

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

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

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's Auditor Report* of the Richmond Heights Local School District, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2013 through June 30, 2014. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

March 12, 2015

This page intentionally left blank.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-3
Management Discussion and Analysis	5-11
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14-15
Fund Financial Statements	
Balance Sheet - Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	20
Statement of Fund Net Position - Enterprise Funds	21
Statement of Revenues, Expenses and Changes in Fund Net Position - Enterprise Funds	22
Statement of Cash Flows - Enterprise Funds	23
Statement of Fiduciary Assets and Liabilities - Agency Funds	24
Notes to the Basic Financial Statements	25-48
Schedule of Expenditures of Federal Awards	49
Notes to the Schedule of Expenditures of Federal Awards	50
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51-52
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	53-54
Schedule of Findings and Questioned Costs	55-60
Schedule of Prior Audit Findings and Recommendations	61

This page intentionally left blank.

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

*Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475 - 6136

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Richmond Heights Local School District, Cuyahoga County, Ohio, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Richmond Heights Local School District, Ohio's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Richmond Heights Local School District, Ohio, as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 basic financial statements. The 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 basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, 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* in considering the Richmond Heights Local School District, Ohio’s internal control over financial reporting and compliance.

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

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President, o=James
G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2014.12.31 13:47:54 -05'00'

December 17, 2014

This page intentionally left blank.

Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
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, 2014. 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 2014 are as follows:

- Governmental activities reflected an increase in net position from fiscal year 2013, mainly due to an increase in available operating grant revenue compared to the prior fiscal year as well as a decrease in accounts payable.
- The School District issued Tax Anticipation Notes on December 19, 2013 for general operations. The interest rate on the note was 0.99 percent and matured on March 31, 2014 using property tax revenues.
- The School District is increasingly challenged by the negative impact of school district revenues caused by the great recession and the increasing negative impact from the growing number of students leaving for charter schools and other out of district options.

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 Position* 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.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the 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 2014 fiscal year?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources 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.

Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited*

These two statements report the School District's net position and change in position. This change in net position 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 position 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 Position 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** – These services are provided on a fee basis to recover all of the expenses of the goods or services provided. The School District's business-type activities are food service, special services, latchkey/summer camp and web check services.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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 Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013:

Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited*

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and						
Other Assets	\$10,815,821	\$11,087,494	(\$187,172)	(\$245,623)	\$10,628,649	\$10,841,871
Capital Assets, Net	854,526	872,651	5,770	9,129	860,296	881,780
Total Assets	11,670,347	11,960,145	(181,402)	(236,494)	11,488,945	11,723,651
Liabilities						
Current and						
Other Liabilities	1,785,991	2,325,554	18,184	106,293	1,804,175	2,431,847
Long-Term Liabilities:						
Due Within One Year	74,969	80,562	0	0	74,969	80,562
Due in More than						
One Year	1,012,141	1,093,542	0	0	1,012,141	1,093,542
Total Liabilities	2,873,101	3,499,658	18,184	106,293	2,891,285	3,605,951
Deferred Inflows of Resources	7,236,078	7,399,618	0	0	7,236,078	7,399,618
Net Position						
Net Investment in						
Capital Assets	92,653	49,832	5,770	9,129	98,423	58,961
Restricted						
Capital Projects	72,744	60,021	0	0	72,744	60,021
Other Purpose	54,472	22,041	0	0	54,472	22,041
Unrestricted (Deficit)	1,341,299	928,975	(205,356)	(351,916)	1,135,943	577,059
Total Net Position (Deficit)	\$1,561,168	\$1,060,869	(\$199,586)	(\$342,787)	\$1,361,582	\$718,082

By comparing assets and liabilities, one can see the overall position of the School District has improved as evidenced by the increase in net position. The majority of this increase is attributed to an increase in intergovernmental receivable and a decrease in accounts payable. This is due to the School District actively seeking out additional sources of revenue such as State and Federal grants.

Table 2 shows the changes in net position for fiscal year 2014 for both our Governmental activities and our Business-Type activities. Revenue and expense comparisons can be made between fiscal years 2013 and 2014.

Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited*

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013*	2014	2013	2014	2013*
Revenues						
Program Revenues:						
Charges for Services and Sales	\$479,831	\$470,627	\$111,723	\$130,661	\$591,554	\$601,288
Operating Grants and Contributions	951,445	421,369	311,043	254,604	1,262,488	675,973
Capital Grants	13,417	26,556	0	0	13,417	26,556
<i>Total Program Revenues</i>	<u>1,444,693</u>	<u>918,552</u>	<u>422,766</u>	<u>385,265</u>	<u>1,867,459</u>	<u>1,303,817</u>
General Revenues:						
Property Taxes	9,473,065	10,136,672	0	0	9,473,065	10,136,672
Grants and Entitlements	3,417,013	3,161,736	0	0	3,417,013	3,161,736
Investment Earnings	2,843	1,832	0	0	2,843	1,832
Gain on Sale of Capital Asset	2,700	0	0	0	2,700	0
Miscellaneous	138,049	98,565	5,385	0	143,434	98,565
<i>Total General Revenues</i>	<u>13,033,670</u>	<u>13,398,805</u>	<u>5,385</u>	<u>0</u>	<u>13,039,055</u>	<u>13,398,805</u>
Total Revenues	<u>14,478,363</u>	<u>14,317,357</u>	<u>428,151</u>	<u>385,265</u>	<u>14,906,514</u>	<u>14,702,622</u>
Program Expenses						
Instruction	8,197,029	9,002,299	0	0	8,197,029	9,002,299
Support Services:						
Pupils and Instructional Staff	1,104,993	863,126	0	0	1,104,993	863,126
Board of Education, Administration, Fiscal and Business	2,063,984	1,822,198	0	0	2,063,984	1,822,198
Operation and Maintenance of Plant	964,337	981,669	0	0	964,337	981,669
Pupil Transportation	1,016,495	1,083,673	0	0	1,016,495	1,083,673
Central	181,928	177,891	0	0	181,928	177,891
Operation of Non-Instructional Services	6,293	5,953	0	0	6,293	5,953
Enterprise Operations	0	0	454,370	515,297	454,370	515,297
Extracurricular Activities	227,233	305,766	0	0	227,233	305,766
Interest and Fiscal Charges	46,352	47,844	0	0	46,352	47,844
Total Program Expenses	<u>13,808,644</u>	<u>14,290,419</u>	<u>454,370</u>	<u>515,297</u>	<u>14,263,014</u>	<u>14,805,716</u>
Excess Revenues Over (Under) Expenses	669,719	26,938	(26,219)	(130,032)	643,500	(103,094)
Transfers	(169,420)	0	169,420	0	0	0
Change in Net Position	500,299	26,938	143,201	(130,032)	643,500	(103,094)
<i>Net Position (Deficit) Beginning of Year</i>	<u>1,060,869</u>	<u>1,033,931</u>	<u>(342,787)</u>	<u>(212,755)</u>	<u>718,082</u>	<u>821,176</u>
<i>Net Position (Deficit) End of Year</i>	<u>\$1,561,168</u>	<u>\$1,060,869</u>	<u>(\$199,586)</u>	<u>(\$342,787)</u>	<u>\$1,361,582</u>	<u>\$718,082</u>

* - Reclasses were made to provide consistency in comparing current and prior year amounts.

