

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

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

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, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 18, 2016

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RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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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, 2015, 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, 2015, 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.

Emphasis of Matter

As described in Note 3 to the basic financial statements, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, and restated its net position of the governmental activities at June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other 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 also 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 21, 2015, 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

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: 2015.12.31 13:11:30 -05'00'

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

December 21, 2015

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Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
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, 2015. 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 2015 are as follows:

- Governmental activities reflected an increase in net position from fiscal year 2014, mainly due to a significant decrease in expenses as a result of the School District implementing a number of cost saving measures which included a reduction in force.
- The School District issued tax anticipation notes on July 1, 2014 for general operations. The interest rate on the notes was 1.35 percent and matured on March 31, 2015 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 2015 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, 2015
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 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 11. 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 2015 compared to 2014:

Richmond Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Unaudited

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and						
Other Assets	\$11,309,433	\$10,815,821	\$13,332	(\$187,172)	\$11,322,765	\$10,628,649
Capital Assets, Net	746,931	854,526	5,758	5,770	752,689	860,296
Total Assets	12,056,364	11,670,347	19,090	(181,402)	12,075,454	11,488,945
Deferred Outflows of Resources						
Pension	701,033	746,432	0	0	701,033	746,432
Liabilities						
Current and Other Liabilities	1,245,371	1,785,991	17,139	18,184	1,262,510	1,804,175
Long-Term Liabilities:						
Due Within One Year	85,224	74,969	0	0	85,224	74,969
Due in More than One Year:						
Net Pension Liability	12,326,464	14,640,265	0	0	12,326,464	14,640,265
Other Amounts	927,318	1,012,141	0	0	927,318	1,012,141
Total Liabilities	14,584,377	17,513,366	17,139	18,184	14,601,516	17,531,550
Deferred Inflows of Resources						
Property Taxes	6,685,297	7,236,078	0	0	6,685,297	7,236,078
Pension	2,220,198	0	0	0	2,220,198	0
Total Deferred Inflows of Resources	8,905,495	7,236,078	0	0	8,905,495	7,236,078
Net Position						
Net Investment in Capital Assets	47,808	92,653	5,758	5,770	53,566	98,423
Restricted						
Capital Projects	189,026	72,744	0	0	189,026	72,744
Other Purpose	64,135	54,472	0	0	64,135	54,472
Unrestricted (Deficit)	(11,033,444)	(12,552,534)	(3,807)	(205,356)	(11,037,251)	(12,757,890)
Total Net Position (Deficit)	(\$10,732,475)	(\$12,332,665)	\$1,951	(\$199,586)	(\$10,730,524)	(\$12,532,251)

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Richmond Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Unaudited

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

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

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

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

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

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$1,561,168 to (\$12,332,665).

Table 2 shows the changes in net position for fiscal year 2015 for both our Governmental activities and our Business-Type activities. Revenue and expense comparisons can be made between fiscal years 2014 and 2015.

Richmond Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Unaudited

Table 2
Change in Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for Services and Sales	\$204,950	\$479,831	\$82,721	\$111,723	\$287,671	\$591,554
Operating Grants and Contributions	757,948	951,445	309,713	311,043	1,067,661	1,262,488
Capital Grants	13,542	13,417	0	0	13,542	13,417
<i>Total Program Revenues</i>	<u>976,440</u>	<u>1,444,693</u>	<u>392,434</u>	<u>422,766</u>	<u>1,368,874</u>	<u>1,867,459</u>
General Revenues:						
Property Taxes	9,458,125	9,473,065	0	0	9,458,125	9,473,065
Grants and Entitlements	3,486,633	3,417,013	0	0	3,486,633	3,417,013
Investment Earnings	2,155	2,843	0	0	2,155	2,843
Gain on Sale of Capital Asset	0	2,700	0	0	0	0
Miscellaneous	60,179	138,049	0	5,385	60,179	143,434
<i>Total General Revenues</i>	<u>13,007,092</u>	<u>13,033,670</u>	<u>0</u>	<u>5,385</u>	<u>13,007,092</u>	<u>13,036,355</u>
Total Revenues	<u>13,983,532</u>	<u>14,478,363</u>	<u>392,434</u>	<u>428,151</u>	<u>14,375,966</u>	<u>14,903,814</u>
Program Expenses						
Instruction	7,193,757	8,197,029	0	0	7,193,757	8,197,029
Support Services:						
Pupils and Instructional Staff	706,196	1,104,993	0	0	706,196	1,104,993
Board of Education, Administration, Fiscal and Business	2,049,409	2,063,984	0	0	2,049,409	2,063,984
Operation and Maintenance of Plant	876,832	964,337	0	0	876,832	964,337
Pupil Transportation	926,596	1,016,495	0	0	926,596	1,016,495
Central	159,158	181,928	0	0	159,158	181,928
Operation of Non-Instructional Services	11,878	6,293	0	0	11,878	6,293
Enterprise Operations	0	0	444,640	454,370	444,640	454,370
Extracurricular Activities	149,479	227,233	0	0	149,479	227,233
Interest and Fiscal Charges	56,294	46,352	0	0	56,294	46,352
Total Program Expenses	<u>12,129,599</u>	<u>13,808,644</u>	<u>444,640</u>	<u>454,370</u>	<u>12,574,239</u>	<u>14,263,014</u>
Excess Revenues Over (Under) Expenses	1,853,933	669,719	(52,206)	(26,219)	1,801,727	640,800
Transfers	(253,743)	(169,420)	253,743	169,420	0	0
Change in Net Position	<u>1,600,190</u>	<u>500,299</u>	<u>201,537</u>	<u>143,201</u>	<u>1,801,727</u>	<u>640,800</u>
<i>Net Position (Deficit) Beginning of Year</i>	<u>(12,332,665)</u>	<u>N/A</u>	<u>(199,586)</u>	<u>(342,787)</u>	<u>(12,532,251)</u>	<u>N/A</u>
<i>Net Position (Deficit) End of Year</i>	<u>(\$10,732,475)</u>	<u>(\$12,332,665)</u>	<u>\$1,951</u>	<u>(\$199,586)</u>	<u>(\$10,730,524)</u>	<u>(\$12,532,251)</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$746,432 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$537,122. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Richmond Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Unaudited

