

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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



Dave Yost • Auditor of State

Board of Education
Richmond Heights Local School District
447 Richmond Road
Richmond Heights, Ohio 44143

We have reviewed the *Independent Auditor's Report* of the Richmond Heights Local School District, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 Richmond Heights Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 4, 2011

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**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 CUYAHOGA COUNTY
 AUDIT REPORT
 FOR THE YEAR ENDED JUNE 30, 2010**

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

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Richmond Heights Local School District
Richmond Heights, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Richmond Heights Local School District, Cuyahoga County, Ohio as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Richmond Heights Local School District, Ohio's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Richmond Heights Local School District, Ohio, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the financial statements, Richmond Heights Local School District, Ohio, adopted the provisions of the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2011, on our consideration of the Richmond Heights Local School District, Ohio'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Richmond Heights Local School District, Ohio's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.


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

February 28, 2011

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Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited*

The discussion and analysis of Richmond Heights Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School 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 School District's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- In these difficult times the School District has focused on ways to help reduce costs while maintaining essential student services. In an effort to save on transportation costs, the School District reduced bussing to State minimums, providing transportation for only kindergarten to middle school students that live beyond a two-mile radius of their schools. Extracurricular activities, including sports, are now pay to participate programs. These cuts were necessary for the School District to avoid deficit spending and to keep financially responsible.
- Through the leasing of four copiers from North Coast Copiers, the School District will be able to reduce the costs of printing by making pamphlets and calendars in-house. Savings will also be seen on high volume copies, such as levy flyers and student announcements.
- The School District is committed to providing environmentally conscious learning spaces for our students to achieve their dreams. To help accomplish this, on September 17, 2008 the School District issued energy conservation notes to improve the efficiency of the school buildings' plumbing and electrical fixtures. These improvements will reduce maintenance and utility costs in the future while providing a superior place for our students to grow and flourish.
- On November 2, 2010, the School District passed a 5 year, 2 mill permanent improvement levy. This increased tax revenue will greatly help the School District with renovations and building improvements.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Richmond Heights Local School District as an entire operating entity. The statements begin at a summary level and expand to detailed financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the entire School District, presenting both an aggregate view of the School District's current finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant governmental funds with all other nonmajor funds presented in total in one column. The general fund is the most significant fund.

Richmond Heights Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as an entity looks at all financial transactions and asks the question, "How did we do financially during the 2010 fiscal year?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. Changes to our net assets are a direct result of property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated educational programs, State funding, student enrollment, and general inflation.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two major activities:

- **Governmental Activities** – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and general administration.
- **Business-Type Activities** - The School District's business-type activities are reported through enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's enterprise funds are used to account for food service operations, special services provided, latchkey/summer camp operations, and webcheck (fingerprinting) services.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for its financial transactions. However, these fund financial statements concentrate on the School District's most significant funds. The School District's major governmental fund is the general fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which accounts for flow of money into and out of those funds and the year-end balances available for spending in future years. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps the reader determine the amount of 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Richmond Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

Proprietary Funds Proprietary funds have historically operated as enterprise and internal service funds using the same basis of accounting as business-type activities. The School District has no internal service funds.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

The Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2010 compared to 2009:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and						
Other Assets	\$11,740,578	\$10,644,817	\$38,403	\$206,152	\$11,778,981	\$10,850,969
Capital Assets, Net	1,129,393	1,046,716	17,176	10,187	1,146,569	1,056,903
Total Assets	12,869,971	11,691,533	55,579	216,339	12,925,550	11,907,872
Liabilities						
Current and						
Other Liabilities	8,610,257	7,971,462	97,817	74,993	8,708,074	8,046,455
Long-Term Liabilities:						
Due Within One Year	102,326	124,480	0	0	102,326	124,480
Due in More than						
One Year	1,321,795	1,599,253	5,351	5,991	1,327,146	1,605,244
Total Liabilities	10,034,378	9,695,195	103,168	80,984	10,137,546	9,776,179
Net Assets						
Invested in Capital						
Assets, Net of Debt	94,609	926,001	17,176	10,187	111,785	936,188
Restricted						
Capital Projects	127,283	140,365	0	0	127,283	140,365
Set Aside	296,783	0	0	0	296,783	0
Other Purpose	61,492	88,735	0	0	61,492	88,735
Unrestricted (Deficit)	2,255,426	841,237	(64,765)	125,168	2,190,661	966,405
Total Net Assets	\$2,835,593	\$1,996,338	(\$47,589)	\$135,355	\$2,788,004	\$2,131,693

By comparing assets and liabilities, one can see the overall position of the School District has improved as evidenced by the increase in net assets. The majority of this increase is attributed to the passage of a 4 mill continuing levy on November 3, 2009.

Richmond Heights Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2 shows the changes in net assets for fiscal year 2010 for both our Governmental activities and our Business-Type activities. Revenue and expense comparisons can be made between fiscal years 2009 and 2010.

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues:						
Charges for Services and Sales	\$295,899	\$294,474	\$219,817	\$319,815	\$515,716	\$614,289
Operating Grants and Contributions	374,977	397,142	202,185	186,458	577,162	583,600
Capital Grants	31,592	121,430	0	0	31,592	121,430
Total Program Revenues	702,468	813,046	422,002	506,273	1,124,470	1,319,319
General Revenues:						
Property Taxes	8,962,411	7,731,406	0	0	8,962,411	7,731,406
Grants and Entitlements	3,641,036	3,335,060	0	0	3,641,036	3,335,060
Investment Earnings	4,118	27,606	0	0	4,118	27,606
Miscellaneous	22,633	115,151	0	0	22,633	115,151
Total General Revenues	12,630,198	11,209,223	0	0	12,630,198	11,209,223
Total Revenues	13,332,666	12,022,269	422,002	506,273	13,754,668	12,528,542
Program Expenses						
Instruction	7,127,875	7,533,401	0	0	7,127,875	7,533,401
Support Services:						
Pupil and Instructional Staff	1,048,061	1,043,448	0	0	1,048,061	1,043,448
Board of Education, Administration, Fiscal and Business	1,779,785	1,628,987	0	0	1,779,785	1,628,987
Operation and Maintenance of Plant	1,052,857	1,202,514	0	0	1,052,857	1,202,514
Pupil Transportation	933,180	1,067,749	0	0	933,180	1,067,749
Central	265,186	154,537	0	0	265,186	154,537
Operation of Non-Instructional Services	18,758	2,182	0	0	18,758	2,182
Enterprise Operations	0	0	604,946	567,610	604,946	567,610
Extracurricular Activities	205,638	204,380	0	0	205,638	204,380
Interest and Fiscal Charges	62,071	50,487	0	0	62,071	50,487
Total Program Expenses	12,493,411	12,887,685	604,946	567,610	13,098,357	13,455,295
Change in Net Assets	839,255	(865,416)	(182,944)	(61,337)	656,311	(926,753)
<i>Net Assets Beginning of Year</i>	<i>1,996,338</i>	<i>2,861,754</i>	<i>135,355</i>	<i>196,692</i>	<i>2,131,693</i>	<i>3,058,446</i>
<i>Net Assets End of Year</i>	<i>\$2,835,593</i>	<i>\$1,996,338</i>	<i>(\$47,589)</i>	<i>\$135,355</i>	<i>\$2,788,004</i>	<i>\$2,131,693</i>

Richmond Heights Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Governmental Activities

The unusual nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As a result of legislation enacted in 1976, the overall revenue generated by a voted tax levy does not increase as a result of inflation. As an example, a homeowner with a home valued at \$100,000 (Assessed value of \$35,000) and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (assessed value of \$70,000) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Our School District, which is dependent upon property taxes, is hampered by a lack of revenue growth and must periodically ask the voters to increase property taxes to maintain a constant level of service.

