



OHIO AUDITOR OF STATE
KEITH FABER



**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

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CUYAHOGA COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Richmond Heights Local School District
Cuyahoga County
447 Richmond Road
Richmond Heights, Ohio 44143

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Richmond Heights Local School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements. We were engaged to audit the financial statements of the governmental activities. These financial statements collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph however, we were unable to obtain sufficient appropriate audit evidence to opine on the Governmental Activities' non depreciable capital assets, depreciable capital assets, net and net position – net investment in capital assets.

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

Except for the matter described in the *Basis for Disclaimer of Opinion* paragraph, we believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Summary of Opinions

Governmental Activities	Qualified
Business-Type Activities	Unmodified
General Fund	Unmodified
Building Fund	Unmodified
Food Service Fund	Unmodified
Web Check Services Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Disclaimer of Opinion on the Governmental Activities' Capital Asset Balances

The District does not have a comprehensive capital asset inventory listing which supports the reported Governmental Activities' nondepreciable capital assets, depreciable capital assets, and net position – net investment in capital assets, stated at \$311,214, \$1,589,229 and \$292,927, respectively, nor the gross capital asset and accumulated depreciation values listed in Note 11 to the basic financial statements. These balances comprise 5% assets and 3% of net position reported for governmental activities'.

Disclaimer of Opinion

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion on the Governmental Activities' Capital Asset Balances* paragraph, we were unable to obtain sufficient appropriate evidence to opine on the Governmental Activities' nondepreciable capital assets, depreciable capital assets, and net position – net investment in capital assets. Accordingly, we have not opined on these balances.

Qualified Opinion

In our opinion, except for the possible effect of the matter described in the *Basis for Disclaimer of Opinion on the Governmental Activities' Capital Asset Balances* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Richmond Heights Local School District, Cuyahoga County, Ohio, as of June 30, 2018, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Business-Type Activities, the General Fund, the Building Fund, the Food Service Fund, the Web Check Services Fund and aggregate remaining fund information of Richmond Heights Local School District, Cuyahoga County, Ohio, as of June 30, 2018, and the respective changes in financial position and, where applicable its cash flows, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries and to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Although our opinions on the basic financial statements are not further affected, we believe *management's discussion and analysis* departs from Governmental Accounting Standards Board guidelines because, as discussed in the *Basis for Disclaimer of Opinion on the Governmental Activities' Capital Asset Balances* paragraph above, the tables derived from the Governmental Activities' financial statements disclose capital asset balances and net position – net investment in capital assets balances which are not supported by the accounting records.

Supplementary and Other Information

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

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

March 12, 2019

Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
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, 2018. 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 2018 are as follows:

- Governmental activities reflected an increase in net position over fiscal year 2017 due to the decrease in the net pension expense from changes in assumptions and benefit terms.
- The voters passed a new levy on November 6, 2017. The three part levy includes a \$17.5 million bond issue for building, improving and renovating school facilities, 2.91 mills for permanent improvements for the School District and 4.94 mills for current operating expenses. This is the first time a levy has passed since 2012.
- On December 28, 2017, the School District issued \$9,950,000 in school improvement bond anticipation notes prior to the issuance of bonds in 2018 for construction of a new secondary school. This note was scheduled to mature on the June 28, 2018, but the notes were paid from the sale of Series A bonds on April 26, 2018.
- The School District issued Series A School Facilities Construction and Improvement Bonds dated April 26, 2018, in the amount of \$9,695,000 for the purpose of replacing the outstanding debt on the bond anticipation notes dated December 28, 2017. The Series A bonds have a final maturity date of December 1, 2047.
- The School District issued Series B School Facilities Construction and Improvement Bonds in the amount of \$7,550,000, dated May 23, 2018. This issuance completed the \$17.5 million bond issuance approved by voters on November 6, 2017. The Series B bonds have a final maturity date of December 1, 2054.

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 and building funds are the most significant funds.

Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited*

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 2018 fiscal year?" The statement of net position and the statement of activities answer this question. These statements include all (non-fiduciary) 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.

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 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 12. 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 funds are the general fund and the building capital projects 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.

