5 - 20 years                                  |
| Vehicles                          | 5 - 15 years                                  |
| Textbooks                         | 10 years                                      |

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental activities column on the statement of net position. The District had no interfund loans outstanding at June 30, 2017.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2017, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with 10 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2017 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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, are reported as obligations of the funds. However, 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 year. Bonds are recognized as a liability on the fund financial statements when due.

**L. Unamortized Bond Premium and Discount/Issuance Costs/Unamortized Accounting Gain and Loss**

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. On fund financial statements and government-wide financial statements, issuance costs are expensed in the fiscal year they occur.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 11.A.

**M. Fund Balance**

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

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the 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 District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

**N. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**O. Estimates**

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

**P. Interfund Activity**

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**Q. Pensions**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

**S. Fair Market Value**

The 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.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2017, the District has implemented GASB Statement No. 77, *“Tax Abatement Disclosures”*, GASB Statement No. 78, *“Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans”*, GASB Statement No. 80, *“Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14”* and GASB Statement No. 82, *“Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73”*.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the District.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

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

| <u>Nonmajor fund</u>             | <u>Deficit</u> |
|----------------------------------|----------------|
| Title I - disadvantaged children | \$ 16,083      |

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

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



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing 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 that 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the District by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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 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 District or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At fiscal year-end, the District had \$1,350 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents.

**B. Deposits with Financial Institutions**

At June 30, 2017, the carrying amount of all District deposits was \$2,540,559. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2017, \$1,893,621 of the District’s bank balance of \$2,605,427 was exposed to custodial risk as discussed below, while \$711,806 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2017, the District had the following investments and maturities:

| Measurement/<br>Investment type | Measurement<br>Amount | Investment Maturities |                   |                    |                    |                           |
|---------------------------------|-----------------------|-----------------------|-------------------|--------------------|--------------------|---------------------------|
|                                 |                       | 6 months or<br>less   | 7 to 12<br>months | 13 to 18<br>months | 19 to 24<br>months | Greater than<br>24 months |
| <i>Net Asset Value:</i>         |                       |                       |                   |                    |                    |                           |
| STAR Ohio                       | \$ 1,753,903          | \$ 1,753,903          | \$ -              | \$ -               | \$ -               | \$ -                      |
| <i>Fair Value:</i>              |                       |                       |                   |                    |                    |                           |
| Negotiable CD's                 | <u>3,975,877</u>      | <u>489,963</u>        | <u>489,076</u>    | <u>244,046</u>     | <u>567,409</u>     | <u>2,185,383</u>          |
| Total                           | <u>\$ 5,729,780</u>   | <u>\$ 2,243,866</u>   | <u>\$ 489,076</u> | <u>\$ 244,046</u>  | <u>\$ 567,409</u>  | <u>\$ 2,185,383</u>       |

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

STAR Ohio is measured at net asset value per share while all other investments are measured at fair value. Fair value is determined by quoted market prices and acceptable other pricing methodologies. The 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 table identifies the District's recurring fair value measurement as of June 30, 2017. As previously discussed STAR Ohio is reported at its new asset value.

The District's investments in negotiable certificates of deposit are valued using quoted market prices (Level 1 inputs).

The District's investments in negotiable certificates of deposit maintained by Charles Schwab are subject to coverage by the Securities Investor Protection Corporation (SIPC) due to Charles Schwab's status as an SIPC broker.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

| <u>Measurement/<br/>Investment type</u> | <u>Measurement<br/>Amount</u> | <u>% of Total</u> |
|---|-------------------------------|-------------------|
| STAR Ohio                               | \$ 1,753,903                  | 30.61             |
| Negotiable CD's                         | 3,975,877                     | 69.39             |
| Total                                   | <u>\$ 5,729,780</u>           | <u>100.00</u>     |