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.

Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited*

Property tax revenues decreased when compared to the prior fiscal year due to current collections falling. Due to the passage of a new 5.3 mill general fund operating levy passed on November 6, 2012, first collected in calendar year 2013, property taxes have improved compared to a few years ago. The School District's grants and entitlements increased due to an increase in State funding for schools, revenues from the State of Ohio from increases in enrollment, as well as increases in casino revenue. Operating grants and contributions increased significantly due to an increase in special program grant monies.

Overall expenses decreased due to the decrease in accounts payable. A large amount of instructional unpaid bills were carried into fiscal year 2014 from 2013.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. 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 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013*
Instruction	\$8,197,029	\$7,198,503	\$9,002,299	\$8,464,767
Support Services:				
Pupils and Instructional Staff	1,104,993	938,515	863,126	751,253
Board of Education, Administration				
Fiscal and Business	2,063,984	2,000,205	1,822,198	1,775,348
Operation and Maintenance of Plant	964,337	921,994	981,669	930,953
Pupil Transportation	1,016,495	918,765	1,083,673	1,006,096
Central	181,928	176,357	177,891	168,487
Operating of Non-Instructional Services	6,293	(788)	5,953	4,429
Extracurricular Activities	227,233	164,048	305,766	222,690
Interest and Fiscal Charges	46,352	46,352	47,844	47,844
Total	<u>\$13,808,644</u>	<u>\$12,363,951</u>	<u>\$14,290,419</u>	<u>\$13,371,867</u>

* - Reclasses were made to provide consistency in comparing current and prior year amounts.

Business-Type Activities

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

Overall business-type activities net position increased due to operating transfers from governmental activities in the food service, special services, latchkey/summer camp and web check services for the fiscal year. In June of 2011, the School District subcontracted the Latchkey Program to Step by Step Learning Centers. Step by Step continues to utilize the School District facilities on a rental basis back to the Richmond Heights Board of Education.

Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited*

The School District's Funds

Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. The general fund had total revenues of \$14,241,499 and expenditures of \$13,056,359. The general fund had an increase in fund balance due mainly to an increase in intergovernmental revenues as well as a decrease in instructional expenditures. The intergovernmental revenue increase can be attributed to an increase in enrollment compared to the prior year. There was a large decrease in accounts payable recorded at fiscal year-end compared to the prior fiscal year due to few bills needing to carry forward. Other governmental funds had an increase in fund balance due to increases in operating grants awarded as well as an increase in support from the general fund.

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 2014, the School District amended its general fund budget several times.

For the general fund, the final budget basis revenue estimate was lower than actual revenues which can be attributed to very conservative estimates for all line items. Property tax revenue specifically was budgeted much lower than the actual amount due to collections coming in higher than anticipated. The final budget appropriations were lower than actual expenditures due mainly to transfers out exceeding the appropriated amount.

Capital Assets and Debt

Capital Assets

Table 4 shows fiscal 2014 balances compared to 2013:

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$311,214	\$311,214	\$0	\$0	\$311,214	\$311,214
Buildings and Improvements	123,725	141,400	0	0	123,725	141,400
Furniture and Equipment	27,231	51,862	5,770	9,129	33,001	60,991
Vehicles	392,356	368,175	0	0	392,356	368,175
Totals	<u>\$854,526</u>	<u>\$872,651</u>	<u>\$5,770</u>	<u>\$9,129</u>	<u>\$860,296</u>	<u>\$881,780</u>

For fiscal year 2014, an Ohio law required school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2014, this amounted to \$134,042. See Note 10 to the basic financial statements for additional information on capital assets and Note 18 for additional information regarding required set-asides.

Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited*

Debt

At June 30, 2014, the School District had energy conservation notes with a balance of \$761,873 outstanding. During fiscal year 2014, the School District's capital lease for copiers was paid off. More information on the notes and capital leases can be found in Note 16 to the basic financial statements.

School District Outlook

The Board of Education and administration are aware of their limited financial resources. Initially, the School District predicted the general fund to have a deficit at the end of fiscal year 2014. Through careful planning and from limiting spending this was avoided. The general fund still ended the year with a small budgetary cash balance of \$75,075. To guarantee this balance from continuing to decrease and possibly dropping below zero, the School District made several cuts for the upcoming 2015 School Year. Staff reductions were made for the new school year either through ridding, resignations or retirements. The current 5 year forecast shows an increase in fund balance for each year due to these reductions.

During fiscal year 2014, Tax Anticipation Notes were issued to assist the School District in meeting their obligations until property tax revenues arrived. These notes were paid from the general fund before fiscal year end. Tax Anticipation Notes in the amount of \$1,500,000 were issued at the beginning of fiscal year 2015 to assist the School District with cash flow needs. The notes will be paid using general fund property tax revenues before fiscal year end. As the School District rebuilds their fund balance in the general fund, the School District will less likely need to use this debt instrument.

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. John Scott, Treasurer, can be contacted at the Richmond Heights Local School District, 447 Richmond Road, Richmond Heights, Ohio 44143 or by email at jscott@richmondheightsschools.org.

Basic Financial Statements

Richmond Heights Local School District

Statement of Net Position

June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$211,702	\$58,359	\$270,061
Accounts Receivable	1,209	0	1,209
Intergovernmental Receivable	341,994	49,921	391,915
Internal Balances	295,452	(295,452)	0
Property Taxes Receivable	9,965,464	0	9,965,464
Nondepreciable Capital Assets	311,214	0	311,214
Depreciable Capital Assets, Net	543,312	5,770	549,082
<i>Total Assets</i>	<u>11,670,347</u>	<u>(181,402)</u>	<u>11,488,945</u>
Liabilities			
Accounts Payable	306,270	17,380	323,650
Accrued Wages and Benefits	1,101,848	0	1,101,848
Intergovernmental Payable	348,551	804	349,355
Matured Compensated Absences Payable	17,418	0	17,418
Accrued Interest Payable	11,904	0	11,904
Long-Term Liabilities:			
Due Within One Year	74,969	0	74,969
Due In More Than One Year	1,012,141	0	1,012,141
<i>Total Liabilities</i>	<u>2,873,101</u>	<u>18,184</u>	<u>2,891,285</u>
Deferred Inflows of Resources			
Property Taxes	7,236,078	0	7,236,078
Net Position			
Net Investment in Capital Assets	92,653	5,770	98,423
Restricted for:			
Capital Projects	72,744	0	72,744
Other Purposes	54,472	0	54,472
Unrestricted (Deficit)	1,341,299	(205,356)	1,135,943
<i>Total Net Position (Deficit)</i>	<u>\$1,561,168</u>	<u>(\$199,586)</u>	<u>\$1,361,582</u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2014