Property tax revenues increased due to the additional revenue received from the passage of an additional 4 mill levy during fiscal year 2010. The School District's grants and entitlements increased due to an increase in School Foundation revenues from the State of Ohio.

Overall expenses decreased due to diligent spending cuts, including the pay to play program for extracurricular activities. Staff reductions and a zero percent negotiated salary freeze with the Richmond Heights Education Association have helped to control instructional costs. Requirements dictated by the Federal No Child Left Behind legislation continue to add pressure to the School District's budget for future years.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
 Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Instruction	\$7,127,875	\$6,790,555	\$7,533,401	\$7,112,324
Support Services:				
Pupils and Instructional Staff	1,048,061	883,826	1,043,448	910,032
Board of Education, Administration				
Fiscal and Business	1,779,785	1,735,225	1,628,987	1,587,589
Operation and Maintenance of Plant	1,052,857	999,966	1,202,514	1,076,358
Pupil Transportation	933,180	912,587	1,067,749	1,032,297
Central	265,186	248,296	154,537	134,719
Operating of Non-Instructional Services	18,758	281	2,182	2,182
Extracurricular Activities	205,638	158,136	204,380	168,651
Interest and Fiscal Charges	62,071	62,071	50,487	50,487
Total	\$12,493,411	\$11,790,943	\$12,887,685	\$12,074,639

Business-Type Activities

Business-type activities include the food service, special services, latchkey/summer school programs and web check services.

Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited*

Overall net assets decreased during 2010. Business-type activities decreased due to a decrease in program revenues to support the food service, special services, latchkey/summer camp and web check services operational activities for the fiscal year in combination with increased expenses. The decrease in business-type activities net assets can be attributed to the current tough economic conditions.

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. The general fund had total revenues of \$12,181,988 and expenditures of \$12,106,802. The general fund had a decrease in fund balance due mainly to a decrease in State Foundation revenue offset by decreases in expenditures. Other Governmental Funds had a decrease in fund balance due to a decrease of grant monies awarded to the School District for the fiscal year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2010, the School District amended its general fund budget several times.

For the general fund, the final budget basis revenue estimate was higher than actual revenues which can be attributed to the property tax budget being slightly higher than actual collections. The final budget appropriations were lower than the original budget appropriations of the general fund. This change was attributed to anticipated reductions in expenditures for regular instruction, pupils, and administrative support services.

Capital Assets and Debt

Capital Assets

At the end of fiscal 2010 the School District had \$1,146,569 invested in land, buildings and improvements, furniture and equipment, and vehicles, \$1,129,393 of which is in governmental activities. Table 4 shows fiscal 2010 balances compared to 2009:

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$311,214	\$311,214	\$0	\$0	\$311,214	\$311,214
Buildings and Improvements	212,144	247,538	0	0	212,144	247,538
Furniture and Equipment	161,090	193,483	17,176	10,187	178,266	203,670
Vehicles	444,945	294,481	0	0	444,945	294,481
Totals	<u>\$1,129,393</u>	<u>\$1,046,716</u>	<u>\$17,176</u>	<u>\$10,187</u>	<u>\$1,146,569</u>	<u>\$1,056,903</u>

Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited*

For fiscal year 2010, an Ohio law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks. For fiscal year 2010, this amounted to \$158,324 for each set aside. For fiscal year 2010, the School District had qualifying disbursements or offsets exceeding these requirements. See Note 9 to the basic financial statements for additional information on capital assets.

Debt

At June 30, 2010, the School District had energy conservation notes with a balance of \$981,004 outstanding. The School District had a balance of \$53,780 remaining on a capital lease. More information on the notes and capital leases can be found in Note 16 and Note 20 to the basic financial statements.

School District Outlook

The Board of Education and administration are aware of their limited financial resources. They are working within a five-year budget plan and are actively pursuing additional funding through local levies.

Significant legislative and judicial actions continue to occur that will have a major impact on our School District. We believe that the ultimate resolution of funding reform is still sometime away. The downturn in the economy has put pressures on both the State budget as well as our local School District budget. We are concerned that the State may not have the ability to fully fund the previously approved subsidies for primary and secondary education in the State budget. We are also concerned that the local tax base may be weakened as a result of the current economic conditions and therefore negatively impact local tax revenues.

The Richmond Heights Local School District has committed itself to a fiscal discipline based on long-term plans as well as a commitment to full disclosure of financial information and utilization of the highest standards of financial reporting.

Contacting the School District Fiscal Management

This financial report was designed to comply with the most current reporting requirements and is intended to provide our parents, citizens, taxpayers, investors and creditors an understanding of the School District's financial position. Brenda Brack, Treasurer, can be contacted at the Richmond Heights Local School District, 447 Richmond Road, Richmond Heights, Ohio 44143 or by email at bbrack@richmondheightsschools.org.

Richmond Heights Local School District

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$616,172	\$68,043	\$684,215
Cash with Fiscal Agent	0	30,000	30,000
Accounts Receivable	1,454	0	1,454
Intergovernmental Receivable	1,843	102,858	104,701
Internal Balances	163,958	(163,958)	0
Materials and Supplies Inventory	0	113	113
Inventory Held for Resale	0	1,347	1,347
Property Taxes Receivable	10,957,151	0	10,957,151
Nondepreciable Capital Assets	311,214	0	311,214
Depreciable Capital Assets, Net	818,179	17,176	835,355
<i>Total Assets</i>	12,869,971	55,579	12,925,550
Liabilities			
Accounts Payable	61,798	50,644	112,442
Accrued Wages and Benefits	762,905	6,147	769,052
Intergovernmental Payable	603,331	41,026	644,357
Matured Compensated Absences Payable	27,986	0	27,986
Deferred Revenue	7,139,756	0	7,139,756
Accrued Interest Payable	14,481	0	14,481
Long-Term Liabilities:			
Due Within One Year	102,326	0	102,326
Due In More Than One Year	1,321,795	5,351	1,327,146
<i>Total Liabilities</i>	10,034,378	103,168	10,137,546
Net Assets			
Invested in Capital Assets, Net of Related Debt	94,609	17,176	111,785
Restricted for:			
Capital Projects	127,283	0	127,283
Set Aside	296,783	0	296,783
Other Purposes	61,492	0	61,492
Unrestricted (Deficit)	2,255,426	(64,765)	2,190,661
<i>Total Net Assets (Deficit)</i>	\$2,835,593	(\$47,589)	\$2,788,004