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2017:

|   |              |
|---|--------------|
| <u>Cash and investments per note</u>                          |              |
| Carrying amount of deposits                                   | \$ 2,540,559 |
| Investments   | 5,729,780    |
| Cash on hand  | 1,350        |
| Total   | \$ 8,271,689 |
| <br><u>Cash and investments per statement of net position</u> |              |
| Governmental activities                                       | \$ 8,108,541 |
| Private-purpose trust fund                                    | 125,565      |
| Agency fund   | 37,583       |
| Total   | \$ 8,271,689 |

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2017, consisted of the following, as reported on the fund financial statements:

| <u>Transfer from:</u> | <u>Transfer to:</u>         | <u>Amount</u> |
|-----------------------|-----------------------------|---------------|
| General fund          | Nonmajor governmental funds | \$ 325,000    |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) restrict revenues for debt service through transfers from the funds collecting the receipts to the debt service fund (a nonmajor governmental fund) as debt service payments become due.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**NOTE 6 - PROPERTY TAXES**

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

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 6 - PROPERTY TAXES - (Continued)**

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Logan and Shelby Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$135,146 in the general fund, \$25,283 in the debt service fund (a nonmajor governmental fund) and \$6,854 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$231,182 in the general fund, \$46,906 in the debt service fund (a nonmajor governmental fund) and \$12,344 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is 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.

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

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

|   | 2016 Second<br>Half Collections |                | 2017 First<br>Half Collections |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
|   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/residential<br>and other real estate | \$ 74,334,750                   | 97.03          | \$ 80,308,240                  | 97.12          |
| Public utility personal                           | <u>2,275,990</u>                | <u>2.97</u>    | <u>2,382,630</u>               | <u>2.88</u>    |
| Total   | <u>\$ 76,610,740</u>            | <u>100.00</u>  | <u>\$ 82,690,870</u>           | <u>100.00</u>  |
| Tax rate per \$1,000 of<br>assessed valuation     | \$51.80                         |                | \$51.50                        |                |

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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**NOTE 7 - SCHOOL DISTRICT INCOME TAX**

The District levies a voted tax for general operations on the income of residents and of estates. The District voters approved a five year 1.75% income tax levy on November 5, 2013, effective January 1, 2015 through December 31, 2019. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue credited to the general fund during fiscal year 2017 amounted to \$1,321,877.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2017 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. 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. A summary of the items of receivables reported on the statement of net position follows:

**Governmental activities:**

|                   |                     |
|-------------------|---------------------|
| Property taxes    | \$ 1,948,478        |
| Income taxes      | 497,475             |
| Accrued interest  | 8,387               |
| Intergovernmental | <u>14,096</u>       |
| Total             | <u>\$ 2,468,436</u> |

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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**NOTE 9 - CAPITAL ASSETS**

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

|   | <u>Balance</u><br><u>June 30, 2016</u> | <u>Additions</u> | <u>Deductions</u>  | <u>Balance</u><br><u>June 30, 2017</u> |
|---|--|------------------|--------------------|--|
| <b>Governmental activities:</b>               |  |                  |                    |  |
| <i>Capital assets, not being depreciated:</i> |  |                  |                    |  |
| Land  | \$ 11,423                              | \$ -             | \$ -               | \$ 11,423                              |
| Construction in progress                      | <u>17,281</u>                          | <u>74,297</u>    | <u>(91,578)</u>    | <u>-</u>                               |
| Total capital assets, not being depreciated   | <u>28,704</u>                          | <u>74,297</u>    | <u>(91,578)</u>    | <u>11,423</u>                          |
| <i>Capital assets, being depreciated:</i>     |  |                  |                    |  |
| Land improvements                             | 1,341,193                              | -                | -                  | 1,341,193                              |
| Buildings and improvements                    | 14,132,473                             | 49,813           | -                  | 14,182,286                             |
| Furniture, fixtures and equipment             | 1,899,056                              | 221,804          | (272,179)          | 1,848,681                              |
| Vehicles                                      | 650,899                                | 204,805          | (92,309)           | 763,395                                |
| Textbooks                                     | <u>632,952</u>                         | <u>-</u>         | <u>-</u>           | <u>632,952</u>                         |
| Total capital assets, being depreciated       | <u>18,656,573</u>                      | <u>476,422</u>   | <u>(364,488)</u>   | <u>18,768,507</u>                      |
| <i>Less: accumulated depreciation</i>         |  |                  |                    |  |
| Land improvements                             | (1,049,838)                            | (58,346)         | -                  | (1,108,184)                            |
| Buildings and improvements                    | (5,424,657)                            | (341,921)        | -                  | (5,766,578)                            |
| Furniture, fixtures and equipment             | (1,676,831)                            | (71,357)         | 270,902            | (1,477,286)                            |
| Vehicles                                      | (412,014)                              | (35,057)         | 92,309             | (354,762)                              |
| Textbooks                                     | <u>(632,952)</u>                       | <u>-</u>         | <u>-</u>           | <u>(632,952)</u>                       |
| Total accumulated depreciation                | <u>(9,196,292)</u>                     | <u>(506,681)</u> | <u>363,211</u>     | <u>(9,339,762)</u>                     |
| Governmental activities capital assets, net   | <u>\$ 9,488,985</u>                    | <u>\$ 44,038</u> | <u>\$ (92,855)</u> | <u>\$ 9,440,168</u>                    |