Total 2015 program expenses under GASB 68	\$12,129,599
Pension expense under GASB 68	(537,122)
2015 contractually required contribution	<u>585,326</u>
Adjusted 2015 program expenses	12,177,803
Total 2014 program expenses under GASB 27	<u>(13,808,644)</u>
Increase in program expenses not related to pension	<u><u>(\$1,630,841)</u></u>

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.

During fiscal year 2015, property tax collections remained consistent with the prior fiscal year. The School District's grants and entitlements increased slightly due to an increase in State funding for schools, which are revenues from the State of Ohio from increases in enrollment. Operating grants and contributions decreased due to special program grant monies that were received in the prior fiscal year and not applied for during fiscal year 2015.

Overall expenses decreased due to the School District implementing cost saving measures which included in a reduction of force.

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 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Instruction	\$7,193,757	\$6,425,165	\$8,197,029	\$7,198,503
Support Services:				
Pupils and Instructional Staff	706,196	586,845	1,104,993	938,515
Board of Education, Administration, Fiscal and Business	2,049,409	2,044,905	2,063,984	2,000,205
Operation and Maintenance of Plant	876,832	850,376	964,337	921,994
Pupil Transportation	926,596	908,500	1,016,495	918,765
Central	159,158	156,678	181,928	176,357
Operating of Non-Instructional Services	11,878	1,320	6,293	(788)
Extracurricular Activities	149,479	123,076	227,233	164,048
Interest and Fiscal Charges	56,294	56,294	46,352	46,352
Total	\$12,129,599	\$11,153,159	\$13,808,644	\$12,363,951

Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited*

Business-Type Activities

Business-type activities include the food service, special services, latchkey 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 and web check services funds for this 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.

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 \$13,219,750 and expenditures of \$11,528,612. The general fund had an increase in fund balance due mainly to an increase in tuition and fees as well as a decrease in instructional expenditures. The tuition and fees revenue increase can be attributed to an increase in enrollment compared to the prior fiscal 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. In addition, the School District monitored spending closely to keep expenses down. Other governmental funds had an increase in fund balance due to decreases in expenditures as a result of fewer grant monies available for expenditure during the year 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 2015, 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. Intergovernmental revenue specifically was budgeted much lower than the actual amount due to higher than expected State funding received. The final budget appropriations were higher than actual expenditures due to the School District closely monitoring expenditures to keep costs low.

Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited*

Capital Assets and Debt

Capital Assets

Table 4 shows fiscal 2015 balances compared to 2014:

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$311,214	\$311,214	\$0	\$0	\$311,214	\$311,214
Buildings and Improvements	106,050	123,725	0	0	106,050	123,725
Furniture and Equipment	0	27,231	5,758	5,770	5,758	33,001
Vehicles	329,667	392,356	0	0	329,667	392,356
Totals	<u>\$746,931</u>	<u>\$854,526</u>	<u>\$5,758</u>	<u>\$5,770</u>	<u>\$752,689</u>	<u>\$860,296</u>

For fiscal year 2015, an Ohio law required school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2015, this amounted to \$135,714. See Note 11 to the basic financial statements for additional information on capital assets and Note 17 for additional information regarding required set-asides.

Debt

At June 30, 2015, the School District had energy conservation notes with a balance of \$699,123 outstanding. More information on the notes can be found in Note 15 to the basic financial statements.

School District Outlook

The Board of Education and administration are aware of their limited financial resources. Through careful planning, limiting spending, as well as staff reductions, the School District has been able to maintain a stable budget and will continue to do so in the future. The School District continues to research ways to increase revenues. The current five year forecast shows an increase in fund balance for each year due to these reductions.

The School District has committed itself to financial reporting excellence. Richmond Heights Local School District continues its commitment to continuous improvement in financial reporting to our community.

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.

Richmond Heights Local School District

Statement of Net Position

June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,393,360	\$53,269	\$1,446,629
Accounts Receivable	804	1,865	2,669
Intergovernmental Receivable	139,868	10,198	150,066
Internal Balances	52,000	(52,000)	0
Property Taxes Receivable	9,723,401	0	9,723,401
Nondepreciable Capital Assets	311,214	0	311,214
Depreciable Capital Assets, Net	435,717	5,758	441,475
<i>Total Assets</i>	<u>12,056,364</u>	<u>19,090</u>	<u>12,075,454</u>
Deferred Outflows of Resources			
Pension	701,033	0	701,033
Liabilities			
Accounts Payable	118,059	16,773	134,832
Accrued Wages and Benefits	912,694	0	912,694
Intergovernmental Payable	167,505	366	167,871
Matured Compensated Absences Payable	35,726	0	35,726
Accrued Interest Payable	11,387	0	11,387
Long-Term Liabilities:			
Due Within One Year	85,224	0	85,224
Due In More Than One Year			
Net Pension Liability (See Note 20)	12,326,464	0	12,326,464
Other Amounts Due in More Than One Year	927,318	0	927,318
<i>Total Liabilities</i>	<u>14,584,377</u>	<u>17,139</u>	<u>14,601,516</u>
Deferred Inflows of Resources			
Property Taxes	6,685,297	0	6,685,297
Pension	2,220,198	0	2,220,198
<i>Total Deferred Inflows of Resources</i>	<u>8,905,495</u>	<u>0</u>	<u>8,905,495</u>
Net Position			
Net Investment in Capital Assets	47,808	5,758	53,566
Restricted for:			
Capital Projects	189,026	0	189,026
Other Purposes	64,135	0	64,135
Unrestricted (Deficit)	<u>(11,033,444)</u>	<u>(3,807)</u>	<u>(11,037,251)</u>
<i>Total Net Position</i>	<u>(\$10,732,475)</u>	<u>\$1,951</u>	<u>(\$10,730,524)</u>