See accompanying notes to the basic financial statements

Richmond Heights Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2010

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants
Governmental Activities				
Instruction:				
Regular	\$4,859,958	\$111,615	\$30,085	\$0
Special	2,221,043	40,265	154,412	0
Vocational	46,874	943	0	0
Support Services:				
Pupils	742,698	21,680	585	0
Instructional Staff	305,363	3,197	138,773	0
Board of Education	269,308	5,419	0	0
Administration	961,731	19,456	8,339	0
Fiscal	445,042	9,102	0	0
Business	103,704	2,244	0	0
Operation and Maintenance of Plant	1,052,857	21,299	0	31,592
Pupil Transportation	933,180	18,575	2,018	0
Central	265,186	5,031	11,859	0
Operation of Non-Instructional Services	18,758	239	18,238	0
Extracurricular Activities	205,638	36,834	10,668	0
Interest and Fiscal Charges	62,071	0	0	0
<i>Total Governmental Activities</i>	<u>12,493,411</u>	<u>295,899</u>	<u>374,977</u>	<u>31,592</u>
Business-Type Activities				
Food Service	362,337	124,098	202,185	0
Special Services	124,734	0	0	0
Latchkey/Summer Camp	112,873	90,903	0	0
Web Check Services	5,002	4,816	0	0
<i>Total Business-Type Activities</i>	<u>604,946</u>	<u>219,817</u>	<u>202,185</u>	<u>0</u>
<i>Totals</i>	<u>\$13,098,357</u>	<u>\$515,716</u>	<u>\$577,162</u>	<u>\$31,592</u>

General Revenues

Property Taxes Levied for:

 General Purposes

 Capital Projects

Grants and Entitlements not

 Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets (Deficit) End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$4,718,258)	\$0	(\$4,718,258)
(2,026,366)	0	(2,026,366)
(45,931)	0	(45,931)
(720,433)	0	(720,433)
(163,393)	0	(163,393)
(263,889)	0	(263,889)
(933,936)	0	(933,936)
(435,940)	0	(435,940)
(101,460)	0	(101,460)
(999,966)	0	(999,966)
(912,587)	0	(912,587)
(248,296)	0	(248,296)
(281)	0	(281)
(158,136)	0	(158,136)
(62,071)	0	(62,071)
<u>(11,790,943)</u>	<u>0</u>	<u>(11,790,943)</u>
0	(36,054)	(36,054)
0	(124,734)	(124,734)
0	(21,970)	(21,970)
<u>0</u>	<u>(186)</u>	<u>(186)</u>
0	(182,944)	(182,944)
<u>(11,790,943)</u>	<u>(182,944)</u>	<u>(11,973,887)</u>
8,851,691	0	8,851,691
110,720	0	110,720
3,641,036	0	3,641,036
4,118	0	4,118
22,633	0	22,633
<u>12,630,198</u>	<u>0</u>	<u>12,630,198</u>
839,255	(182,944)	656,311
<u>1,996,338</u>	<u>135,355</u>	<u>2,131,693</u>
<u>\$2,835,593</u>	<u>(\$47,589)</u>	<u>\$2,788,004</u>

Richmond Heights Local School District

Balance Sheet

Governmental Funds

June 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$113,220	\$233,169	\$346,389
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	269,783	0	269,783
Accounts Receivable	1,454	0	1,454
Intergovernmental Receivable	0	1,843	1,843
Interfund Receivable	349,552	0	349,552
Property Taxes Receivable	10,878,783	78,368	10,957,151
<i>Total Assets</i>	<u>\$11,612,792</u>	<u>\$313,380</u>	<u>\$11,926,172</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$41,255	\$20,543	\$61,798
Accrued Wages and Benefits	748,326	14,579	762,905
Intergovernmental Payable	579,480	23,851	603,331
Matured Compensated Absences Payable	27,986	0	27,986
Interfund Payable	0	185,594	185,594
Deferred Revenue	9,677,604	66,821	9,744,425
<i>Total Liabilities</i>	<u>11,074,651</u>	<u>311,388</u>	<u>11,386,039</u>
Fund Balances			
Restricted	269,783	174,056	443,839
Committed	28,900	0	28,900
Assigned	115,065	0	115,065
Unassigned (Deficit)	124,393	(172,064)	(47,671)
<i>Total Fund Balances</i>	<u>538,141</u>	<u>1,992</u>	<u>540,133</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$11,612,792</u>	<u>\$313,380</u>	<u>\$11,926,172</u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010*

Total Governmental Fund Balances	\$540,133
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,129,393
In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.	(14,481)
Other long-term assets such as delinquent property taxes, are not available to pay for current-period expenditures and therefore are deferred in the funds.	2,604,669
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Energy Conservation Notes	(981,004)
Capital Lease Payable	(53,780)
Compensated Absences	(389,337)
	(1,424,121)
 <i>Net Assets of Governmental Activities</i>	 \$2,835,593

See accompanying notes to the basic financial statements

Richmond Heights Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$8,323,188	\$104,535	\$8,427,723
Intergovernmental	3,560,553	469,522	4,030,075
Interest	4,116	2	4,118
Tuition and Fees	241,736	15,165	256,901
Extracurricular Activities	18,655	18,799	37,454
Rentals	1,544	0	1,544
Contributions and Donations	9,563	6,528	16,091
Miscellaneous	22,633	0	22,633
<i>Total Revenues</i>	<u>12,181,988</u>	<u>614,551</u>	<u>12,796,539</u>
Expenditures			
Current:			
Instruction:			
Regular	4,903,044	43,338	4,946,382
Special	2,001,147	221,816	2,222,963
Vocational	46,874	0	46,874
Support Services:			
Pupils	745,886	0	745,886
Instructional Staff	163,548	141,161	304,709
Board of Education	269,308	0	269,308
Administration	991,594	10,580	1,002,174
Fiscal	445,503	0	445,503
Business	103,370	0	103,370
Operation and Maintenance of Plant	1,040,255	0	1,040,255
Pupil Transportation	931,044	1,858	932,902
Central	250,613	10,782	261,395
Operation of Non-Instructional Services	529	16,916	17,445
Extracurricular Activities	142,641	61,847	204,488
Capital Outlay	0	155,394	155,394
Debt Service:			
Principal Retirement	66,935	47,646	114,581
Interest and Fiscal Charges	4,511	56,784	61,295
<i>Total Expenditures</i>	<u>12,106,802</u>	<u>768,122</u>	<u>12,874,924</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>75,186</u>	<u>(153,571)</u>	<u>(78,385)</u>
Other Financing Sources (Uses)			
Transfers In	0	104,430	104,430
Transfers Out	(104,430)	0	(104,430)
<i>Total Other Financing Sources (Uses)</i>	<u>(104,430)</u>	<u>104,430</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(29,244)	(49,141)	(78,385)
<i>Fund Balances Beginning of Year, Restated</i>	<u>567,385</u>	<u>51,133</u>	<u>618,518</u>
<i>Fund Balances End of Year</i>	<u>\$538,141</u>	<u>\$1,992</u>	<u>\$540,133</u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010*