Depreciation expense was charged to governmental functions as follows:

|                                 |                   |
|---------------------------------|-------------------|
| <u>Instruction:</u>             |                   |
| Regular                         | \$ 269,627        |
| Special                         | 6,516             |
| Vocational                      | 15,143            |
| <u>Support services:</u>        |                   |
| Instructional staff             | 37,664            |
| Administration                  | 6,694             |
| Fiscal                          | 3,258             |
| Operations and maintenance      | 48,616            |
| Pupil transportation            | 26,878            |
| Operations of non-instructional | 34,208            |
| Extracurricular                 | 50,893            |
| Food service operations         | <u>7,184</u>      |
| Total depreciation expense      | <u>\$ 506,681</u> |

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE**

In a prior fiscal year, the District entered into capitalized leases for the acquisition of copiers. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets acquired by lease have been originally capitalized in the amount of \$158,707, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2017 was \$142,835, leaving a current book value of \$15,872. Principal payments in the 2017 fiscal year totaled \$33,841. This amount is reported as debt service payments of the general fund.

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

| Fiscal Year Ending<br>June 30,          | Total     |
|---|-----------|
| 2018                                    | \$ 23,960 |
| Total minimum lease payments            | 23,960    |
| Less: amount representing interest      | (443)     |
| Present value of minimum lease payments | \$ 23,517 |

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2017, the following changes occurred in governmental activities long-term obligations.

|                                    | Balance<br>June 30, 2016 | Additions    | Reductions   | Balance<br>June 30, 2017 | Amounts<br>Due in<br>One Year |
|------------------------------------|--------------------------|--------------|--------------|--------------------------|-------------------------------|
| <b>Governmental activities:</b>    |                          |              |              |                          |                               |
| Capital lease - Copier 2013        | \$ 57,358                | \$ -         | \$ (33,841)  | \$ 23,517                | \$ 23,517                     |
| G.O. Refunding Bonds - Series 2016 | 1,235,000                | -            | (195,000)    | 1,040,000                | 195,000                       |
| Compensated absences               | 277,760                  | 101,961      | (29,485)     | 350,236                  | 60,145                        |
| Net pension liability              | 8,597,118                | 1,423,787    | -            | 10,020,905               | -                             |
| Total                              | \$ 10,167,236            | \$ 1,525,748 | \$ (258,326) | \$ 11,434,658            | \$ 278,662                    |

Net Pension Liability  
See Note 14 for detail.

Compensated Absences

Compensated absences have been accrued for vacation and sick leave liabilities. The amounts will be paid from the funds from which employees' salaries are paid, which primarily are the general fund and food service fund (a nonmajor governmental fund).