See accountant's compilation report

Richmond Heights Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2015

	Program Revenues			Capital Grants
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Instruction:				
Regular	\$4,916,686	\$103,581	\$11,182	\$0
Special	2,277,071	33,779	603,736	0
Vocational	0	0	16,314	0
Support Services:				
Pupils	539,456	8,608	24,024	0
Instructional Staff	166,740	1,231	85,488	0
Board of Education	274,069	4,504	0	0
Administration	1,160,884	0	0	0
Fiscal	574,076	0	0	0
Business	40,380	0	0	0
Operation and Maintenance of Plant	876,832	12,914	0	13,542
Pupil Transportation	926,596	15,346	2,750	0
Central	159,158	2,480	0	0
Operation of Non-Instructional Services	11,878	0	10,558	0
Extracurricular Activities	149,479	22,507	3,896	0
Interest and Fiscal Charges	56,294	0	0	0
<i>Total Governmental Activities</i>	<u>12,129,599</u>	<u>204,950</u>	<u>757,948</u>	<u>13,542</u>
Business-Type Activities				
Food Service	408,934	79,119	309,713	0
Latchkey	32,616	0	0	0
Web Check Services	3,090	3,602	0	0
<i>Total Business-Type Activities</i>	<u>444,640</u>	<u>82,721</u>	<u>309,713</u>	<u>0</u>
<i>Totals</i>	<u>\$12,574,239</u>	<u>\$287,671</u>	<u>\$1,067,661</u>	<u>\$13,542</u>

General Revenues

Property Taxes Levied for:

 General Purposes

 Capital Projects

Grants and Entitlements not

 Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year - Restated (See Note 3)

Net Position End of Year

See accountant's compilation report

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$4,801,923)	\$0	(\$4,801,923)
(1,639,556)	0	(1,639,556)
16,314	0	16,314
(506,824)	0	(506,824)
(80,021)	0	(80,021)
(269,565)	0	(269,565)
(1,160,884)	0	(1,160,884)
(574,076)	0	(574,076)
(40,380)	0	(40,380)
(850,376)	0	(850,376)
(908,500)	0	(908,500)
(156,678)	0	(156,678)
(1,320)	0	(1,320)
(123,076)	0	(123,076)
(56,294)	0	(56,294)
<u>(11,153,159)</u>	<u>0</u>	<u>(11,153,159)</u>
0	(20,102)	(20,102)
0	(32,616)	(32,616)
0	512	512
<u>0</u>	<u>(52,206)</u>	<u>(52,206)</u>
<u>(11,153,159)</u>	<u>(52,206)</u>	<u>(11,205,365)</u>
9,353,047	0	9,353,047
105,078	0	105,078
3,486,633	0	3,486,633
2,155	0	2,155
60,179	0	60,179
13,007,092	0	13,007,092
<u>(253,743)</u>	<u>253,743</u>	<u>0</u>
<u>12,753,349</u>	<u>253,743</u>	<u>13,007,092</u>
1,600,190	201,537	1,801,727
<u>(12,332,665)</u>	<u>(199,586)</u>	<u>(12,532,251)</u>
<u>(\$10,732,475)</u>	<u>\$1,951</u>	<u>(\$10,730,524)</u>

See accountant's compilation report

Richmond Heights Local School District

Balance Sheet

Governmental Funds

June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$852,353	\$541,007	\$1,393,360
Accounts Receivable	804	0	804
Intergovernmental Receivable	73,319	66,549	139,868
Interfund Receivable	400,000	0	400,000
Property Taxes Receivable	9,667,313	56,088	9,723,401
<i>Total Assets</i>	<u>\$10,993,789</u>	<u>\$663,644</u>	<u>\$11,657,433</u>
Liabilities			
Accounts Payable	\$110,412	\$7,647	\$118,059
Accrued Wages and Benefits	896,944	15,750	912,694
Intergovernmental Payable	166,910	595	167,505
Matured Compensated Absences Payable	32,000	3,726	35,726
Interfund Payable	0	348,000	348,000
<i>Total Liabilities</i>	<u>1,206,266</u>	<u>375,718</u>	<u>1,581,984</u>
Deferred Inflows of Resources			
Unavailable Revenue	891,686	75,658	967,344
Property Taxes	6,660,462	24,835	6,685,297
<i>Total Deferred Inflows of Resources</i>	<u>7,552,148</u>	<u>100,493</u>	<u>7,652,641</u>
Fund Balances			
Restricted	0	195,002	195,002
Committed	414,000	0	414,000
Assigned	62,414	0	62,414
Unassigned (Deficit)	1,758,961	(7,569)	1,751,392
<i>Total Fund Balances</i>	<u>2,235,375</u>	<u>187,433</u>	<u>2,422,808</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$10,993,789</u>	<u>\$663,644</u>	<u>\$11,657,433</u>

See accountant's compilation report

Richmond Heights Local School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances	\$2,422,808
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	746,931
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In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.	(11,387)
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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	827,476
Grants	139,868
	<u>967,344</u>

Total	967,344
-------	---------

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

Energy Conservation Notes	(699,123)
Compensated Absences	(313,419)
	<u>(1,012,542)</u>