Net Change in Fund Balances - Total Governmental Funds (\$78,385)

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

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

Capital Asset Additions	296,435
Current Year Depreciation	<u>(213,758)</u>

Total 82,677

Revenues such as delinquent property taxes, in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 536,127

Repayment of note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 114,581

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds. 185,031

In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due. (776)

Change in Net Assets of Governmental Activities \$839,255

See accompanying notes to the basic financial statements

Richmond Heights Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Revised Budget		
Revenues				
Property Taxes	\$ 7,896,089	\$ 8,071,166	\$ 8,077,156	\$ 5,990
Intergovernmental	3,513,797	3,567,324	3,560,553	(6,771)
Interest	4,062	4,124	4,116	(8)
Tuition and Fees	246,375	244,063	243,589	(474)
Extracurricular Activities	33,159	18,715	18,655	(60)
Rentals	1,524	1,547	1,544	(3)
Contributions and Donations	11,060	9,584	9,563	(21)
Miscellaneous	36,148	24,252	24,193	(59)
<i>Total Revenues</i>	<u>11,742,214</u>	<u>11,940,775</u>	<u>11,939,369</u>	<u>(1,406)</u>
Expenditures				
Current:				
Instruction:				
Regular	5,189,210	4,995,829	4,995,829	0
Special	1,954,100	2,022,396	2,022,395	1
Vocational	48,117	48,838	46,874	1,964
Support Services:				
Pupils	843,572	780,642	761,227	19,415
Instructional Staff	155,729	158,063	153,052	5,011
Board of Education	294,436	298,609	275,615	22,994
Administration	1,032,892	1,048,351	1,012,244	36,107
Fiscal	454,059	460,859	443,663	17,196
Business	110,559	112,216	108,428	3,788
Operation and Maintenance of Plant	1,087,792	1,104,028	1,067,551	36,477
Pupil Transportation	1,049,775	1,065,484	1,033,421	32,063
Central	245,914	249,468	235,647	13,821
Operation of Non-Instructional Services	1,227	589	529	60
Extracurricular Activities	148,949	151,181	146,203	4,978
<i>Total Expenditures</i>	<u>12,616,331</u>	<u>12,496,553</u>	<u>12,302,678</u>	<u>193,875</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(874,117)</u>	<u>(555,778)</u>	<u>(363,309)</u>	<u>192,469</u>
Other Financing Sources (Uses)				
Advances In	1,756	1,857	1,845	(12)
Advances Out	(31,397)	(31,868)	(30,586)	1,282
Transfers Out	(107,199)	(108,806)	(104,430)	4,376
<i>Total Other Financing Sources (Uses)</i>	<u>(136,840)</u>	<u>(138,817)</u>	<u>(133,171)</u>	<u>5,646</u>
<i>Net Change in Fund Balances</i>	<u>(1,010,957)</u>	<u>(694,595)</u>	<u>(496,480)</u>	<u>198,115</u>
<i>Fund Balance Beginning of Year, Restated</i>	448,394	448,394	448,394	0
Prior Year Encumbrances Appropriated	253,448	253,448	253,448	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ (309,115)</u>	<u>\$ 7,247</u>	<u>\$ 205,362</u>	<u>\$ 198,115</u>

See accompanying notes to the basic financial statements.

Richmond Heights Local School District

Statement of Fund Net Assets

Enterprise Funds

June 30, 2010

	Food Service	Special Services	Latchkey/ Summer Camp	Total Enterprise Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$8	\$0	\$68,035	\$68,043
Cash with Fiscal Agent	30,000	0	0	30,000
Intergovernmental Receivable	0	102,858	0	102,858
Materials and Supplies Inventory	113	0	0	113
Inventory Held for Resale	1,347	0	0	1,347
<i>Total Current Assets</i>	31,468	102,858	68,035	202,361
Capital Assets, Net	17,176	0	0	17,176
<i>Total Assets</i>	48,644	102,858	68,035	219,537
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	50,644	0	0	50,644
Accrued Wages	0	0	6,147	6,147
Intergovernmental Payable	0	21,469	19,557	41,026
Interfund Payable	11,806	152,152	0	163,958
<i>Total Current Liabilities</i>	62,450	173,621	25,704	261,775
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable	0	0	5,351	5,351
<i>Total Liabilities</i>	62,450	173,621	31,055	267,126
Net Assets				
Invested in Capital Assets	17,176	0	0	17,176
Unrestricted (Deficit)	(30,982)	(70,763)	36,980	(64,765)
<i>Total Net Assets (Deficit)</i>	(\$13,806)	(\$70,763)	\$36,980	(\$47,589)

See accompanying notes to the basic financial statements

Richmond Heights Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Enterprise Funds
For the Fiscal Year Ended June 30, 2010*

	Food Service	Special Services	Latchkey/ Summer Camp	Web Check Services	Total Enterprise Funds
Operating Revenues					
Tuition	\$0	\$0	\$90,903	\$0	\$90,903
Sales	124,098	0	0	0	124,098
Charges for Services	0	0	0	4,816	4,816
<i>Total Operating Revenues</i>	<u>124,098</u>	<u>0</u>	<u>90,903</u>	<u>4,816</u>	<u>219,817</u>
Operating Expenses					
Salaries	0	0	77,306	0	77,306
Fringe Benefits	0	0	27,579	0	27,579
Purchased Services	239,474	123,042	5,419	4,936	372,871
Materials and Supplies	119,069	1,692	2,569	66	123,396
Depreciation	3,156	0	0	0	3,156
Other	638	0	0	0	638
<i>Total Operating Expenses</i>	<u>362,337</u>	<u>124,734</u>	<u>112,873</u>	<u>5,002</u>	<u>604,946</u>
<i>Operating Loss</i>	(238,239)	(124,734)	(21,970)	(186)	(385,129)
Non-Operating Revenues					
Operating Grants	<u>202,185</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>202,185</u>
<i>Change in Net Assets</i>	(36,054)	(124,734)	(21,970)	(186)	(182,944)
<i>Net Assets Beginning of Year, Restated</i>	<u>22,248</u>	<u>53,971</u>	<u>58,950</u>	<u>186</u>	<u>135,355</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>(\$13,806)</u></u>	<u><u>(\$70,763)</u></u>	<u><u>\$36,980</u></u>	<u><u>\$0</u></u>	<u><u>(\$47,589)</u></u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District