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants
Governmental Activities				
Instruction:				
Regular	\$5,285,573	\$165,333	\$222,769	\$0
Special	2,716,266	78,587	511,358	0
Vocational	195,190	6,036	14,443	0
Support Services:				
Pupils	906,924	36,176	71,279	0
Instructional Staff	198,069	4,369	54,654	0
Board of Education	325,112	10,053	0	0
Administration	1,074,739	33,136	92	0
Fiscal	595,259	18,380	0	0
Business	68,874	2,118	0	0
Operation and Maintenance of Plant	964,337	28,926	0	13,417
Pupil Transportation	1,016,495	33,044	64,686	0
Central	181,928	5,571	0	0
Operation of Non-Instructional Services	6,293	0	7,081	0
Extracurricular Activities	227,233	58,102	5,083	0
Interest and Fiscal Charges	46,352	0	0	0
<i>Total Governmental Activities</i>	<u>13,808,644</u>	<u>479,831</u>	<u>951,445</u>	<u>13,417</u>
Business-Type Activities				
Food Service	436,517	74,981	311,043	0
Special Services	0	33,130	0	0
Latchkey/Summer Camp	12,883	0	0	0
Web Check Services	4,970	3,612	0	0
<i>Total Business-Type Activities</i>	<u>454,370</u>	<u>111,723</u>	<u>311,043</u>	<u>0</u>
<i>Totals</i>	<u><u>\$14,263,014</u></u>	<u><u>\$591,554</u></u>	<u><u>\$1,262,488</u></u>	<u><u>\$13,417</u></u>

General Revenues

Property Taxes Levied for:

 General Purposes

 Capital Projects

Grants and Entitlements not

 Restricted to Specific Programs

Investment Earnings

Gain on Sale of Capital Asset

Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position (Deficit) Beginning of Year

Net Position (Deficit) End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$4,897,471)	\$0	(\$4,897,471)
(2,126,321)	0	(2,126,321)
(174,711)	0	(174,711)
(799,469)	0	(799,469)
(139,046)	0	(139,046)
(315,059)	0	(315,059)
(1,041,511)	0	(1,041,511)
(576,879)	0	(576,879)
(66,756)	0	(66,756)
(921,994)	0	(921,994)
(918,765)	0	(918,765)
(176,357)	0	(176,357)
788	0	788
(164,048)	0	(164,048)
(46,352)	0	(46,352)
(12,363,951)	0	(12,363,951)
0	(50,493)	(50,493)
0	33,130	33,130
0	(12,883)	(12,883)
0	(1,358)	(1,358)
0	(31,604)	(31,604)
(12,363,951)	(31,604)	(12,395,555)
9,366,220	0	9,366,220
106,845	0	106,845
3,417,013	0	3,417,013
2,843	0	2,843
2,700	0	2,700
138,049	5,385	143,434
13,033,670	5,385	13,039,055
(169,420)	169,420	0
12,864,250	174,805	13,039,055
500,299	143,201	643,500
1,060,869	(342,787)	718,082
\$1,561,168	(\$199,586)	\$1,361,582

See accompanying notes to the basic financial statements

Richmond Heights Local School District

Balance Sheet

Governmental Funds

June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$67,197	\$144,505	\$211,702
Accounts Receivable	1,209	0	1,209
Intergovernmental Receivable	258,562	83,432	341,994
Interfund Receivable	481,911	0	481,911
Property Taxes Receivable	9,853,741	111,723	9,965,464
<i>Total Assets</i>	<u>\$10,662,620</u>	<u>\$339,660</u>	<u>\$11,002,280</u>
Liabilities			
Accounts Payable	\$301,531	\$4,739	\$306,270
Accrued Wages and Benefits	1,059,200	42,648	1,101,848
Intergovernmental Payable	343,550	5,001	348,551
Matured Compensated Absences Payable	17,418	0	17,418
Interfund Payable	0	186,459	186,459
<i>Total Liabilities</i>	<u>1,721,699</u>	<u>238,847</u>	<u>1,960,546</u>
Deferred Inflows of Resources			
Unavailable Revenue	692,917	90,664	783,581
Property Taxes	7,152,305	83,773	7,236,078
<i>Total Deferred Inflows of Resources</i>	<u>7,845,222</u>	<u>174,437</u>	<u>8,019,659</u>
Fund Balances			
Restricted	0	77,817	77,817
Assigned	42,365	0	42,365
Unassigned (Deficit)	1,053,334	(151,441)	901,893
<i>Total Fund Balances (Deficit)</i>	<u>1,095,699</u>	<u>(73,624)</u>	<u>1,022,075</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$10,662,620</u>	<u>\$339,660</u>	<u>\$11,002,280</u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2014*

Total Governmental Fund Balances	\$1,022,075
---	--------------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	854,526
---	---------

In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.	(11,904)
--	----------

Other long-term assets such as delinquent property taxes and grants, are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds:

Delinquent Property Taxes	657,490
Grants	<u>126,091</u>

Total	783,581
-------	---------

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

Energy Conservation Notes	(761,873)
Compensated Absences	<u>(325,237)</u>

Total	<u>(1,087,110)</u>
-------	--------------------

<i>Net Position of Governmental Activities</i>	<u><u>\$1,561,168</u></u>
--	---------------------------

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, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$9,938,956	\$113,616	\$10,052,572
Intergovernmental	3,738,535	499,791	4,238,326
Interest	2,843	0	2,843
Tuition and Fees	357,088	0	357,088
Extracurricular Activities	43,085	53,715	96,800
Rentals	25,943	0	25,943
Contributions and Donations	0	17,458	17,458
Miscellaneous	135,049	3,000	138,049
<i>Total Revenues</i>	<u>14,241,499</u>	<u>687,580</u>	<u>14,929,079</u>
Expenditures			
Current:			
Instruction:			
Regular	5,040,387	169,018	5,209,405
Special	2,518,428	177,047	2,695,475
Vocational	193,782	0	193,782
Support Services:			
Pupils	779,499	118,501	898,000
Instructional Staff	139,034	53,312	192,346
Board of Education	322,767	0	322,767
Administration	1,090,431	69	1,090,500
Fiscal	596,662	0	596,662
Business	67,822	0	67,822
Operation and Maintenance of Plant	930,530	0	930,530
Pupil Transportation	1,056,006	2,951	1,058,957
Central	177,888	182	178,070
Operation of Non-Instructional Services	0	5,488	5,488
Extracurricular Activities	138,782	84,090	222,872
Capital Outlay	0	107,539	107,539
Debt Service:			
Principal Retirement	1,558	59,388	60,946
Interest and Fiscal Charges	2,783	45,041	47,824
<i>Total Expenditures</i>	<u>13,056,359</u>	<u>822,626</u>	<u>13,878,985</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,185,140</u>	<u>(135,046)</u>	<u>1,050,094</u>
Other Financing Sources (Uses)			
Sale of Capital Assets	2,700	0	2,700
Transfers In	1,534	285,459	286,993
Transfers Out	(454,879)	(1,534)	(456,413)
<i>Total Other Financing Sources (Uses)</i>	<u>(450,645)</u>	<u>283,925</u>	<u>(166,720)</u>
<i>Net Change in Fund Balances</i>	734,495	148,879	883,374
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>361,204</u>	<u>(222,503)</u>	<u>138,701</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$1,095,699</u>	<u>(\$73,624)</u>	<u>\$1,022,075</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, 2014*