Total	(1,012,542)
-------	-------------

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

Deferred Outflows - Pension	701,033
Net Pension Liability	(12,326,464)
Deferred Inflows - Pension	(2,220,198)
	<u>(13,845,629)</u>

Total	<u>(13,845,629)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>(\$10,732,475)</u></u>
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See accountant's compilation report

Richmond Heights Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$9,184,938	\$103,201	\$9,288,139
Intergovernmental	3,815,286	421,565	4,236,851
Interest	1,155	1,000	2,155
Tuition and Fees	115,883	0	115,883
Extracurricular Activities	35,258	21,105	56,363
Rentals	32,704	0	32,704
Contributions and Donations	0	7,495	7,495
Miscellaneous	34,526	25,653	60,179
<i>Total Revenues</i>	<u>13,219,750</u>	<u>580,019</u>	<u>13,799,769</u>
Expenditures			
Current:			
Instruction:			
Regular	4,934,096	6,149	4,940,245
Special	2,041,438	219,138	2,260,576
Support Services:			
Pupils	526,858	19,003	545,861
Instructional Staff	76,923	88,568	165,491
Board of Education	274,069	0	274,069
Administration	1,095,767	47,621	1,143,388
Fiscal	562,484	0	562,484
Business	40,064	0	40,064
Operation and Maintenance of Plant	782,410	0	782,410
Pupil Transportation	939,804	2,639	942,443
Central	150,085	0	150,085
Operation of Non-Instructional Services	0	11,113	11,113
Extracurricular Activities	89,483	65,149	154,632
Capital Outlay	0	52,871	52,871
Debt Service:			
Principal Retirement	0	62,750	62,750
Interest and Fiscal Charges	15,131	41,680	56,811
<i>Total Expenditures</i>	<u>11,528,612</u>	<u>616,681</u>	<u>12,145,293</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,691,138</u>	<u>(36,662)</u>	<u>1,654,476</u>
Other Financing Sources (Uses)			
Transfers In	0	297,719	297,719
Transfers Out	(551,462)	0	(551,462)
<i>Total Other Financing Sources (Uses)</i>	<u>(551,462)</u>	<u>297,719</u>	<u>(253,743)</u>
<i>Net Change in Fund Balances</i>	1,139,676	261,057	1,400,733
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>1,095,699</u>	<u>(73,624)</u>	<u>1,022,075</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,235,375</u></u>	<u><u>\$187,433</u></u>	<u><u>\$2,422,808</u></u>

See accountant's compilation report

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, 2015*

Net Change in Fund Balances - Total Governmental Funds	\$1,400,733
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*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.	(107,595)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Property Taxes	169,986		
Grants	13,777		
Total			183,763

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	62,750
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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.	11,818
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In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.	517
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	585,326
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Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(537,122)
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<i>Change in Net Position of Governmental Activities</i>	\$1,600,190
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See accountant's compilation report

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Revised Budget	Actual	
Revenues				
Property Taxes	\$7,980,340	\$9,234,200	\$9,047,632	(\$186,568)
Intergovernmental	2,802,928	3,658,833	4,031,189	372,356
Interest	953	1,140	1,155	15
Tuition and Fees	95,803	114,660	116,127	1,467
Extracurricular Activities	9,536	11,413	11,559	146
Rentals	26,609	31,847	32,254	407
Miscellaneous	26,382	32,322	32,784	462
<i>Total Revenues</i>	<u>10,942,551</u>	<u>13,084,415</u>	<u>13,272,700</u>	<u>188,285</u>
Expenditures				
Current:				
Instruction:				
Regular	4,378,265	5,227,014	5,087,294	139,720
Special	1,848,624	2,243,944	2,170,145	73,799
Vocational	68,677	83,363	80,427	2,936
Support Services:				
Pupils	520,706	632,056	616,721	15,335
Instructional Staff	76,873	93,312	90,849	2,463
Board of Education	231,989	281,599	278,495	3,104
Administration	933,887	1,133,594	1,088,601	44,993
Fiscal	483,863	587,335	569,552	17,783
Business	33,160	41,833	41,833	0
Operation and Maintenance of Plant	689,642	837,119	816,446	20,673
Pupil Transportation	818,192	993,159	971,336	21,823
Central	125,833	174,532	174,532	0
Extracurricular Activities	80,351	97,534	94,099	3,435
Debt Service:				
Principal Retirement	1,280,854	1,554,759	1,500,000	54,759
Interest and Fiscal Charges	12,920	15,683	15,131	552
<i>Total Expenditures</i>	<u>11,583,836</u>	<u>13,996,836</u>	<u>13,595,461</u>	<u>401,375</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(641,285)</u>	<u>(912,421)</u>	<u>(322,761)</u>	<u>589,660</u>
Other Financing Sources (Uses)				
Proceeds of Notes	1,500,000	1,500,000	1,500,000	0
Advances In	165,170	165,170	165,170	0
Advances Out	(400,000)	(400,000)	(400,000)	0
Transfers Out	(648,885)	(648,885)	(648,885)	0
<i>Total Other Financing Sources (Uses)</i>	<u>616,285</u>	<u>616,285</u>	<u>616,285</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(25,000)	(296,136)	293,524	589,660
<i>Fund Balance Beginning of Year</i>	<u>45,308</u>	<u>45,308</u>	<u>45,308</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>\$20,308</u>	<u>(\$250,828)</u>	<u>\$338,832</u>	<u>\$589,660</u>