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**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

School Facilities Construction and Improvement General Obligation Bonds

On May 10, 2016, the District issued general obligation bonds (Series 2016 Refunding Bonds) to advance refund the callable portion of the Series 2006A general obligation refunding bonds (principal \$1,235,000). The issuance proceeds of \$1,235,000 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

This refunding issue was comprised of current interest bonds, par value \$1,235,000. The bonds were issued for a seven year period with final maturity at December 1, 2022. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a nonmajor governmental fund).

The following is a schedule of activity for fiscal year 2017 on the 2016 series refunding bonds:

|   | <u>Balance</u><br><u>June 30, 2016</u> | <u>Additions</u> | <u>Reductions</u>   | <u>Balance</u><br><u>June 30, 2017</u> |
|---|--|------------------|---------------------|--|
| Current interest bonds -<br>2016 series | \$ 1,235,000                           | \$ -             | \$ (195,000)        | \$ 1,040,000                           |
| Total                                   | <u>\$ 1,235,000</u>                    | <u>\$ -</u>      | <u>\$ (195,000)</u> | <u>\$ 1,040,000</u>                    |

The following is a summary of the future debt service requirements to maturity for the 2016 series refunding bonds:

| Fiscal Year            | <u>Current Interest Bonds</u> |                  |                     |
|------------------------|-------------------------------|------------------|---------------------|
| <u>Ending June 30.</u> | <u>Principal</u>              | <u>Interest</u>  | <u>Total</u>        |
| 2018                   | \$ 195,000                    | \$ 16,211        | \$ 211,211          |
| 2019                   | 200,000                       | 12,814           | 212,814             |
| 2020                   | 205,000                       | 9,331            | 214,331             |
| 2021                   | 150,000                       | 6,278            | 156,278             |
| 2022                   | 155,000                       | 3,655            | 158,655             |
| 2023                   | <u>135,000</u>                | <u>1,161</u>     | <u>136,161</u>      |
| Total                  | <u>\$ 1,040,000</u>           | <u>\$ 49,450</u> | <u>\$ 1,089,450</u> |

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of \$6,892,989 (including available funds of \$490,811) and an unvoted debt margin of \$82,691.

**NOTE 12 - COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, payment is made for 25 percent of accrued, but unused sick leave credit to a maximum of 56.25 days for all employees.

**NOTE 13 - RISK MANAGEMENT**

**A. Property and Liability**

During fiscal year 2017, the District participated in the Ohio School Plan (OSP), a public entity insurance purchasing pool (See Note 2.A.). The District entered into an agreement with the OSP and its premium is based on types of coverage, limits of coverage and deductibles that it selects. The OSP is administered by Hylant Administrative Services.

The District is subject 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. The District maintains comprehensive commercial insurance coverage for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured.

The District's comprehensive commercial insurance coverage for real property and building contents has a liability limit of \$32,574,276. The policy includes a \$1,000 deductible for commercial property coverage.

The District's fleet insurance has a liability limit of \$3,000,000, \$5,000 for medical payments and \$1,000,000 for uninsured motorists. The policy includes a \$1,000 deductible for school buses and \$500 deductible for all other vehicles.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - RISK MANAGEMENT - (Continued)**

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in coverage from the prior year.

**B. Employee Benefits**

The District is a member of the newly formed Logan County School Employee Consortium, a Council of Government, for the purpose of establishing and carrying out a cooperative benefits insurance program, and other cooperative programs which may be approved in accordance with the by-laws of the organization. The Consortium consists of one joint vocational school, one regional educational service center, Riverside Local School District, Indian Lake Local School District and Benjamin Logan Local School District. The consortium approved establishment of a self-insurance health insurance fund effective January 2014. The District pays monthly premiums for health insurance to the Logan County School Employee Consortium. The District also participates with the Metropolitan Education Council for life insurance coverage for employees.

**C. Workers' Compensation**

For fiscal year 2017, the District participated in a Workers' Compensation Group Rating Program (GRP). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP.