Net Change in Fund Balances - Total Governmental Funds	\$883,374
---	------------------

*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 depreciation exceeded capital outlay in the current period:

Capital Asset Additions	106,366
Current Year Depreciation	<u>(124,491)</u>

Total	(18,125)
-------	----------

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

Delinquent Property Taxes	(579,507)
Grants	<u>126,091</u>

Total	(453,416)
-------	-----------

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 position.	60,946
--	--------

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.	26,048
--	--------

In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.	<u>1,472</u>
--	--------------

<i>Change in Net Position of Governmental Activities</i>	<u><u>\$500,299</u></u>
--	-------------------------

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Revised Budget	Actual	
Revenues				
Property Taxes	\$8,630,600	\$8,630,600	\$9,684,334	\$1,053,734
Intergovernmental	3,148,600	3,148,600	3,522,632	374,032
Interest	2,531	2,531	2,843	312
Tuition and Fees	334,211	334,211	375,337	41,126
Extracurricular Activities	19,678	19,678	22,099	2,421
Rentals	23,100	23,100	25,943	2,843
Miscellaneous	148,087	148,087	144,113	(3,974)
<i>Total Revenues</i>	<u>12,306,807</u>	<u>12,306,807</u>	<u>13,777,301</u>	<u>1,470,494</u>
Expenditures				
Current:				
Instruction:				
Regular	5,343,975	5,701,237	5,614,536	86,701
Special	2,377,909	2,534,718	2,460,351	74,367
Vocational	180,286	191,813	180,869	10,944
Support Services:				
Pupils	696,716	741,530	703,133	38,397
Instructional Staff	128,518	137,115	134,896	2,219
Board of Education	298,270	318,162	312,097	6,065
Administration	1,025,477	1,094,058	1,084,077	9,981
Fiscal	560,436	598,004	589,443	8,561
Business	61,236	65,351	64,562	789
Operation and Maintenance of Plant	893,231	952,833	935,164	17,669
Pupil Transportation	1,017,286	1,084,701	1,057,744	26,957
Central	218,852	232,075	207,465	24,610
Extracurricular Activities	150,270	160,342	158,029	2,313
<i>Total Expenditures</i>	<u>12,952,462</u>	<u>13,811,939</u>	<u>13,502,366</u>	<u>309,573</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(645,655)</u>	<u>(1,505,132)</u>	<u>274,935</u>	<u>1,780,067</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	3,000	3,000	2,700	(300)
Proceeds of Notes	1,000,000	1,000,000	1,000,000	0
Advances In	138,000	138,000	137,730	(270)
Advances Out	(165,000)	(165,000)	(165,170)	(170)
Transfers In	2,000	2,000	1,534	(466)
Transfers Out	(130,000)	(130,000)	(1,457,657)	(1,327,657)
<i>Total Other Financing Sources (Uses)</i>	<u>848,000</u>	<u>848,000</u>	<u>(480,863)</u>	<u>(1,328,863)</u>
<i>Net Change in Fund Balance</i>	202,345	(657,132)	(205,928)	451,204
<i>Fund Balance Beginning of Year</i>	89,314	89,314	89,314	0
Prior Year Encumbrances Appropriated	161,922	161,922	161,922	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$453,581</u>	<u>(\$405,896)</u>	<u>\$45,308</u>	<u>\$451,204</u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District

Statement of Fund Net Position

Enterprise Funds

June 30, 2014

	<u>Food Service</u>	<u>Special Services</u>	<u>Latchkey/ Summer Camp</u>	<u>Web Check Services</u>	<u>Total Enterprise Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$8,616	\$0	\$49,743	\$0	\$58,359
Intergovernmental Receivable	49,921	0	0	0	49,921
<i>Total Current Assets</i>	58,537	0	49,743	0	108,280
Depreciable Capital Assets, Net	5,770	0	0	0	5,770
<i>Total Assets</i>	64,307	0	49,743	0	114,050
Liabilities					
<i>Current Liabilities:</i>					
Accounts Payable	17,380	0	0	0	17,380
Intergovernmental Payable	0	0	0	804	804
Interfund Payable	178,968	59,923	56,145	416	295,452
<i>Total Liabilities</i>	196,348	59,923	56,145	1,220	313,636
Net Position					
Investment in Capital Assets	5,770	0	0	0	5,770
Unrestricted (Deficit)	(137,811)	(59,923)	(6,402)	(1,220)	(205,356)
<i>Total Net Position (Deficit)</i>	<u>(\$132,041)</u>	<u>(\$59,923)</u>	<u>(\$6,402)</u>	<u>(\$1,220)</u>	<u>(\$199,586)</u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Enterprise Funds
For the Fiscal Year Ended June 30, 2014*

	Food Service	Special Services	Latchkey/ Summer Camp	Web Check Services	Total Enterprise Funds
Operating Revenues					
Charges for Services	\$74,981	\$33,130	\$0	\$3,612	\$111,723
Operating Expenses					
Purchased Services	270,187	0	0	4,970	275,157
Materials and Supplies	162,297	0	0	0	162,297
Depreciation	3,359	0	0	0	3,359
Other	674	0	12,883	0	13,557
<i>Total Operating Expenses</i>	436,517	0	12,883	4,970	454,370
<i>Operating Income (Loss)</i>	(361,536)	33,130	(12,883)	(1,358)	(342,647)
Non-Operating Revenues					
Operating Grants	311,043	0	0	0	311,043
Other Revenue	5,385	0	0	0	5,385
<i>Total Non-Operating Revenues</i>	316,428	0	0	0	316,428
<i>Income (Loss) Before Transfers</i>	(45,108)	33,130	(12,883)	(1,358)	(26,219)
Transfers In	104,236	845	63,224	1,115	169,420
<i>Change in Net Position</i>	59,128	33,975	50,341	(243)	143,201
<i>Net Position (Deficit) Beginning of Year</i>	(191,169)	(93,898)	(56,743)	(977)	(342,787)
<i>Net Position (Deficit) End of Year</i>	(<u>\$132,041</u>)	(<u>\$59,923</u>)	(<u>\$6,402</u>)	(<u>\$1,220</u>)	(<u>\$199,586</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, 2014