See accountant's compilation report

Richmond Heights Local School District

Statement of Fund Net Position

Enterprise Funds

June 30, 2015

	<u>Food</u> <u>Service</u>	<u>Latchkey</u>	<u>Web Check</u> <u>Services</u>	<u>Total</u> <u>Enterprise</u> <u>Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$35,338	\$17,421	\$510	\$53,269
Accounts Receivable	1,865	0	0	1,865
Intergovernmental Receivable	10,198	0	0	10,198
<i>Total Current Assets</i>	<u>47,401</u>	<u>17,421</u>	<u>510</u>	<u>65,332</u>
Depreciable Capital Assets, Net	<u>5,758</u>	<u>0</u>	<u>0</u>	<u>5,758</u>
<i>Total Assets</i>	<u>53,159</u>	<u>17,421</u>	<u>510</u>	<u>71,090</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	16,479	294	0	16,773
Intergovernmental Payable	0	0	366	366
Interfund Payable	52,000	0	0	52,000
<i>Total Liabilities</i>	<u>68,479</u>	<u>294</u>	<u>366</u>	<u>69,139</u>
Net Position				
Investment in Capital Assets	5,758	0	0	5,758
Unrestricted (Deficit)	(21,078)	17,127	144	(3,807)
<i>Total Net Position</i>	<u>(\$15,320)</u>	<u>\$17,127</u>	<u>\$144</u>	<u>\$1,951</u>

See accountant's compilation report

Richmond Heights Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Enterprise Funds
For the Fiscal Year Ended June 30, 2015*

	Food Service	Special Services	Latchkey	Web Check Services	Total Enterprise Funds
Operating Revenues					
Charges for Services	\$79,119	\$0	\$0	\$3,602	\$82,721
Operating Expenses					
Salaries	15,638	0	0	0	15,638
Purchased Services	215,411	0	31,292	3,090	249,793
Materials and Supplies	173,757	0	654	0	174,411
Depreciation	3,663	0	0	0	3,663
Other	465	0	670	0	1,135
<i>Total Operating Expenses</i>	<u>408,934</u>	<u>0</u>	<u>32,616</u>	<u>3,090</u>	<u>444,640</u>
<i>Operating Income (Loss)</i>	(329,815)	0	(32,616)	512	(361,919)
Non-Operating Revenues					
Federal and State Grants	309,713	0	0	0	309,713
<i>Income (Loss) Before Transfers</i>	(20,102)	0	(32,616)	512	(52,206)
Transfers In	136,823	59,923	56,145	852	253,743
<i>Change in Net Position</i>	116,721	59,923	23,529	1,364	201,537
<i>Net Position Beginning of Year</i>	<u>(132,041)</u>	<u>(59,923)</u>	<u>(6,402)</u>	<u>(1,220)</u>	<u>(199,586)</u>
<i>Net Position End of Year</i>	<u><u>(\$15,320)</u></u>	<u><u>\$0</u></u>	<u><u>\$17,127</u></u>	<u><u>\$144</u></u>	<u><u>\$1,951</u></u>

See accountant's compilation report

Richmond Heights Local School District

Statement of Cash Flows

Enterprise Funds

For the Fiscal Year Ended June 30, 2015

	Food Service	Special Services	Latchkey	Web Check Services	Total Enterprise Funds
Increase in Cash and Cash Equivalents					
Cash Flows from Operating Activities					
Cash Received from Customers	\$77,254	\$0	\$0	\$3,602	\$80,856
Cash Payments to Employees for Services	(15,638)	0	0	0	(15,638)
Cash Payments for Goods and Services	(390,069)	0	(31,652)	(3,528)	(425,249)
Other Cash Payments	(465)	0	(670)	0	(1,135)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(328,918)</u>	<u>0</u>	<u>(32,322)</u>	<u>74</u>	<u>(361,166)</u>
Cash Flows from Noncapital Financing Activities					
Federal and State Grants Received	349,436	0	0	0	349,436
Transfers In	136,823	59,923	56,145	852	253,743
Advances In	52,000	0	0	0	52,000
Advances Out	(178,968)	(59,923)	(56,145)	(416)	(295,452)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>359,291</u>	<u>0</u>	<u>0</u>	<u>436</u>	<u>359,727</u>
Cash Flows from Capital and Related Financing Activities					
Payments for Capital Acquisitions	(3,651)	0	0	0	(3,651)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	26,722	0	(32,322)	510	(5,090)
<i>Cash and Cash Equivalents Beginning of Year</i>	8,616	0	49,743	0	58,359
<i>Cash and Cash Equivalents End of Year</i>	<u>\$35,338</u>	<u>\$0</u>	<u>\$17,421</u>	<u>\$510</u>	<u>\$53,269</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating Income (Loss)	(\$329,815)	\$0	(\$32,616)	\$512	(\$361,919)
Adjustments:					
Depreciation	3,663	0	0	0	3,663
(Increase) in Accounts Receivable	(1,865)	0	0	0	(1,865)
Increase (Decrease) in Liabilities:					
Accounts Payable	(901)	0	294	0	(607)
Intergovernmental Payable	0	0	0	(438)	(438)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$328,918)</u>	<u>\$0</u>	<u>(\$32,322)</u>	<u>\$74</u>	<u>(\$361,166)</u>

See accountant's compilation report

Richmond Heights Local School District

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2015

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$308,393</u></u>
 Liabilities	
Due to Employees	\$300,000
Due to Students	<u><u>8,393</u></u>
 <i>Total Liabilities</i>	 <u><u>\$308,393</u></u>
 See accountant's compilation report	

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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 34 non-certified and 57 certificated full time teaching personnel who provide services to 935 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 16 of the basic financial statements.

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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, 2015*

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 Fund The latchkey 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 and employee wellness program.

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, 2015*

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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 10). 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. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 20.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 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. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 20).

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.

Pensions

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

Budgetary Data

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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.

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."

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 2015 amounted to \$1,155.

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.

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.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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.