Statement of Cash Flows

Enterprise Funds

For the Fiscal Year Ended June 30, 2010

	Food Service	Special Services	Latchkey/ Summer Camp	Web Check Services	Total Enterprise Funds
Decrease in Cash and Cash Equivalents					
Cash Flows from Operating Activities					
Cash Received from Customers	\$124,098	\$407	\$99,918	\$4,816	\$229,239
Cash Payments to Employees for Services	0	0	(77,306)	0	(77,306)
Cash Payments for Employee Benefits	0	0	(26,492)	0	(26,492)
Cash Payments for Goods and Services	(359,121)	(103,265)	(8,086)	(5,002)	(475,474)
Other Cash Payments	(638)	0	0	0	(638)
<i>Net Cash Used for Operating Activities</i>	<u>(235,661)</u>	<u>(102,858)</u>	<u>(11,966)</u>	<u>(186)</u>	<u>(350,671)</u>
Cash Flows from Noncapital Financing Activities					
Operating Grants Received	202,185	0	0	0	202,185
Advances In	11,806	102,858	0	0	114,664
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>213,991</u>	<u>102,858</u>	<u>0</u>	<u>0</u>	<u>316,849</u>
Cash Flows from Capital and Related Financing Activities					
Payments for Capital Acquisitions	(10,145)	0	0	0	(10,145)
<i>Net Decrease in Cash and Cash Equivalents</i>	<u>(31,815)</u>	<u>0</u>	<u>(11,966)</u>	<u>(186)</u>	<u>(43,967)</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>61,823</u>	<u>0</u>	<u>80,001</u>	<u>186</u>	<u>142,010</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$30,008</u>	<u>\$0</u>	<u>\$68,035</u>	<u>\$0</u>	<u>\$98,043</u>

(continued)

Richmond Heights Local School District

Statement of Cash Flows

Enterprise Funds (continued)

For the Fiscal Year Ended June 30, 2010

	<u>Food</u> <u>Service</u>	<u>Special</u> <u>Services</u>	<u>Latchkey/ Summer</u> <u>Camp</u>	<u>Web Check</u> <u>Services</u>	<u>Total</u> <u>Enterprise</u> <u>Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities					
Operating Loss	(\$238,239)	(\$124,734)	(\$21,970)	(\$186)	(\$385,129)
Adjustments:					
Depreciation	3,156	0	0	0	3,156
(Increase) Decrease in Assets:					
Intergovernmental Receivable	0	407	9,015	0	9,422
Materials and Supplies Inventory	(58)	0	0	0	(58)
Inventory Held for Resale	(246)	0	0	0	(246)
Increase (Decrease) in Liabilities:					
Accounts Payable	(274)	0	(98)	0	(372)
Accrued Wages and Benefits	0	0	2,180	0	2,180
Compensated Absences Payable	0	0	(640)	0	(640)
Intergovernmental Payable	0	21,469	(453)	0	21,016
<i>Net Cash Used for Operating Activities</i>	<u>(\$235,661)</u>	<u>(\$102,858)</u>	<u>(\$11,966)</u>	<u>(\$186)</u>	<u>(\$350,671)</u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2010

Assets

Equity in Pooled Cash and Cash Equivalents \$11,158

Liabilities

Due to Students \$11,158

See accompanying notes to the basic financial statements

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Note 1 - Description of the School District and Reporting Entity

Richmond Heights Local School District (School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and federal agencies. This Board of Education controls the School District's two instructional/support facilities staffed by 50 non-certified and 56 certificated full time teaching personnel who provide services to 1,023 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Richmond Heights Local School District, this includes general operations, preschool and student related activities of the School District. The following activities are also included within the reporting entity.

Nonpublic School Within the School District boundaries, Richmond Heights Christian School is operated independently. Current State legislation provides funding to this nonpublic school. These monies are received and disbursed on behalf of the nonpublic school by the Treasurer of the School District, as directed by the nonpublic schools. These transactions are reported as a governmental activity of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes for the organization. The School District does not have any component units.

The following entities which perform activities within the School District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

Cuyahoga County The Cuyahoga County government is a separate body politic and corporate with functions allocated to counties by Ohio law, such as elections, health and human services, and judicial.

City of Richmond Heights The City of Richmond Heights is a separate body politic and corporate with municipal corporation responsibilities.

The School District participates in two jointly governed organizations. These organizations are the Northeast Ohio Network for Educational Technology and Ohio Schools Council, both jointly governed organizations. These organizations are discussed in Note 17 of the basic financial statements.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies

The financial statements of Richmond Heights Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds unless those pronouncements conflict with or contradict GASB pronouncements. The School District has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the School District's accounting policies are described below.

Basis of Presentation

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

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

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

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

Fund Accounting

The School 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. The funds of the School District are divided into three categories: governmental, proprietary and fiduciary.

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

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

General Fund The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

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

Proprietary Fund Type Proprietary funds focus on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service; the School District has no internal service funds.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's enterprise funds are used to account for food service operations, special services provided, latchkey/summer camp operations, and webcheck (fingerprinting) services.

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are agency funds which reflect resources that belong to the student bodies of the various schools for student activities.

Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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.

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

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

Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

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

Cash and Cash Equivalents

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

During fiscal year 2010, investments were limited to STAR Ohio. Investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$4,116 which includes \$1,811 assigned from other School District funds.

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

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of purchased food and school supplies held for resale, and materials and supplies held for consumption.

Capital Assets

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

Richmond Heights Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	10-30 years	N/A
Furniture and Equipment	5-20 years	12 years
Vehicles	15 years	N/A

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and special termination benefits 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 the payment during the current fiscal year. Capital leases are recognized as a liability on the governmental fund financial statements when due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include student activities, special education, computer networking, and programs to help students prepare for the proficiency test.

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales and fees for food service, adult continuing education and extended daycare/preschool programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenue and expenses not meeting these definitions are reported as non-operating.

Interfund Activity

Transfers between governmental funds are eliminated on the Statement of Activities. Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

Estimates

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

Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels.

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 in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board of Education.

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

Note 3 – Change in Accounting Principles and Restatement of Fund Balance

Change in Accounting Principles

For fiscal year 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, “Accounting and Reporting for Intangible Assets”, Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the School District’s financial statements.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This Statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of this statement did not result in any change to the School District’s financial statements.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District’s financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's financial statements.

Restatement of Prior Year's Fund Balance and Net Assets

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported and the budgeted fund balance of the general fund.

	General	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2009	\$535,708	\$82,810	\$618,518
Change in Fund Structure	31,677	(31,677)	0
Adjusted Fund Balance at June 30, 2009	<u>\$567,385</u>	<u>\$51,133</u>	<u>\$618,518</u>

Also, intergovernmental revenue of \$9,015 was posted in error to the special services instead of the Latchkey Summer Camp enterprise fund. This has been corrected in the 2010 financial statements.

Note 4 – Fund Balances

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Fund Balances	General	Nonmajor Governmental Funds	Total
<i>Restricted for</i>			
Community Involvement	\$0	\$6,760	\$6,760
Classroom Facilities Maintenance	0	18,035	18,035
Technology Improvements	0	2,070	2,070
Remedial Reading	0	36,713	36,713
Special Needs	0	1,550	1,550
Drug Abuse Education	0	6,480	6,480
Non-Public Schools	0	5,258	5,258
Budget Reserve	269,783	0	269,783
Capital Improvements	0	97,190	97,190
<i>Total Restricted</i>	269,783	174,056	443,839
<i>Committed to</i>			
Other Purposes	28,900	0	28,900
<i>Assigned to</i>			
Other Purposes	115,065	0	115,065
<i>Unassigned (Deficit)</i>	124,393	(172,064)	(47,671)
<i>Total Fund Balances</i>	\$538,141	\$1,992	\$540,133

Note 5 – Accountability and Compliance

Accountability

Fund balances at June 30, 2010, included the following individual fund deficits:

Special Revenue Funds

Other Local Grants	\$361
District Managed Student Activity	150,596
State Grants	11,304
State Fiscal Stabilization	8,914
Title VI	676
Miscellaneous Federal Grants	213

Enterprise Fund

Food Service	13,806
Special Services	70,763

The special revenue funds' deficits are due to adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, rather than when accruals occur.