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

**A. Net Pension Liability**

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$129,778 for fiscal year 2017. Of this amount, \$17,435 is reported as pension and postemployment benefits payable.

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

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

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11.0 of the 12.0 percent member rates goes to the DC Plan and 1.0 percent goes to the DB Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$386,038 for fiscal year 2017. Of this amount, \$65,364 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the 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   | 0.025994800%        | 0.025740170%        |               |
| Proportion of the net pension liability current measurement date | <u>0.024126500%</u> | <u>0.024661860%</u> |               |
| Change in proportionate share                                    | <u>-0.00186830%</u> | <u>-0.00107831%</u> |               |
| Proportionate share of the net pension liability                 | \$ 1,765,837        | \$ 8,255,068        | \$ 10,020,905 |
| Pension expense  | \$ 168,674          | \$ 547,906          | \$ 716,580    |

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

|  | <u>SERS</u>       | <u>STRS</u>         | <u>Total</u>        |
|--|-------------------|---------------------|---------------------|
| <b>Deferred outflows of resources</b>  |                   |                     |                     |
| Differences between expected and actual experience   | \$ 23,818         | \$ 333,546          | \$ 357,364          |
| Net difference between projected and actual earnings on pension plan investments                                     | 145,655           | 685,393             | 831,048             |
| Changes of assumptions   | 117,879           | -                   | 117,879             |
| Difference between District contributions and proportionate share of contributions/<br>change in proportionate share | 24,295            | 8,606               | 32,901              |
| District contributions subsequent to the measurement date  | <u>129,778</u>    | <u>386,038</u>      | <u>515,816</u>      |
| Total deferred outflows of resources   | <u>\$ 441,425</u> | <u>\$ 1,413,583</u> | <u>\$ 1,855,008</u> |

|  | <u>SERS</u>      | <u>STRS</u>       | <u>Total</u>      |
|--|------------------|-------------------|-------------------|
| <b>Deferred inflows of resources</b>   |                  |                   |                   |
| Difference between District contributions and proportionate share of contributions/<br>change in proportionate share | <u>\$ 85,540</u> | <u>\$ 240,815</u> | <u>\$ 326,355</u> |
| Total deferred inflows of resources  | <u>\$ 85,540</u> | <u>\$ 240,815</u> | <u>\$ 326,355</u> |

\$515,816 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

|                             | <u>SERS</u>       | <u>STRS</u>       | <u>Total</u>        |
|-----------------------------|-------------------|-------------------|---------------------|
| Fiscal Year Ending June 30: |                   |                   |                     |
| 2018                        | \$ 51,863         | \$ 103,993        | \$ 155,856          |
| 2019                        | 51,760            | 103,994           | 155,754             |
| 2020                        | 80,615            | 366,997           | 447,612             |
| 2021                        | <u>41,869</u>     | <u>211,746</u>    | <u>253,615</u>      |
| Total                       | <u>\$ 226,107</u> | <u>\$ 786,730</u> | <u>\$ 1,012,837</u> |

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**E. Actuarial Assumptions - SERS**

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

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

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

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

|  |  |
|--|--|
| Wage Inflation                               | 3.00 percent   |
| Future Salary Increases, including inflation | 3.50 percent to 18.20 percent                                |
| COLA or Ad Hoc COLA                          | 3 percent  |
| Investment Rate of Return                    | 7.50 percent net of investments expense, including inflation |
| Actuarial Cost Method                        | Entry Age Normal (level percent of payroll)                  |

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015.