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 judgements, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for the payment during the current fiscal year.

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 athletics, network connections and special needs 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:

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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

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

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

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

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

Richmond Heights Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

Note 3 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	\$1,561,168
Adjustments:	
Net Pension Liability	(14,640,265)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>746,432</u>
Restate Net Position June 30, 2014	<u><u>(\$12,332,665)</u></u>

Note 4 - Budgetary Basis of Accounting

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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.

Net Change in Fund Balance

GAAP Basis	\$1,139,676
Net Adjustment for Revenue Accruals	79,002
Tax Anticipation Note Proceeds	1,500,000
Advances In	165,170
Net Adjustment for Expenditure Accruals	(2,291,018)
Advances Out	(400,000)
Perspective Difference:	
Public School Support	11,613
Adjustment for Encumbrances	89,081
	89,081
Budget Basis	\$293,524

Note 5 – Fund Balances

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

Fund Balances	General	Other Governmental Funds	Total
<i>Restricted for:</i>			
Extracurricular Activities	\$0	\$3,787	\$3,787
Community Involvement	0	1,299	1,299
Technology Improvements	0	3,600	3,600
Teacher Education	0	287	287
Medicaid	0	6,112	6,112
Capital Improvements	0	179,917	179,917
	0	195,002	195,002
<i>Total Restricted</i>			
<i>Committed to:</i>			
Employee Benefits	414,000	0	414,000
<i>Assigned to:</i>			
Public School Support	9,773	0	9,773
Purchases on Order:			
Support Services	52,641	0	52,641
	62,414	0	62,414
<i>Total Assigned</i>			
	1,758,961	(7,569)	1,751,392
<i>Unassigned (Deficit)</i>			
	\$2,235,375	\$187,433	\$2,422,808
<i>Total Fund Balances</i>			
	\$2,235,375	\$187,433	\$2,422,808

Richmond Heights Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 6 – Accountability and Compliance

Accountability

Fund balances at June 30, 2015, included the following individual fund deficits:

Special Revenue Funds:

Title I	\$6,444
IDEA Grant	1,125

Enterprise Fund:

Food Service	15,320
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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 food service enterprise funds' deficit is 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	\$14,960,063	\$15,210,891	(\$250,828)
<i>Other Governmental Funds:</i>			
Public School Support	64,185	67,792	(3,607)
Bond Retirement	105,000	155,000	(50,000)
Other Local Grants	17,803	20,000	(2,197)
Management Information Systems	5,000	6,000	(1,000)
Network Connectivity	10,066	18,600	(8,534)
Title VI-B	217,312	372,008	(154,696)
Title II	0	500	(500)
Title I	350,000	620,619	(270,619)
Title V	48,682	119,628	(70,946)
<i>Enterprise Funds:</i>			
Web Check Services	19,402	20,000	(598)

The resident educator special revenue fund had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41(B), Ohio Revised Code, in the amount \$1,750.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Note 7 – Deposits and Investments

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

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

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

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

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

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

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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, \$1,876,985 of the School District's bank balance of \$2,126,985 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.

Note 8 - 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, 2015, if applicable, cannot be determined at this time.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in a liability of \$9,019 from the School District to ODE.

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, 2015

Note 9 - Receivables

Receivables at June 30, 2015, 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
<i>Governmental Activities:</i>	
School Employee Retirement System	\$73,319
Title I Grant	57,330
Title IV-B Grant	9,219
Total	<u>\$139,868</u>
<i>Business-type Activity:</i>	
Federal Food Program	<u>\$10,198</u>

Note 10 - 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 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 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, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2015 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, 2015 was \$2,188,489 in the general fund and \$22,144 in the permanent improvement capital projects fund. 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.

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.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second		2015 First	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$208,549,800	98.63 %	\$208,144,760	98.57 %
Public Utility Personal	2,901,730	1.37	3,014,320	1.43
Total	\$211,451,530	100.00 %	\$211,159,080	100.00 %
Tax rate per \$1,000 of assessed valuation	\$87.90		\$87.90	

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
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	1,073,786	0	0	1,073,786
Vehicles	1,026,594	0	0	1,026,594
<i>Total Capital Assets, being depreciated</i>	<u>8,344,628</u>	<u>0</u>	<u>0</u>	<u>8,344,628</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(6,120,523)	(17,675)	0	(6,138,198)
Furniture and Equipment	(1,046,555)	(27,231)	0	(1,073,786)
Vehicles	(634,238)	(62,689)	0	(696,927)
Total Accumulated Depreciation	<u>(7,801,316)</u>	<u>(107,595) *</u>	<u>0</u>	<u>(7,908,911)</u>
Total Capital Assets, being depreciated, net	<u>543,312</u>	<u>(107,595)</u>	<u>0</u>	<u>435,717</u>
Governmental Activities Capital Assets, Net	<u>\$854,526</u>	<u>(\$107,595)</u>	<u>\$0</u>	<u>\$746,931</u>

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

* 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	20,250
Pupil Transportation	31,792
Central	1,596
Operation of Non-Instructional Services	765
Extracurricular Activities	670
Total Depreciation	\$107,595

Capital asset activity for business-type activities for the fiscal year ended June 30, 2015, was as follows:

	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
Business-Type Activities				
Furniture and Equipment	\$88,762	\$3,651	\$0	\$92,413
Less Accumulated Depreciation	(82,992)	(3,663)	0	(86,655)
Business-Type Activities Capital Asset, Net	\$5,770	(\$12)	\$0	\$5,758

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

Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. At June 30, 2015, the School District contracted with Ohio Schools Council for the following coverage:

Type of Coverage	Limit	Deductible
Auto Liability	\$5,000,000	N/A
Uninsured Motorist	100,000	N/A
Comprehensive General Liability		
General Liability	5,000,000	N/A
Personal Injury	5,000,000	N/A
General Aggregate	5,000,000	N/A
Errors and Omissions	5,000,000	5,000
Property Coverage		
Blanket Building and Contents	35,751,061	2,500

Richmond Heights Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 13 - 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>
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 Treasurer receives \$100,000 coverage.