	Food Service	Special Services	Latchkey/ Summer Camp	Web Check Services	Total Enterprise Funds
Increase in Cash and Cash Equivalents					
Cash Flows from Operating Activities					
Cash Received from Customers	\$74,981	\$33,130	\$0	\$3,612	\$111,723
Cash Payments to Employees for Services	0	0	(499)	0	(499)
Cash Payments for Goods and Services	(520,799)	0	0	(4,166)	(524,965)
Other Cash Payments	(674)	0	(12,982)	0	(13,656)
<i>Net Cash Provided by (Used for)</i> <i>Operating Activities</i>	<u>(446,492)</u>	<u>33,130</u>	<u>(13,481)</u>	<u>(554)</u>	<u>(427,397)</u>
Cash Flows from Noncapital Financing Activities					
Operating Grants Received	261,122	0	0	0	261,122
Other Cash Receipts	5,385	0	0	0	5,385
Transfers In	104,236	845	63,224	1,115	169,420
Advances In	140,000	0	0	164	140,164
Advances Out	(55,635)	(33,975)	0	(725)	(90,335)
<i>Net Cash Provided by (Used for)</i> <i>Noncapital Financing Activities</i>	<u>455,108</u>	<u>(33,130)</u>	<u>63,224</u>	<u>554</u>	<u>485,756</u>
<i>Net Increase</i> <i>in Cash and Cash Equivalents</i>	8,616	0	49,743	0	58,359
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$8,616</u></u>	<u><u>\$0</u></u>	<u><u>\$49,743</u></u>	<u><u>\$0</u></u>	<u><u>\$58,359</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for)					
Operating Activities					
Operating Income (Loss)	(\$361,536)	\$33,130	(\$12,883)	(\$1,358)	(\$342,647)
Adjustments:					
Depreciation	3,359	0	0	0	3,359
Increase (Decrease) in Liabilities:					
Accounts Payable	(88,315)	0	(373)	0	(88,688)
Intergovernmental Payable	0	0	(225)	804	579
<i>Net Cash Provided by (Used for)</i> <i>Operating Activities</i>	<u><u>(\$446,492)</u></u>	<u><u>\$33,130</u></u>	<u><u>(\$13,481)</u></u>	<u><u>(\$554)</u></u>	<u><u>(\$427,397)</u></u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2014

Assets

Equity in Pooled Cash and Cash Equivalents \$15,825

Liabilities

Due to Students \$15,825

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, 2014*

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 40 non-certified and 59 certificated full time teaching personnel who provide services to 860 students and other community members.

On March 17, 2014, the School District was declared to be in Fiscal Caution. The Ohio Department of Education (ODE) in consultation with the Auditor of State (AOS), developed guidelines to identify fiscal practices that could lead to financial crisis if uncorrected. Prior to declaring fiscal caution, ODE consulted with the school board. The school board was required to provide a written proposal to ODE to correct the fiscal deficiencies and ODE may go on-site to provide technical assistance.

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 special revenue fund and as a governmental activity of the School District.

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

The School District participates in two jointly governed organizations. These organizations are the Northeast Ohio Network for Educational Technology and Ohio Schools Council. 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, 2014*

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

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

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

Fund Accounting

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

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

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

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

Food Service Fund The food service fund accounts for and reports revenues generated from the charges for lunches provided to students in the School District.

Special Services Fund The special services fund accounts for and reports special services to School District individuals. The costs of providing these services are financed primarily through charges for services provided.

Latchkey/Summer Camp Fund The latchkey/summer camp fund accounts for and reports revenues generated from the charges for individuals participating in the program.

Web Check Services Fund The web check services fund accounts for and reports services such as fingerprinting of potential School District employees. The costs of providing these services are financed primarily through user charges.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e.,

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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.

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

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 inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available

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

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

Cash and Cash Equivalents

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

During fiscal year 2014, investments were limited to STAR Ohio. Investments are reported at fair value which, is based on quoted market price or current share.

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 net asset value per share, which is the price the investment could be sold for on June 30, 2014.

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 2014 amounted to \$2,843 which includes \$1,541 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.

Capital Assets

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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 position, 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.

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirement. 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, 2014*

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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for the payment during the current fiscal year. Capital leases are recognized as a liability on the governmental fund financial statements when due.

Net Position

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

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

Fund Balance

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

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

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

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

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or a School District official delegated that authority by resolution by State statute. The Board of Education assigned fund balance for public school support and to cover a gap between estimated revenue and appropriations in fiscal year 2015's budget.

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

Internal Activity

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

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

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. 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 – 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:

Fund Balances	General	Other Governmental Funds	Total
<i>Restricted for</i>			
Community Involvement	\$0	\$5,378	\$5,378
Classroom Facilities Maintenance	0	3,380	3,380
Technology Improvements	0	1,797	1,797
Teacher Education	0	1,750	1,750
Capital Improvements	0	65,512	65,512
<i>Total Restricted</i>	<u>0</u>	<u>77,817</u>	<u>77,817</u>
<i>Assigned to</i>			
Public School Support	17,365	0	17,365
Fiscal Year 2015 Operations	25,000	0	25,000
<i>Total Assigned</i>	<u>42,365</u>	<u>0</u>	<u>42,365</u>
<i>Unassigned (Deficit)</i>	<u>1,053,334</u>	<u>(151,441)</u>	<u>901,893</u>
<i>Total Fund Balances (Deficit)</i>	<u><u>\$1,095,699</u></u>	<u><u>(\$73,624)</u></u>	<u><u>\$1,022,075</u></u>

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 4 – Accountability and Compliance

Accountability

Fund balances at June 30, 2014, included the following individual fund deficits:

Special Revenue Funds

District Managed Student Activity	\$112,403
Title I	15,046
IDEA Grant	11,799
Miscellaneous State Grants	11,304
Title VI	676
Miscellaneous Federal Grants	213

Enterprise Funds

Food Service	132,041
Special Services	59,923
Latchkey/Summer Camp	6,402
Web Check Services	1,220

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 transfers when cash is required, rather than when accruals occur.

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

Compliance

The following funds had total final appropriations in excess of total estimated resources (estimated revenues plus unencumbered fund balances) in violation of Section 5705.39, Ohio Revised Code:

	Estimated Revenues Plus Unencumbered Fund Balances	Final Appropriations	Excess
General Fund	\$13,539,121	\$13,945,017	(\$405,896)
<i>Other Governmental Funds:</i>			
Public School Support	50,926	62,000	(11,074)
Bond Retirement	104,430	1,150,000	(1,045,570)
District Managed Student Activities	77,868	103,000	(25,132)
Management Information Systems	138	1,512	(1,374)
Network Connectivity	7,162	22,427	(15,265)
Title VI-B	10,353	264,709	(254,356)
Title I	190,811	754,148	(563,337)
Drug Free Schools	34,068	114,176	(80,108)
Title V	71,700	104,099	(32,399)
Miscellaneous Federal Grants	0	3,847	(3,847)
<i>Enterprise Fund:</i>			
Food Service	392,800	677,800	(285,000)

Richmond Heights Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The following funds had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41(B), Ohio Revised Code:

	Final Appropriations	Expenditures	Excess
General Fund	\$14,106,939	\$15,125,193	(\$1,018,254)
<i>Other Governmental Funds:</i>			
Other Local Grants	7,497	13,372	(5,875)
District Managed Student Activities	103,000	132,964	(29,964)
<i>Enterprise Fund:</i>			
Special Services	0	33,975	(33,975)

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 a negative cash balance at June 30, 2014 in the web check services enterprise fund of \$164.