Richmond Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

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 2018 compared to 2017:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and						
Other Assets	\$34,115,799	\$12,369,933	(\$49,356)	(\$46,539)	\$34,066,443	\$12,323,394
Capital Assets, Net	1,900,443	1,967,509	4,376	9,033	1,904,819	1,976,542
Total Assets	36,016,242	14,337,442	(44,980)	(37,506)	35,971,262	14,299,936
Deferred Outflows of Resources						
Deferred Charge on Refunding	22,484	0	0	0	22,484	0
Pension	3,529,684	2,716,133	0	0	3,529,684	2,716,133
OPEB	165,799	19,255	0	0	165,799	19,255
Total Deferred Outflows of Resources	3,717,967	2,735,388	0	0	3,717,967	2,735,388
Liabilities						
Current and Other Liabilities	1,515,692	1,459,595	0	24,626	1,515,692	1,484,221
Long-Term Liabilities:						
Due Within One Year	204,185	191,276	0	0	204,185	191,276
Due in More than One Year:						
Net Pension Liability	11,002,122	14,668,733	0	0	11,002,122	14,668,733
Net OPEB Liability	2,518,779	3,051,719	0	0	2,518,779	3,051,719
Other Amounts	20,251,352	1,977,223	0	0	20,251,352	1,977,223
Total Liabilities	35,492,130	21,348,546	0	24,626	35,492,130	21,373,172
Deferred Inflows of Resources						
Property Taxes	10,289,344	7,883,014	0	0	10,289,344	7,883,014
Pension	1,251,203	1,316,844	0	0	1,251,203	1,316,844
OPEB	295,876	0	0	0	295,876	0
Total Deferred Inflows of Resources	11,836,423	9,199,858	0	0	11,836,423	9,199,858
Net Position						
Net Investment in Capital Assets	292,927	196,741	4,376	9,033	297,303	205,774
Restricted for:						
Capital Projects	800,383	104,380	0	0	800,383	104,380
Other Purpose	315,223	167,342	0	0	315,223	167,342
Unrestricted (Deficit)	(9,002,877)	(13,944,037)	(49,356)	(71,165)	(9,052,233)	(14,015,202)
Total Net Position (Deficit)	(\$7,594,344)	(\$13,475,574)	(\$44,980)	(\$62,132)	(\$7,639,324)	(\$13,537,706)

Richmond Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

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The net pension liability (NPL) is the second largest single liability reported by the School District at June 30, 2018, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

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

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

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained previously, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control

Richmond Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating governmental net position at June 30, 2017, from (\$10,443,110) to (\$13,475,574).

Table 2 shows the changes in net position for fiscal year 2018 for both our governmental activities and our business-type activities. Revenue and expense comparisons can be made between fiscal years 2017 and 2018.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for Services and Sales	\$188,095	\$360,462	\$74,327	\$122,587	\$262,422	\$483,049
Operating Grants and Contributions	1,229,097	850,834	386,532	362,765	1,615,629	1,213,599
Capital Grants	23,692	13,609	0	0	23,692	13,609
<i>Total Program Revenues</i>	<u>1,440,884</u>	<u>1,224,905</u>	<u>460,859</u>	<u>485,352</u>	<u>1,901,743</u>	<u>1,710,257</u>
General Revenues:						
Property Taxes	11,330,137	7,915,025	0	0	11,330,137	7,915,025
Grants and Entitlements	3,258,041	3,310,221	0	0	3,258,041	3,310,221
Investment Earnings	141,966	0	0	0	141,966	0
Miscellaneous	37,263	231,031	43,197	0	80,460	231,031
<i>Total General Revenues</i>	<u>14,767,407</u>	<u>11,456,277</u>	<u>43,197</u>	<u>0</u>	<u>14,810,604</u>	<u>11,456,277</u>
Total Revenues	<u>16,208,291</u>	<u>12,681,182</u>	<u>504,056</u>	<u>485,352</u>	<u>16,712,347</u>	<u>13,166,534</u>
Program Expenses						
Instruction	5,435,847	8,932,709	0	0	5,435,847	8,932,709
Support Services:						
Pupils and Instructional Staff	687,267	858,725	0	0	687,267	858,725
Board of Education, Administration, Fiscal and Business	1,892,654	2,569,618	0	0	1,892,654	2,569,618
Operation and Maintenance of Plant	858,747	822,875	0	0	858,747	822,875
Pupil Transportation	842,853	967,200	0	0	842,853	967,200
Central	201,430	241,479	0	0	201,430	241,479
Operation of Non-Instructional Services	16,356	26,923	0	0	16,356	26,923
Extracurricular Activities	142,360	175,141	0	0	142,360	175,141
Interest and Fiscal Charges	249,547	41,340	0	0	249,547	41,340
Enterprise Operations	0	0	486,904	541,557	486,904	541,557
Total Program Expenses	<u>10,327,061</u>	<u>14,636,010</u>	<u>486,904</u>	<u>541,557</u>	<u>10,813,965</u>	<u>15,177,567</u>
Change in Net Position	5,881,230	(1,954,828)	17,152	(56,205)	5,898,382	(2,011,033)
<i>Net Position (Deficit) Beginning of Year</i>	(13,475,574)	N/A	(62,132)	(5,927)	(13,537,706)	N/A
<i>Net Position (Deficit) End of Year</i>	<u>(\$7,594,344)</u>	<u>(\$13,475,574)</u>	<u>(\$44,980)</u>	<u>(\$62,132)</u>	<u>(\$7,639,324)</u>	<u>(\$13,537,706)</u>

Richmond Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available; therefore, 2017 functional expenses still include OPEB expense of \$19,255 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$354,248. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$10,327,061
Negative OPEB expense under GASB 75	(354,248)
2018 contractually required contribution	<u>29,360</u>
Adjusted 2018 program expenses	10,002,173
Total 2017 program expenses under GASB 45	<u>14,636,010</u>
Decrease in program expenses not related to OPEB	<u><u>(\$4,633,837)</u></u>