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

Note 14 – Fund Obligations

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

	<u>Outstanding June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding June 30, 2015</u>
2015 1.35% Tax Anticipation Notes	<u>\$0</u>	<u>\$1,500,000</u>	<u>\$1,500,000</u>	<u>\$0</u>

On July 1, 2014, the School District issued \$1,500,000 in tax anticipation notes for general operations of the School District. The interest rate was 1.35 percent and the notes matured on March 31, 2015. 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, 2015*

Note 15 - Long-Term Obligations

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

	Principal Outstanding 6/30/2014	Additions	(Reductions)	Principal Outstanding 6/30/2015	Amount Due in One Year
Governmental Activities:					
Energy Conservation Notes 2009 - 5.584%	\$761,873	\$0	(\$62,750)	\$699,123	\$66,304
Compensated Absences	325,237	401	(12,219)	313,419	18,920
Net Pension Liability:					
SERS	3,118,320	0	(464,462)	2,653,858	0
STRS	11,521,945	0	(1,849,339)	9,672,606	0
Total Net Pension Liability	14,640,265	0	(2,313,801)	12,326,464	0
Total Governmental Activities	\$15,727,375	\$401	(\$2,388,770)	\$13,339,006	\$85,224

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.

Compensated absences will be paid from the general fund and title I special revenue fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

The School District's overall legal debt margin was \$18,305,194 with an unvoted debt margin of \$211,159 at June 30, 2015. Principal and interest requirements to retire the energy conservation notes are as follows:

Fiscal Year Ended June 30	Energy Conservation Bonds	
	Principal	Interest
2016	\$66,304	\$38,126
2017	70,058	34,372
2018	74,024	30,405
2019	78,215	26,215
2020	82,644	21,786
2021 - 2024	327,878	37,624
Total	\$699,123	\$188,528

Note 16 - 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-nine school districts, three career centers, and the Summit and Medina County Educational

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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 exercises total control over the operations of the association including budgeting, appropriating, contracting and designating management. All association revenues are generated from charges for services and State funding. The School District does not retain an ongoing financial interest or an ongoing financial responsibility in NEONET. During the current fiscal year, the School District made \$44,920 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 200 members. 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 2015, the School District paid \$75,733 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 17 - 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.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2014	\$0
Current year set-aside requirement	135,714
Current year offsets	(110,075)
Qualifying disbursements	<u>(44,660)</u>
Totals	<u><u>(\$19,021)</u></u>
Set-aside balance carried forward to future fiscal years	<u>\$0</u>
Set-aside balance June 30, 2015	<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 18 - Interfund Transactions

Interfund Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>
	<u>General Fund</u>
Governmental Fund:	
Other Governmental Funds	<u>\$297,719</u>
Enterprise Funds:	
Food Service	136,823
Special Services	59,923
Latchkey	56,145
Web Check Services	<u>852</u>
<i>Total Enterprise Funds</i>	<u>253,743</u>
<i>Total All Funds</i>	<u><u>\$551,462</u></u>

The general fund transfers to the other governmental funds were to the bond retirement fund for the payment of debt and to 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.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Interfund Balances

Interfund balances at June 30, 2015, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental Funds:		
General Fund	\$400,000	\$0
Other Governmental Funds	<u>0</u>	<u>348,000</u>
<i>Total Governmental Funds</i>	<u>400,000</u>	<u>348,000</u>
Enterprise Fund:		
Food Service	<u>0</u>	<u>52,000</u>
<i>Total All Funds</i>	<u><u>\$400,000</u></u>	<u><u>\$400,000</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 19 - 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:	
General	\$89,081	Food Service	\$35,292
Other Governmental	<u>172,796</u>	Latchkey	17,326
		Web Check Services	<u>180</u>
	<u><u>\$261,877</u></u>		<u><u>\$52,798</u></u>

Note 20 – Defined Benefit Pension Plans

Net Pension Liability

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$173,717 for fiscal year 2015. Of this amount \$10,395 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contributions to STRS was \$411,609 for fiscal year 2015. Of this amount \$82,128 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,653,858	\$9,672,606	\$12,326,464
Proportion of the Net Pension Liability	0.05243800%	0.03976657%	
Pension Expense	\$159,766	\$377,356	\$537,122

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$22,587	\$93,120	\$115,707
School District contributions subsequent to the measurement date	<u>173,717</u>	<u>411,609</u>	<u>585,326</u>
Total Deferred Outflows of Resources	<u><u>\$196,304</u></u>	<u><u>\$504,729</u></u>	<u><u>\$701,033</u></u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u><u>\$430,729</u></u>	<u><u>\$1,789,469</u></u>	<u><u>\$2,220,198</u></u>

\$585,326 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	(\$101,978)	(\$424,087)	(\$526,065)
2017	(101,978)	(424,087)	(526,065)
2018	(101,978)	(424,087)	(526,065)
2019	<u>(102,208)</u>	<u>(424,088)</u>	<u>(526,296)</u>
Total	<u><u>(\$408,142)</u></u>	<u><u>(\$1,696,349)</u></u>	<u><u>(\$2,104,491)</u></u>

Actuarial Assumptions - SERS

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

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented as follows:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

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

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$3,786,266	\$2,653,858	\$1,701,404

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

Richmond Heights Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$13,847,390	\$9,672,606	\$6,142,144

Note 21 - Postemployment Benefits

School Employee Retirement System

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District’s surcharge obligation was \$21,196.