The food service and special services enterprise funds' deficits are the result of operations. Management is currently analyzing their operations to determine appropriate steps to alleviate the deficit.

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

Compliance

The following funds had total original appropriations in excess of estimated resources plus carryover balances, contrary to Section 5705.39, Revised Code.

Fund	Original Estimated Revenues Plus Carryover Balance	Original Appropriations	Excess
Governmental Funds			
General	\$ 12,192,364	\$ 12,501,479	\$309,115
<i>Special Revenue Funds:</i>			
District Managed Student Activity	55,852	88,000	32,148
Management Information Systems	9,696	93,953	84,257
State Grants	(11,304)	0	11,304
Enterprise Fund			
Special Services	65,000	78,000	13,000
Webcheck Services	7,611	9,800	2,189

The following funds had total final appropriations in excess of estimated resources plus carryover balances, contrary to Section 5705.39, Revised Code.

Fund	Final Estimated Revenues Plus Carryover Balance	Final Appropriations	Excess
Governmental Funds			
<i>Special Revenue Funds:</i>			
District Managed Student Activity	22,966	56,800	33,834
State Grants	(11,304)	0	11,304

Although these violations were not corrected by fiscal year end, management has indicated that appropriations will be closely monitored to ensure no future violations.

Also, the School District had negative fund balances in conflict with Ohio Revised Code Section 5705.10 which states, monies paid into any fund are to be used only for the purpose for which the fund is established. The School District had negative cash balances at June 30, 2010 in the student activities, State grants and special services funds in the amounts of \$32,176, \$11,304 and \$102,858, respectively.

Note 6 - Budgetary Basis of Accounting

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$29,244)
Net Adjustment for Revenue Accruals	(242,619)
Advances In	1,845
Net Adjustment for Expenditure Accruals	128,103
Advances Out	(30,586)
Adjustment for Encumbrances	<u>(323,979)</u>
Budget Basis	<u><u>(\$496,480)</u></u>

Note 7 – Deposits and Investments

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

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

Inactive deposits are public deposits that the Board 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.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and banker's acceptances if training requirements have been met.

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

Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$546,644 of the School District's bank balance of \$1,046,644 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

Investments

As of June 30, 2010, the School District had \$2,931 invested in STAR Ohio with an average maturity of 56 days and a rating of AAA by Standard and Poor's.

All investments are in an internal investment pool.

Interest Rate Risk. The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy regarding credit risk other than statutory guidelines which limit investment choices.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer. At June 30, 2010, the School District invested in only STAR Ohio.

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the late settlement of tangible personal property taxes and 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 revenue.

The amount available as an advance at June 30, 2010 was \$1,198,099 in the general fund and \$12,901 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2009 was \$955,147 in the general fund and \$11,170 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$256,962,710	98.02 %	\$244,321,170	99.08 %
Public Utility Personal	2,117,440	0.81	2,273,580	0.92
Tangible Personal Property	3,057,688	1.17	0	0.00
Total	<u>\$262,137,838</u>	<u>100.00 %</u>	<u>\$246,594,750</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$78.60		\$82.60	

The increase in the tax rate per \$1,000 of assessed valuation is from a 4 mill continuing levy passed on November 3, 2009.

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$311,214	\$0	\$0	\$311,214
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	6,244,248	0	0	6,244,248
Furniture and Equipment	950,470	84,835	0	1,035,305
Vehicles	811,246	211,600	(79,697)	943,149
<i>Total Capital Assets, being depreciated</i>	<u>8,005,964</u>	<u>296,435</u>	<u>(79,697)</u>	<u>8,222,702</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(5,996,710)	(35,394)	0	(6,032,104)
Furniture and Equipment	(756,987)	(117,228)	0	(874,215)
Vehicles	(516,765)	(61,136)	79,697	(498,204)
Total Accumulated Depreciation	<u>(7,270,462)</u>	<u>(213,758)*</u>	<u>79,697</u>	<u>(7,404,523)</u>
Total Capital Assets, being depreciated, net	<u>735,502</u>	<u>82,677</u>	<u>0</u>	<u>818,179</u>
Governmental Activities Capital Assets, Net	<u>\$1,046,716</u>	<u>\$82,677</u>	<u>\$0</u>	<u>\$1,129,393</u>
Business-Type Activities				
Furniture and Equipment	\$76,587	\$10,145	\$0	\$86,732
Less Accumulated Depreciation:				
Furniture and Equipment	(66,400)	(3,156)	0	(69,556)
Business-Type Activities Capital Asset, Net	<u>\$10,187</u>	<u>\$6,989</u>	<u>\$0</u>	<u>\$17,176</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$71,421
Support Services:	
Pupils	3,475
Instructional Staff	5,305
Administration	5,158
Fiscal	1,482
Operation and Maintenance of Plant	55,724
Pupil Transportation	64,360
Central	4,370
Operation of Non-Instructional Services	1,313
Extracurricular Activities	1,150
Total Depreciation	<u>\$213,758</u>

All depreciation expense for business-type activities was charged to the food service fund.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Note 10 - Receivables

Receivables at June 30, 2010, consisted of taxes, accounts (rent and tuition), and interfund. 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 fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

Note 11 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require 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 general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

Litigation

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

Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. At June 30, 2010, the School District contracted with the following insurance companies:

Company	Type of Coverage	Limit	Deductible
Indiana Insurance Company	Auto Liability	\$1,000,000	N/A
	Uninsured Motorist	100,000	N/A
	Comprehensive General Liability		
	General Liability	1,000,000	N/A
	Personal Injury	1,000,000	N/A
	General Aggregate	2,000,000	N/A
	Errors and Omissions	1,000,000	2,500
	Property Coverage		
Blanket Building and Contents	24,649,903	2,500	

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

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Note 13 - Pension Plans

School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$214,425, \$149,932 and \$173,103 respectively; 90.45 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor 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 - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$502,618, \$514,851 and \$629,044 respectively; 81.03 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$20,046 made by the School District and \$14,319 made by the plan members.

Note 14 - Postemployment Benefits

School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administrated by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800. During fiscal year 2010, the School District paid \$33,922 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$41,640, \$68,616 and \$78,992 respectively; 90.45 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009 and 2008, were \$12,751, \$12,371 and \$12,472 respectively; 90.45 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$38,663 \$39,604 and \$48,388 respectively; 81.03 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 15 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Non-certified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated without limit. Upon eligibility for benefits from STRS or SERS, and actual retirement from the District, any employee working regularly each week on a permanent part-time or full-time basis may elect at the time of retirement to receive a severance payment. The payment will be calculated on a percentage of total accumulated and unused sick leave time times the then current daily rate, to a maximum of 220 days in accordance with the following years of experience in the School District's scale:

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

Years of Experience	Percentage
1-4	6.3 %
5-9	12.5
10+	25.0

Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance through Met Life. Certificated employees and classified employees receive \$50,000 term life and accidental death and dismemberment coverage. Administrative employees receive \$200,000 coverage.