Although this violation was not corrected by fiscal year end, management has indicated that cash balances will be closely monitored to ensure no future violations.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund 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:

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. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP).
4. Budgetary revenues and expenditures of the public school support fund are reclassified to the general fund for GAAP Reporting.

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.

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balance

GAAP Basis	\$734,495
Net Adjustment for Revenue Accruals	(438,091)
Tax Anticipation Note Proceeds	1,000,000
Advances In	137,730
Net Adjustment for Expenditure Accruals	(1,472,459)
Advances Out	(165,170)
Perspective Difference:	
Public School Support	<u>(2,433)</u>
Budget Basis	<u><u>(\$205,928)</u></u>

Note 6 – Deposits and Investments

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

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

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

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

Interim monies 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;

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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, \$249,755 of the School District's bank balance of \$524,755 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.

Investments

As of June 30, 2014, the School District had \$2,934 invested in STAR Ohio with an average maturity of 51.4 days and a rating of AAAM 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.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 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 year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer 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, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - unavailable revenue.

The amount available as an advance at June 30, 2014 was \$2,051,178 in the general fund and \$20,718 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2013 was \$1,796,556 in the general fund and \$18,123 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 reported as deferred inflows of resources - unavailable revenue.

Richmond Heights Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$208,267,840	98.77 %	\$208,549,800	98.63 %
Public Utility Personal	2,603,950	1.23	2,901,730	1.37
Total	<u>\$210,871,790</u>	<u>100.00 %</u>	<u>\$211,451,530</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$88.81		\$87.90	

Note 8 - Receivables

Receivables at June 30, 2014, consisted of accounts, taxes, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Catastrophic Aid Reimbursement	\$215,903
Title I Grant	67,965
School Employee Retirement System	42,659
Title IV-B Grant	15,467
Total	<u>\$341,994</u>

Note 9 - Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

Litigation

The School District is party to various legal proceedings. The School District management is of the opinion that ultimate settlement of such claims not covered by insurance will not result in a material adverse effect on the School District's financial position.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014
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	1,137,817	19,496	(83,527)	1,073,786
Vehicles	971,070	86,870	(31,346)	1,026,594
<i>Total Capital Assets, being depreciated</i>	<u>8,353,135</u>	<u>106,366</u>	<u>(114,873)</u>	<u>8,344,628</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(6,102,848)	(17,675)	0	(6,120,523)
Furniture and Equipment	(1,085,955)	(44,127)	83,527	(1,046,555)
Vehicles	(602,895)	(62,689)	31,346	(634,238)
Total Accumulated Depreciation	<u>(7,791,698)</u>	<u>(124,491)</u>	<u>114,873</u>	<u>(7,801,316)</u>
Total Capital Assets, being depreciated, net	<u>561,437</u>	<u>(18,125)</u>	<u>0</u>	<u>543,312</u>
Governmental Activities Capital Assets, Net	<u>\$872,651</u>	<u>(\$18,125)</u>	<u>\$0</u>	<u>\$854,526</u>
	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014
Business-Type Activities				
Furniture and Equipment	\$88,762	\$0	\$0	\$88,762
Less Accumulated Depreciation	(79,633)	(3,359)	0	(82,992)
Business-Type Activities Capital Asset, Net	<u>\$9,129</u>	<u>(\$3,359)</u>	<u>\$0</u>	<u>\$5,770</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$42,945
Special	321
Support Services:	
Pupils	2,026
Instructional Staff	2,907
Administration	3,080
Fiscal	864
Business	379
Operation and Maintenance of Plant	37,146
Pupil Transportation	31,792
Central	1,596
Operation of Non-Instructional Services	765
Extracurricular Activities	670
Total Depreciation	<u>\$124,491</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, 2014*

Note 11 - 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, 2014, the School District contracted with Indiana Insurance Company for the following coverage:

Type of Coverage	Limit	Deductible
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	5,000
Property Coverage		
Blanket Building and Contents	30,915,233	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.

Note 12 - Pension Plans

School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$199,611, \$161,587 and \$216,150, respectively. For fiscal year 2014, 93.11 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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 system. 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 can 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 multiplied by a percentage that varies based on years of service, or an allowance based on a 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$515,293 and \$9,275 for the fiscal year ended June 30, 2014, \$534,467 and \$7,804 for the fiscal year ended June 30, 2013, and \$514,576 and \$7,684 for the fiscal year ended June 30, 2012. For fiscal year 2014, 82.52 percent has been contributed for the DB plan and 82.52 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2014 were \$39,857 made by the School District and \$31,316 made by the plan members. In addition, member contributions of \$7,287 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 13 - Postemployment Benefits

School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered 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, Medicare Advantage, 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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 105(e). For fiscal year 2014, 0.14 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 fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$46,695 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.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$48,828, \$78,795 and \$34,941, respectively. For fiscal year 2014, 93.11 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, 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, 2014, 2013 and 2012, were \$11,580, \$9,128 and \$12,765 respectively. For fiscal year 2014, 93.11 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System

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

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$42,913, \$41,113 and \$39,583 respectively. For fiscal year 2014, 82.52 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the healthcare fund effective July 1, 2014.

Note 14 - 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-half days per month. Sick leave may be accumulated without limit. Upon eligibility for benefits from STRS or SERS, and actual retirement from the School 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:

<u>Years of Experience</u>	<u>Percentage</u>
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 15 – Fund Obligations

The School District's note activity, including amount outstanding and interest rate, is as follows:

	<u>Outstanding June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding June 30, 2014</u>
2014 0.99% Tax Anticipation Notes	<u>\$0</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$0</u>

On December 19, 2013, the School District issued \$1,000,000 in tax anticipation notes for general operations of the School District. The interest rate was 0.99 percent and the notes matured on March 31, 2014. The tax anticipation notes were paid from the general fund with property tax revenues.

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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 6/30/2013	Additions	(Reductions)	Principal Outstanding 6/30/2014	Amount Due in One Year
Governmental Activities:					
Energy Conservation Notes					
2009 - 5.584%	\$821,261	\$0	(\$59,388)	\$761,873	\$62,750
Capital Lease	1,558	0	(1,558)	0	0
Compensated Absences	351,285	13,184	(39,232)	325,237	12,219
Total Governmental Activities	<u>\$1,174,104</u>	<u>\$13,184</u>	<u>(\$100,178)</u>	<u>\$1,087,110</u>	<u>\$74,969</u>

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 lease was paid from the general fund. Compensated absences will be paid from the general fund.