The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$30,020, \$48,828 and \$78,795, respectively. For fiscal year 2015, 93.10 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

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) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$42,913 and \$41,113, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

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Required Supplementary Information

Richmond Heights Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.05243800%	0.05243800%
School District's Proportionate Share of the Net Pension Liability	\$2,653,858	\$3,118,320
School District's Covered-Employee Payroll	\$1,559,061	\$1,233,489
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	170.22%	252.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

Richmond Heights Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.03976657%	0.03976657%
School District's Proportionate Share of the Net Pension Liability	\$9,672,606	\$11,521,945
School District's Covered-Employee Payroll	\$4,079,585	\$4,171,315
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	237.10%	276.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$173,717	\$216,086	\$170,715	\$228,915
Contributions in Relation to the Contractually Required Contribution	<u>(173,717)</u>	<u>(216,086)</u>	<u>(170,715)</u>	<u>(228,915)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$1,318,036	\$1,559,061	\$1,233,489	\$1,701,969
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$193,779	\$227,176	\$162,303	\$185,575	\$212,600	\$201,790
<u>(193,779)</u>	<u>(227,176)</u>	<u>(162,303)</u>	<u>(185,575)</u>	<u>(212,600)</u>	<u>(201,790)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,541,600	\$1,677,817	\$1,649,417	\$1,889,771	\$1,990,637	\$1,907,278
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$411,609	\$530,346	\$542,271	\$522,260
Contributions in Relation to the Contractually Required Contribution	<u>(411,609)</u>	<u>(530,346)</u>	<u>(542,271)</u>	<u>(522,260)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$2,940,064	\$4,079,585	\$4,171,315	\$4,017,385
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007	2006
\$484,653	\$495,646	\$495,394	\$629,044	\$691,187	\$587,978
(484,653)	(495,646)	(495,394)	(629,044)	(691,187)	(587,978)
\$0	\$0	\$0	\$0	\$0	\$0
\$3,728,100	\$3,812,662	\$3,810,723	\$4,838,800	\$5,316,823	\$4,522,908
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass-Through Grantor/ 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	10.533	\$ 120,404	\$ 0
National School Lunch Program	10.555	<u>216,866</u>	<u>24,397</u>
Total U.S. Department of Agriculture		<u>337,270</u>	<u>24,397</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	<u>232,507</u>	<u>0</u>
Total Title I, Part A Cluster		<u>232,507</u>	<u>0</u>
Special Education Cluster:			
Special Education Grants to States	84.027	<u>123,133</u>	<u>0</u>
Total Special Education Cluster		<u>123,133</u>	<u>0</u>
Improving Teacher Quality State Grants	84.367	<u>53,439</u>	<u>0</u>
Total U.S. Department of Education		<u>409,079</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 746,349</u>	<u>\$ 24,397</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, 2015**

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.

NOTE3: TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amount from 2014 to 2015 program.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2014 to 2015</u>
Improving Teacher Quality State Grant	84.367	\$ 3,472

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, 2015, 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 21, 2015, wherein we noted the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, and restated its governmental activities net position at June 30, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency as **Item 2015-001**.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as **Item 2015-002**.

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

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
ou=James G. Zupka, CPA, Inc.,
ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2015.12.31 13:12:43 -05'00'

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

December 21, 2015

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

Report on Compliance for Each Major Federal Program

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, 2015. 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, 2015.

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

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President, o=James
G. Zupka, CPA, Inc., ou=Accounting,
email=jgz@intheblue.com, c=US
Date: 2015.12.31 13:13:09 -0500

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

December 21, 2015

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & .505
 JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

2015(I)	Type of Financial Statement Opinion	Unmodified
2015(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2015(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
2015(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
2015(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2015(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2015(v)	Type of Major Program's Compliance Opinion	Unmodified
2015(vi)	Are there any reportable findings under .510(a)?	No
2015(vii)	Major Programs (list): Title I, Part A Cluster: Title I - Grants to Local Educational Agencies - CFDA #84.010 Child Nutrition Cluster: National School Breakfast Program - CFDA #10.553 National School Lunch Program - CFDA #10.555	
2015(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2015(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, 2015
(CONTINUED)**

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

2015-001 - Significant Deficiency - 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. In testing the reasonableness of accumulated depreciation, furniture and equipment is estimated to have been charged approximately \$160,000 in excess depreciation.
3. The District does not utilize a formal asset disposal form.

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, 2015
 (CONTINUED)**

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

2015-002 - 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 various funds 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 Unencumbered <u>Fund Balances</u>	Final <u>Appropriations</u>	<u>E x c e s s</u>
General	\$14,960,063	\$15,210,891	\$ (250,828)
Public School Support	64,185	67,792	(3,607)
Bond Retirement	105,000	155,000	(50,000)
Other Local Grants	17,803	20,000	(2,197)
Management Information Systems	5,000	6,000	(1,000)
Network Connectivity	10,066	18,600	(8,534)
Title VI -B	217,312	372,008	(154,696)
Title II	0	500	(500)
Title I	350,000	620,619	(270,619)
Title V	48,682	119,628	(70,946)
Web Check Services	19,402	20,000	(598)

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.

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, 2015**

Number	Finding Summary	Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain
2014-001	Capital Assets	No	Partially corrected. See Finding 2015-001.
2014-002	Internal Controls Over Financial Reporting	No	Partially corrected. See Management Comment.
2014-003	Expenditures Exceeding Appropriations	No	Materially Corrected. See Verbal Comment.
2014-004	Appropriations Exceed Estimated Resources	No	Partially Corrected. See Finding 2015-002.
2014-005	Expenses	Yes	

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



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 31, 2016**