The School District also provides medical/surgical/prescription drug/vision and dental insurance through Medical Mutual Blue Cross and Blue Shield of Ohio to all eligible employees.

Note 16 - Long-Term Obligations

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Principal Outstanding 6/30/2009	Additions	(Reductions)	Principal Outstanding 6/30/2010	Amount Due in One Year
Governmental Activities:					
Energy Conservation Notes					
2009 - 5.584%	\$1,028,650	\$0	(\$47,646)	\$981,004	\$50,343
Capital Lease	120,715	0	(66,935)	53,780	16,605
Compensated Absences	574,368	232,723	(417,754)	389,337	35,378
Total Governmental Activities	\$1,723,733	\$232,723	(\$532,335)	\$1,424,121	\$102,326
Business-Type Activities:					
Compensated Absences	\$5,991	\$6,191	(\$6,831)	\$5,351	\$0

On September 17, 2008, the School District issued \$1,051,507 in Energy Conservation Notes to improve electrical and plumbing fixtures throughout the school buildings. The notes will be paid from the bond retirement debt service fund. The notes were issued for a 15 year period with a final maturity date of September 15, 2023.

The capital leases will be paid from the general fund. Compensated absences will be paid from the general fund, the Title I special revenue fund and the food service enterprise fund.

The School District's overall legal debt margin was \$22,242,882 with an unvoted debt margin of \$247,143 at June 30, 2010. Principal and interest requirements to retire the energy conservation notes are as follows:

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Fiscal Year Ended June 30,	Energy Conservation Notes	
	Principal	Interest
2011	\$ 50,343	\$ 54,087
2012	53,194	51,236
2013	56,206	48,224
2014	59,388	45,042
2015	62,750	41,679
2016-2020	371,245	150,904
2021-2024	327,878	37,624
Total	<u>\$ 981,004</u>	<u>\$ 428,796</u>

Note 17 - Jointly Governed Organizations

Northeast Ohio Network for Educational Technology

The Northeast Ohio Network for Educational Technology (NEONET) is the computer service organization or Data Acquisition Site (DAS) used by the School District. NEONET is a jointly governed organization among twenty-five school districts, three career centers, and the Summit and Medina County Educational Service Centers. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Board of Directors consists of member district superintendents and treasurers. The manager/director is a permanent, non-voting member of the board of directors. Each school district's control is limited to its representation on the board. The Board of Directors exercise total control over the operations of the association including budgeting, appropriating, contracting and designating management. All association revenues are generated from charges for services and State funding. The School District does not retain an ongoing financial interest or an ongoing financial responsibility in NEONET. During the current fiscal year, the School District made \$72,470 in payments to NEONET. Financial information can be obtained by writing to the Summit County Educational Service Center, 420 Washington Avenue, Suite 200, Cuyahoga Falls, OH 44221.

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly from September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2010, the School District paid \$811 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Energy USA served as the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 143 participants in the Program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The School District also participates in the Council's electric purchase program. The Council provides 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, and Toledo Edison) the ability to purchase electricity at the reduced rates. Each month, the Council invoices participants based on estimated payments which are compared to their usage for the year (July to June). Refund checks are issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed are invoiced. With the end of the program on December 31, 2008, the School District purchased its electricity from the local area utility, Cleveland Electric Illuminating. In late October 2009, the School District joined a new Ohio Schools Council consortium electricity purchasing program which provides for additional discounts above what the School District would receive otherwise.

Note 18 - Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future years.

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

	Textbooks Instructional Materials Reserve	Capital Improvement Reserve	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2009	(\$65,131)	\$0	\$269,783
Current Year Set-aside Requirement	158,324	158,324	0
Offsets	0	(130,377)	0
Qualifying Disbursements	(106,976)	(83,105)	0
Totals	<u>(\$13,783)</u>	<u>(\$55,158)</u>	<u>\$269,783</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$13,783)</u>	<u>\$0</u>	<u>\$269,783</u>
Set-aside Reserve Balance as of June 30, 2010	<u>\$0</u>	<u>\$0</u>	<u>\$269,783</u>

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

Note 19 - Interfund Transactions

Interfund Transfers

The general fund transferred \$104,430 to the bond retirement fund for the payment of debt.

Interfund Balances

Interfund balances at June 30, 2010, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$349,552	\$0
Special Revenue Funds:		
Other Grants	0	361
District Managed Student Activities	0	145,204
Schoolnet	0	1,836
State Grants	0	11,304
Title V	0	676
Drug Free Schools	0	1,000
Miscellaneous Federal Grants	0	213
<i>Total Special Revenue Funds</i>	<u>0</u>	<u>160,594</u>
Capital Projects Fund:		
Permanent Improvements	0	25,000
Enterprise Fund:		
Food Service	0	11,806
Rotary Special Services	0	152,152
<i>Total Enterprise Funds</i>	<u>0</u>	<u>163,958</u>
Total All Funds	<u>\$349,552</u>	<u>\$349,552</u>

Interfund payables in the special revenue funds are due to the timing of the receipt of grant monies received by the various funds. The capital projects payable is due to the start of improvement projects before the permanent improvement tax levy collections began. Interfund payables exist in the enterprise fund due to the timing of the receipt of various revenue sources. All balances are expected to be paid next fiscal year.

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

Note 20 - Capital Leases

The School District entered into capital leases for copiers in fiscal year 2009 and a sub service building in fiscal year 2001. As a part of the sub service building agreement, Fifth Third Bank, as lessor, provided \$400,000 for the construction. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases." The leased equipment is reported as a group in governmental activities at a cost of \$483,527; accumulated depreciation through June 30, 2010 amounted to \$433,410 leaving a book value of \$50,117. The agreements provide for minimum, annual lease payments as follows:

	<u>Governmental Activities</u>
2011	\$18,757
2012	18,757
2013	18,757
2014	<u>1,563</u>
Total Minimum Lease Payments	57,834
Less: Amounts Representing Interest	<u>(4,054)</u>
Present Value of Minimum Lease Payments	<u><u>\$53,780</u></u>

The annual debt service payments are paid from the general fund. The debt service payments are reflected as part of the current expenditures on the budgetary statement.