The School District's overall legal debt margin was \$18,268,765 with an unvoted debt margin of \$211,452 at June 30, 2014. Principal and interest requirements to retire the energy conservation notes are as follows:

Fiscal Year Ended June 30	Energy Conservation Bonds	
	Principal	Interest
2015	\$62,750	\$41,679
2016	66,303	38,126
2017	70,058	34,372
2018	74,024	30,405
2019	78,215	26,215
2020 - 2024	<u>410,523</u>	<u>59,410</u>
Total	<u>\$761,873</u>	<u>\$230,207</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 participant's degree of control is limited to its representation on the board. The Board of Directors exercise total control over the

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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 \$40,467 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 Association (Council) is a jointly governed organization among 199 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 through 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. The degree of control exercised by any participant is limited to its representation on the Governing Board. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. In fiscal year 2014, the School District paid \$3,376 to the Council. Financial information can be obtained by contacting William J. Zelei, the Executive Director of the Ohio Schools' Council at 6393 OakTree Blvd, Suite 377, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Compass Energy is the supplier and program manager for the period from October 1, 2010 through March 31, 2016. There are currently 151 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 current electricity group purchase program. The Council's current program, which began in June 2011 and runs through December 2019, provides as much as 16 percent in savings to 251 school districts in the First Energy territory.

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 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 capital acquisitions. Disclosure of this information is required by State statute.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

	<u>Capital Improvement</u>
Set-aside Balance as of June 30, 2013	\$0
Current Year Set-Aside Requirement	134,042
Offsets	(102,721)
Qualifying Disbursements	<u>(93,476)</u>
Totals	<u><u>(62,155)</u></u>
Set-aside Balance Carried	
Forward to Future Fiscal Years	<u>\$0</u>
Set-aside Balance as of June 30, 2014	<u><u>\$0</u></u>

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.

Note 19 - Interfund Transactions

Interfund Transfers

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Transfer To	Transfer From		
	<u>Governmental Funds</u>		
	General Fund	Other Governmental Funds	Total All Funds
Governmental Funds			
General Fund	\$0	\$1,534	\$1,534
Other Governmental Funds	<u>285,459</u>	<u>0</u>	<u>285,459</u>
<i>Total Governmental Funds</i>	<u>285,459</u>	<u>1,534</u>	<u>286,993</u>
Enterprise Funds			
Food Service	104,236	0	104,236
Special Services	845	0	845
Latchkey/Summer Camp	63,224	0	63,224
Web Check Services	<u>1,115</u>	<u>0</u>	<u>1,115</u>
<i>Total Enterprise Funds</i>	<u>169,420</u>	<u>0</u>	<u>169,420</u>
<i>Total All Funds</i>	<u><u>\$454,879</u></u>	<u><u>\$1,534</u></u>	<u><u>\$456,413</u></u>

The general fund transfers to the other governmental funds was to the bond retirement fund for the payment of debt and various special revenue funds to support programs in those funds. The general fund transfers to the enterprise funds were to support services provided in those funds. The transfers from the other governmental funds were to close out grant funds no longer in use.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Interfund Balances

Interfund balances at June 30, 2014, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$481,911	\$0
Other Governmental Funds	<u>0</u>	<u>186,459</u>
Enterprise Fund:		
Food Service	0	178,968
Special Services	0	59,923
Latchkey/Summer Camp	0	56,145
Web Check Services	0	416
<i>Total Enterprise Funds</i>	<u>0</u>	<u>295,452</u>
Total All Funds	<u><u>\$481,911</u></u>	<u><u>\$481,911</u></u>

Interfund payables in the special revenue funds are due to the timing of the receipt of grant monies received by the various funds as well as the deficit cash balance in the web check services enterprise fund. The capital projects payable is due to the timing of the receipt of various revenue sources before the start of improvement projects. Interfund payables exist in the enterprise funds due to the timing of the receipt of various revenue sources.

Note 20 - Encumbrances

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

Governmental Funds		Proprietary Funds	
Other Governmental	<u>\$76,184</u>	Food Service	\$8,616
		Web Check Services	<u>434</u>
			<u><u>\$9,050</u></u>

Note 21 – Subsequent Event

On July 1, 2014, the School District issued a Tax Anticipation Note in the amount of \$1,500,000 at a rate of 1.35 percent. The note matures on March 31, 2015.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Federal Grantor/ <i>Pass-Through Grantor/</i> Program or Cluster Title	Federal CFDA Number	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Agriculture</u>			
<u>Passed through Ohio Department of Education</u>			
Child Nutrition Cluster			
National School Breakfast Program	10.553	\$ 91,664	\$ 0
National School Lunch Program	10.555	<u>163,752</u>	<u>18,997</u>
Total U.S. Department of Agriculture		<u>255,416</u>	<u>18,997</u>
<u>U.S. Department of Education</u>			
<u>Passed through the Ohio Department of Education</u>			
Title I, Part A Cluster			
Title I - Grants to Local Educational Agencies	84.010	312,187	0
Title I - School Improvement Sub A	84.010	<u>19,353</u>	<u>0</u>
Total Title I, Part A Cluster		<u>331,540</u>	<u>0</u>
Special Education Cluster:			
Special Education Grants to States	84.027	<u>142,060</u>	<u>0</u>
Title II-A - Improving Teacher Quality State Grants	84.367	<u>29,426</u>	<u>0</u>
Total U.S. Department of Education		<u>503,026</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 758,442</u>	<u>\$ 18,997</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014

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.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each 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, 2014, and the related notes to the financial statements which collectively comprise the Richmond Heights Local School District, Ohio's basic financial statements and have issued our report thereon dated December 17, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as **Item 2014-001** and **Item 2014-002** to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as **Item 2014-005** to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Richmond Heights Local School District, Ohio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as **Item 2014-003** and **Item 2014-004**.

District's Response to Findings

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. The Richmond Heights Local School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

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

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

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James
G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2014.12.31 13:48:24 -05'00'

December 17, 2014

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

*Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
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, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Richmond Heights Local School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. 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'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Richmond Heights Local School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Richmond Heights Local School District, complied, in all material respects, with the types of 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, 2014.

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Richmond Heights Local School District, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G.
Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2014.12.31 13:48:43 -05'00'

December 17, 2014

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & .505
 JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

2014(i)	Type of Financial Statement Opinion	Unmodified
2014(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
2014(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
2014(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
2014(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2014(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2014(v)	Type of Major Program's Compliance Opinion	Unmodified
2014(vi)	Are there any reportable findings under .510(a)?	No
2014(vii)	Major Programs (list): Title I, Part A Cluster: Title I - Grants to Local Educational Agencies - CFDA #84.010 Title I - School Improvement Sub A - CFDA #84.010 Special Education Cluster: Special Education Grants to States - CFDA #84.027	
2014(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2014(ix)	Low Risk Auditee?	No

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2014
(CONTINUED)**

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

2014-001 - Material Weakness - Capital Assets

Condition/Criteria

During our review of capital assets, we noted the following:

1. The District does not maintain a comprehensive listing of capital assets with related depreciation.
2. 10 iPad2s for a total cost of \$3,790 were capitalized but should have been expensed since individual item cost falls below the capitalization threshold.
3. Office furniture costing \$2,355 was capitalized but should have been expensed since individual unit costs are below the capitalization threshold.
4. A new hot water tank was capitalized for \$7,374 rather than \$9,196, which includes parts and labor needed to install the asset.
5. New trophy cases for a cost of \$6,406 were expensed rather than capitalized.
6. The District replaced its copiers through a new operating lease. The old copiers were still included on the capital asset list for a cost of \$83,527.
7. The prior year capital lease footnote disclosure stated that the leased assets were fully depreciated; however, only half of the value of the assets was depreciated.
8. In testing the reasonableness of accumulated depreciation, furniture and equipment is estimated to have been charged approximately \$180,000 in excess depreciation.
9. The District does not utilize a formal asset disposal form.
10. The District does not track assets purchased with Federal funds.