**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

| Asset Class            | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|------------------------|----------------------|---|
| Cash                   | 1.00 %               | 0.50 %                                    |
| US Equity              | 22.50                | 4.75                                      |
| International Equity   | 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                                      |
| <b>Total</b>           | <b>100.00 %</b>      |   |

**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 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<br>(6.50%) | Current<br>Discount Rate<br>(7.50%) | 1% Increase<br>(8.50%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share<br>of the net pension liability | \$ 2,337,858           | \$ 1,765,837                        | \$ 1,287,032           |

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**F. Actuarial Assumptions - STRS**

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

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

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

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

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

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

|  | 1% Decrease<br>(6.75%) | Current<br>Discount Rate<br>(7.75%) | 1% Increase<br>(8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share<br>of the net pension liability | \$ 10,970,314          | \$ 8,255,068                        | \$ 5,964,597           |

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

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** – In addition to a cost-sharing multiple-employer defined benefit pension plan described in Note 14, the School Employees Retirement System (SERS) administers two postemployment benefit plans.

**Health Care Plan** – Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserve the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remained of the employer 14% contributions to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.00%. 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. By statute no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

The District's contributions for health care for fiscal years ended June 30, 2017, 2016 and 2015 were \$14,383, \$12,472 and \$19,336, respectively. For fiscal year 2017, the full amount is being reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

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 eligibly, and retirement status.

The financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**B. State Teachers Retirement System**

**Plan Description** – STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. 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.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial* report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

**Funding Policy** – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14.00 percent employer contribution rate, 0.00 percent of covered payroll was allocated to post-employment health care for the year ended June 30, 2015 (latest information available). For the years ended June 30, 2014, and 2013, 1.00 percent of covered payroll was allocated to post-employment health care. The 14.00 percent employer contribution rate is the maximum rate established under Ohio law. The District's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

While 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 and disbursements.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

|   | <u>General fund</u> |
|---|---------------------|
| Budget basis                            | \$ 1,636,376        |
| Net adjustment for revenue accruals     | (85,280)            |
| Net adjustment for expenditure accruals | (24,436)            |
| Net adjustment for other sources/uses   | (28,066)            |
| Funds budgeted elsewhere                | 16,296              |
| Adjustment for encumbrances             | 161,677             |
| GAAP basis                              | \$ 1,676,567        |

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the special trust fund, uniform school supplies fund, public school support fund and termination benefits fund.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 17 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**NOTE 18 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by 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 fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 18 - SET-ASIDES - (Continued)**

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

|   | <u>Capital<br/>Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2016   | \$ -                            |
| Current year set-aside requirement  | 125,599                         |
| Contributions in excess of the current<br>fiscal year set-aside requirement | -                               |
| Current year qualifying expenditures  | (189,392)                       |
| Excess qualified expenditures from prior years                              | -                               |
| Current year offsets  | (134,610)                       |
| Waiver granted by ODE   | -                               |
| Prior year offset from bond proceeds  | -                               |
| Total   | <u>\$ (198,403)</u>             |
| Balance carried forward to fiscal year 2018                                 | <u>\$ -</u>                     |
| Set-aside balance June 30, 2017   | <u>\$ -</u>                     |

During fiscal year 2001, the District issued \$2,881,817 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years.

The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$2,542,865 at June 30, 2017.

**NOTE 19 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

| <u>Fund</u>                 | <u>Year-End<br/>Encumbrances</u> |
|-----------------------------|----------------------------------|
| General fund                | \$ 160,387                       |
| Nonmajor governmental funds | <u>20,413</u>                    |
| Total                       | <u>\$ 180,800</u>                |

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REQUIRED SUPPLEMENTARY INFORMATION

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

|   | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  |
|---|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability  | 0.02412650%  | 0.02599480%  | 0.02506400%  | 0.02506400%  |
| District's proportionate share of the net pension liability   | \$ 1,765,837 | \$ 1,483,288 | \$ 1,268,475 | \$ 1,490,476 |
| District's covered-employee payroll   | \$ 688,086   | \$ 782,580   | \$ 728,312   | \$ 818,251   |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 256.63%      | 189.54%      | 174.17%      | 182.15%      |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 62.98%       | 69.16%       | 71.70%       | 65.52%       |