Note 21 – Subsequent Events

On November 2, 2010, the Richmond Heights Board of Education passed a 2 mill Permanent Improvement Levy for 5 years. The School District will continue to receive \$145,000 per year for renovations and building improvements.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Program Year	Cash Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
Passed through Ohio Department of Education						
<i>Child Nutrition Cluster</i>						
National School Lunch Program (Note 2)	10.555	2010	\$ 202,185	\$ 18,783	\$ 202,185	\$ 0
Total U.S. Department of Agriculture			<u>202,185</u>	<u>18,783</u>	<u>202,185</u>	<u>18,980</u>
U.S. Department of Education						
Passed through the Ohio Department of Education						
Title I - Grants to Local Educational Agencies						
School Improvement, Sub A - FY10	84.010	2010	60,000	0	36,613	0
Schoolwide - FY09	84.010	2009	6,915	0	30,126	0
Title I - FY10	84.010	2010	173,922	0	119,216	0
Title I - FY09	84.010	2009	0	0	47,531	0
<i>Total CFDA #84.010</i>			<u>240,837</u>	<u>0</u>	<u>233,486</u>	<u>0</u>
School Improvement Sub G-FY10	84.377	2010	31	0	31	0
Title IV - Safe and Drug-Free Schools and Communities State Grants - FY10	84.186	2010	3,520	0	0	0
Title V - State Grants for Innovative Programs - FY09	84.298	2009	0	0	1,338	0
Education Technology State Grants - FY2010	84.318	2010	1,166	0	20	0
Education Technology State Grants - FY2009	84.318	2009	0	0	502	0
<i>Total CFDA #84.318</i>			<u>1,166</u>	<u>0</u>	<u>522</u>	<u>0</u>
Title II-A - Improving Teacher Quality State Grants - FY2010	84.367	2010	39,903	0	29,811	0
Title II-A - Improving Teacher Quality State Grants - FY2009	84.367	2009	(3)	0	8,725	0
<i>Total CFDA #84.367</i>			<u>38,900</u>	<u>0</u>	<u>38,536</u>	<u>0</u>
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	2010	80,483	0	69,965	0
Total U.S. Department of Education			<u>364,937</u>	<u>0</u>	<u>343,878</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 567,122</u>	<u>\$ 18,783</u>	<u>\$ 546,063</u>	<u>\$ 18,980</u>

See accompanying notes to Supplemental Schedule of Expenditures of Federal Awards.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 NOTES TO THE SUPPLEMENTAL SCHEDULE OF
 EXPENDITURES OF FEDERAL AWARDS
 JUNE 30, 2010**

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Richmond Heights Local School District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2: NONCASH SUPPORT

The District receives noncash support in the form of food subsidies from the National School Lunch Program (NSLP), CFDA 10.555. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

NOTE 3: TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts for certain programs. The District transferred the following amounts from 2009 to 2010 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred From 2009 To 2010</u>
Improving Teacher Quality, State Grants	84.367	3

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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**

Board of Education
Richmond Heights Local School District
Richmond Heights, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Richmond Heights Local School District, Cuyahoga County, Ohio, as of and for the year ended June 30, 2010, which collectively comprise the Richmond Heights Local School District, Ohio's basic financial statements and have issued our report thereon dated February 28, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Richmond Heights Local School District, Ohio's internal control over financial reporting as a basis for designing our auditing procedures 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 Richmond Heights Local School District, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Richmond Heights Local School District, Ohio's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Richmond Heights Local School District, Ohio's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which we have described in the accompanying Schedule of Findings and Questioned Costs as **Item 2010-01** and **Item 2010-02**.

We noted certain matters that we reported to the management of the Richmond Heights Local School District, Ohio, in a separate letter dated February 28, 2011.

Richmond Heights Local School District, Ohio's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Richmond Heights Local School District, Ohio's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Education, the District's Audit Committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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

February 28, 2011

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Education
Richmond Heights Local School District
Richmond Heights, Ohio

Compliance

We have audited the Richmond Heights Local School District, Cuyahoga County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Richmond Heights Local School District, Ohio's major federal programs for the year ended June 30, 2010. The Richmond Heights Local School District, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Richmond Heights Local School District, Ohio's management. Our responsibility is to express an opinion on the Richmond Heights Local School District, Ohio's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Richmond Heights Local School District, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Richmond Heights Local School District, Ohio's compliance with those requirements.

In our opinion, the Richmond Heights Local School District, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Richmond Heights Local School District, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Richmond Heights Local School District, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Richmond Heights Local School District, Ohio's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, the Board of Education, the District's Audit Committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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

February 28, 2011

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & .505
 JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

2010(i)	Type of Financial Statement Opinion	Unqualified
2010(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2010(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2010(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
2010(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2010(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2010(v)	Type of Major Program's Compliance Opinion	Unqualified
2010(vi)	Are there any reportable findings under .510?	No
2010(vii)	Major Programs (list): Title I - Grants to Local Educational Agencies - CFDA #84.010 ARRA - State Fiscal Stabilization Fund - ARRA - CFDA #84.394	
2010(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2010(ix)	Low Risk Auditee?	No

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & .505
 JUNE 30, 2010
 (CONTINUED)**

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

2010-1 Appropriations Exceeding Estimated Resources

Condition

Ohio Revised Code Section 5705.39 prohibits appropriations from each fund exceeding the total of the estimated revenues.

Cause/Effect

As of June 30, 2010, the following funds had appropriations exceeding estimated resources:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<u>Original Budget</u>			
General Fund	\$ 12,192,364	\$ 12,501,479	\$ (309,115)
District Managed Student Activity	55,852	88,000	(32,148)
Management Information Systems	9,696	93,953	(84,257)
State Grants	(11,304)	0	(11,304)
Special Services	65,000	78,000	(13,000)
Web Check Services	7,611	9,800	(2,189)
<u>Final Budget</u>			
District Managed Student Activity	22,966	56,800	(33,834)
State Grants	(11,304)	0	(11,304)

Recommendation

We recommend that the District take the necessary steps to assist in preparation of future budgets, so that the City is in compliance with the above section of the Ohio Revised Code.

Client Response/Corrective Action Plan

The District filed an additional appropriation amendment and an amended certificate of estimated resources with the County Budget Commission on June 30, 2010, due to a shortfall in tax collections. The Treasurer is aware of the law and will take steps next year so the District will be in compliance with Section 5705.39 of the Ohio Revised Code.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2010
(CONTINUED)

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

2010-2 Negative Cash Fund Balances

Condition/Criteria

Ohio Revised Code Section 5705.10 states, monies paid into any fund be used only for the purposes for which such fund is established.

Cause/Effect

Negative cash fund balances are an indication that revenues from other sources are being used to pay obligations of these funds. Additionally, money spent for purposes other than specified in grant agreements could result in the reduction or loss of future grant awards. The District had negative cash fund balances in the following funds at June 30, 2010:

	Balance at June 30, 2010
<u>Non-Major Governmental Funds</u>	
Student Activities	\$ (32,176)
State Grants	(11,304)
<u>Major Enterprise Funds</u>	
Special Services	(102,858)

Recommendation

We recommend that the District monitor its fund activity to ensure expenditures are not in excess of available resources. In those cases where additional funds are required, we recommend that resources are transferred or advanced to the fund in accordance with Ohio Revised Code.

Client Response/Corrective Action Plan

The Treasurer is aware of the issue and will take the appropriate action to correct this in the future. The negative cash fund balance in the Special Services Fund is attributed to a receivable that will be collected in fiscal year 2011.

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2010**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Corrected</u>	<u>Explanation</u>
2009-1	Filing Annual Reports	Yes	Corrective action implemented.



Dave Yost • Auditor of State

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 14, 2011**