Cause/Effect

The lack of proper controls over capital assets can result in errors and irregularities that may go undetected and decrease the reliability of financial data at year end.

Recommendation

We recommend the District maintain an up-to-date listing of all capital assets with related depreciation. The listing should also identify which assets were purchased using Federal funds. This listing should periodically be reviewed in order to verify that the assets still exist. The District should also maintain a list of assets below the capitalization threshold which were purchased with Federal funds in order to keep track of all Federally funded assets. In addition, the District should utilize a formal Asset Disposal Form to properly reflect assets during the year.

Client Response/Corrective Action Plan

The District is in the process of reviewing the above recommendation for implementation purposes.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2014
(CONTINUED)**

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

2014-002 - Material Weakness - Internal Controls Over Financial Reporting

Condition/Criteria

Financial reporting is the responsibility of the Treasurer's Office and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

During the annual financial statement preparation process, we identified the following errors to the financial statements.

1. Understatement of accounts payable of \$167,771 in the General Fund.
2. Overstatement of property tax receivable of \$573,119 in the General Fund due to using prior year's delinquent tax information rather than the current year's information.
3. Overstatement of intergovernmental receivable of \$50,879 in the Other governmental Funds due to the inclusion of grant allocations carried over into the following year.
4. Overstatement of assigned fund balance of \$20,000 in the General Fund due to the assignment of encumbrances from Fund 018.
5. Overstated cash in General Fund and understated cash in Other Governmental Funds of \$29,767 due to various revenues and expenses related to property taxes that were recorded in the incorrect fund.
6. Understatement of matured compensated absences in the General Fund of \$14,489 due to one employee who retired and should have been included in the liability amount, since payment was made subsequent to June 30, 2014.
7. There were also multiple audit adjustments that were not material to the financial statements that affect various accounts.

As a result, audit adjustments have been prepared and made to correct the financial activity for 2014.

Cause/Effect

The lack of controls over financial reporting can result in errors and irregularities that may go undetected and decrease the reliability of financial data at year end.

Recommendation

We recommend that the District implement controls and procedures related to financial reporting that enables management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Client Response/Corrective Action

The District is in the process of reviewing the above recommendation for implementation purposes.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & .505
 JUNE 30, 2014
 (CONTINUED)**

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

2014-003 - Material Non-Compliance - Expenditures Exceeding Appropriations

Condition/Criteria

Ohio Revised Section 5705.41(B) prohibits a district from expending money unless it has been appropriated.

Cause/Effect

During our review of budgetary procedures, we noted that the following funds had total expenditures that exceeded total appropriations, which is contrary to Ohio Revised Section 5705.41(B):

<u>Fund</u>	<u>Final Appropriations</u>	<u>Expenditures</u>	<u>Difference</u>
General Fund	\$ 14,106,939	\$ 15,125,193	\$ (1,018,254)
Other Grants	7,497	13,372	(5,875)
District Managed Student Activities	103,000	132,964	(29,964)
Special Services	0	33,975	(33,975)

Recommendation

We recommend that the District exercise due care to ensure actual expenditures do not exceed actual final appropriations. This will assist the District in avoiding negative fund balances and also ensure they are in compliance with Ohio Revised Code Section 5705.41(B).

Client Response/Corrective Action

The District is in the process of reviewing the above recommendation for implementation purposes.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & .505
 JUNE 30, 2014
 (CONTINUED)**

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

2014-004 - Material Non-Compliance - Appropriations Exceed Estimated Resources

Condition/Criteria

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

Cause/Effect

During our compliance testing, we noted one fund that had final appropriations exceeding final estimated resources. Ohio Revised Code Section 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources (estimated revenues plus unencumbered fund balances).

<u>Fund</u>	Estimated Revenues Plus Beginning Unencumbered Fund Balance	Final Appropriations	Variance
General Fund	\$13,539,121	\$13,945,017	\$ (405,896)
Public School Support Fund	50,926	62,000	(11,074)
Bond Retirement Fund	104,430	1,150,000	(1,045,570)
District Managed Student Activities Fund	77,868	103,000	(25,132)
Management Information Systems	138	1,512	(1,374)
Network Connectivity Fund	7,162	22,427	(15,265)
IDEA	10,353	264,709	(254,356)
Title I Fund	190,811	754,148	(563,337)
Drug Free Schools Fund	34,068	114,176	(80,108)
Title V Fund	71,700	104,099	(32,399)
Miscellaneous Federal Grants Fund	0	3,847	(3,847)
Food Service Fund	392,800	677,800	(285,000)

Recommendation

We recommend that the District follow the guidance provided in Ohio Revised Code Section 5705.39 by amending the appropriations to a level that does not exceed the amended certificate.

Client Response/Corrective Action

The District is in the process of reviewing the above recommendation for implementation purposes.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2014
(CONTINUED)**

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

2014-005 - Significant Deficiency - Expenses

Condition/Criteria

During our testing of expenses, we noted the following:

1. Regarding travel expenses, we noted two instances in which the Superintendent's mileage and meals reimbursement were paid without being previously authorized by a Board member or the Board President. Also, in one of the instances, the amount of the reimbursed food expenses of \$103.09 exceeded the allowable amount per the District's Job-Related Expenses Policy 3440A of \$30.00 per day (for 2 days).
2. Regarding purchases, we noted that the District's Purchasing Policy requires, for purchases of a single item exceeding \$5,000, at least 3 price quotations. We noted some expenditures exceeding \$5,000 that did not have support of price quotations, as required per the District's Purchasing Policy.

Cause/Effect

1. Lack of controls over reimbursements can result in the District having expenditures that are not in compliance with the applicable laws, regulations, or Board policies.
2. Purchases may not be the lowest or best price and did not comply with the District's Purchasing Policy.

Recommendation

In order to strengthen controls over expenses, we recommend the following:

1. The District should follow its Expense Policy in order to ensure job-related expenses do not exceed the allowable amounts and that all expenses are properly authorized.
2. The District should attach price quotations to the respective purchase requisition and purchase order for single items exceeding \$5,000, and such purchases should not be approved without 3 price quotations.

Client Response/Corrective Action

The District will implement the above recommendations.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
 JUNE 30, 2014**

Number	Finding Summary	Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain
2013-001	Cash Receipts/Receivables	No	Partially corrected. See Finding 2014-002 and Management Letter recommendation.
2013-002	Expenses	No	Partially corrected. See Finding 2014-005.
2013-003	Financial Reporting	No	Repeated on Finding 2014-002
2013-004	Payroll	No	Partially Corrected - See Finding 2014-002 and Management Letter recommendation.
2013-005	Purchase Orders	No	Partially Corrected - See Management Letter recommendation.

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

This page intentionally left blank.



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
MARCH 24, 2015**