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

|   | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  |
|---|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability  | 0.02466186%  | 0.02574017%  | 0.02570535%  | 0.02570535%  |
| District's proportionate share of the net pension liability   | \$ 8,255,068 | \$ 7,113,830 | \$ 6,252,431 | \$ 7,447,855 |
| District's covered-employee payroll   | \$ 2,629,479 | \$ 2,716,914 | \$ 2,626,377 | \$ 2,859,262 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 313.94%      | 261.83%      | 238.06%      | 260.48%      |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 66.80%       | 72.10%       | 74.70%       | 69.30%       |

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

|  | <u>2017</u>      | <u>2016</u>     | <u>2015</u>      | <u>2014</u>      |
|--|------------------|-----------------|------------------|------------------|
| Contractually required contribution                                  | \$ 129,778       | \$ 96,332       | \$ 103,144       | \$ 100,944       |
| Contributions in relation to the contractually required contribution | <u>(129,778)</u> | <u>(96,332)</u> | <u>(103,144)</u> | <u>(100,944)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>     | <u>\$ -</u>      | <u>\$ -</u>      |
| District's covered-employee payroll                                  | \$ 926,986       | \$ 688,086      | \$ 782,580       | \$ 728,312       |
| Contributions as a percentage of covered-employee payroll            | 14.00%           | 14.00%          | 13.18%           | 13.86%           |

| <u>2013</u>      | <u>2012</u>      | <u>2011</u>     | <u>2010</u>      | <u>2009</u>     | <u>2008</u>     |
|------------------|------------------|-----------------|------------------|-----------------|-----------------|
| \$ 113,246       | \$ 109,327       | \$ 92,422       | \$ 105,181       | \$ 74,216       | \$ 76,502       |
| <u>(113,246)</u> | <u>(109,327)</u> | <u>(92,422)</u> | <u>(105,181)</u> | <u>(74,216)</u> | <u>(76,502)</u> |
| <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>     | <u>\$ -</u>      | <u>\$ -</u>     | <u>\$ -</u>     |
| \$ 818,251       | \$ 812,840       | \$ 735,259      | \$ 776,817       | \$ 754,228      | \$ 779,043      |
| 13.84%           | 13.45%           | 12.57%          | 13.54%           | 9.84%           | 9.82%           |

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

|  | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      |
|--|------------------|------------------|------------------|------------------|
| Contractually required contribution                                  | \$ 386,038       | \$ 368,127       | \$ 380,368       | \$ 341,429       |
| Contributions in relation to the contractually required contribution | <u>(386,038)</u> | <u>(368,127)</u> | <u>(380,368)</u> | <u>(341,429)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| District's covered-employee payroll                                  | \$ 2,757,414     | \$ 2,629,479     | \$ 2,716,914     | \$ 2,626,377     |
| Contributions as a percentage of covered-employee payroll            | 14.00%           | 14.00%           | 14.00%           | 13.00%           |

| <u>2013</u>      | <u>2012</u>      | <u>2011</u>      | <u>2010</u>      | <u>2009</u>      | <u>2008</u>      |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 371,704       | \$ 406,780       | \$ 402,007       | \$ 396,624       | \$ 440,575       | \$ 469,431       |
| <u>(371,704)</u> | <u>(406,780)</u> | <u>(402,007)</u> | <u>(396,624)</u> | <u>(440,575)</u> | <u>(469,431)</u> |
| <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| \$ 2,859,262     | \$ 3,129,077     | \$ 3,092,362     | \$ 3,050,954     | \$ 3,389,038     | \$ 3,611,008     |
| 13.00%           | 13.00%           | 13.00%           | 13.00%           | 13.00%           | 13.00%           |

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.



**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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Member American Institute of Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of Board of Education  
Riverside Local School District  
DeGraff, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Riverside Local School District, Logan County, Ohio, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 18, 2017.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

October 18, 2017

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2017**

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The prior audit report, as of June 30, 2016, included no citations, instances of noncompliance, or management letter recommendations.

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# Dave Yost • Auditor of State

RIVERSIDE LOCAL SCHOOL DISTRICT

LOGAN 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  
DECEMBER 28, 2017