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption (see Note 21). As a result of these changes, pension expense decreased from \$817,870 in fiscal year 2017 to a negative pension expense of \$3,756,731 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses	2018 Program Expenses Related to Negative Pension Expense
Instruction:	
Regular	(\$2,483,379)
Special	(455,965)
Support Services:	
Pupils	(177,833)
Instructional Staff	(15,422)
Administration	(422,981)
Fiscal	(12,084)
Operation and Maintenance of Plant	(19,550)
Pupil Transportation	(106,703)
Central	
Extracurricular Activities	<u>(62,814)</u>
Total Expenses	<u><u>(\$3,756,731)</u></u>

Richmond Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

Governmental Activities

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

During fiscal year 2018, property tax collections increased from the prior fiscal year, which is attributable to the three part levy that the School District passed in November of 2017. Overall expenses decreased due to the decrease in the net pension expense from changes in assumptions and benefit terms.

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 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Instruction	\$5,435,847	\$4,555,427	\$8,932,709	\$8,084,005
Support Services:				
Pupils and Instructional Staff	687,267	436,457	858,725	640,321
Board of Education, Administration, Fiscal and Business	1,892,654	1,756,295	2,569,618	2,560,969
Operation and Maintenance of Plant	858,747	826,990	822,875	789,579
Pupil Transportation	842,853	767,296	967,200	927,791
Central	201,430	196,148	241,479	235,207
Operating of Non-Instructional Services	16,356	(30)	26,923	(22,380)
Extracurricular Activities	142,360	98,047	175,141	154,273
Interest and Fiscal Charges	249,547	249,547	41,340	41,340
Total	<u>\$10,327,061</u>	<u>\$8,886,177</u>	<u>\$14,636,010</u>	<u>\$13,411,105</u>

Business-Type Activities

Business-type activities include the food service and web check services.

Overall business-type activities net position increased due to the increase in federal and state subsidies revenue. In June of 2011, the School District subcontracted the Latchkey Program to Step by Step Learning Centers. Step by Step continues to utilize the School District facilities on a rental basis back to the Richmond Heights Board of Education.

Richmond Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

The School District's Funds

Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. Despite an increase in revenues and a decrease in expenditures in the general fund, there was a decrease in fund balance. The increase in revenues, specifically property taxes, can be attributed to the new 4.94 mills current operating expenses levy passed on November 6, 2017. The decrease in expenditures are due to conservative spending. The building fund and other governmental funds saw increases in fund balance due to the issuance of general obligation bonds for building, improving and renovating school facilities.

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 2018, the School District amended its general fund budget several times.

For the general fund, the final budget basis revenue estimate was greater than actual revenues which can be attributed to lower than expected revenues across the board. The final budget appropriations were higher than actual expenditures due to the School District closely monitoring expenditures to keep costs low.

Capital Assets and Debt

Capital Assets

During fiscal year 2018, capital asset additions consisted of technology equipment, various building improvements, and testing equipment for buses. Current year depreciation exceeded these additions.

For fiscal year 2018, an Ohio law required school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2018, this amounted to \$133,603. See Note 11 to the basic financial statements for additional information on capital assets and Note 18 for additional information regarding required set-asides.

Debt

During fiscal year 2018, the School District issued 2018 school facilities construction and improvement general obligation bonds in the amount of \$18,504,051. At June 30, 2018, the School District had energy conservation refunding notes and a school renovation and improvement lease purchase with outstanding balances of \$540,000 and \$1,090,000 respectively. More information on the School District's long-term obligations can be found in Note 14 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. The School District continues to research ways to increase revenues. The current five year forecast shows a decrease in fund balance for each year.

Richmond Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

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. Cooper Martin, Treasurer, can be contacted at the Richmond Heights Local School District, 447 Richmond Road, Richmond Heights, Ohio 44143 or by email at martin.cooper@richmondheightsschools.org.

Basic Financial Statements

Richmond Heights Local School District

Statement of Net Position

June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$20,204,652	\$69,077	\$20,273,729
Accrued Interest Receivable	1,085	0	1,085
Accounts Receivable	5,707	1,567	7,274
Intergovernmental Receivable	345,688	0	345,688
Prepaid Items	14,090	0	14,090
Internal Balances	120,000	(120,000)	0
Property Taxes Receivable	13,424,577	0	13,424,577
Nondepreciable Capital Assets	311,214	0	311,214
Depreciable Capital Assets, Net	1,589,229	4,376	1,593,605
<i>Total Assets</i>	<i>36,016,242</i>	<i>(44,980)</i>	<i>35,971,262</i>
Deferred Outflows of Resources			
Deferred Charge on Refunding	22,484	0	22,484
Pension	3,529,684	0	3,529,684
OPEB	165,799	0	165,799
<i>Total Deferred Outflows of Resources</i>	<i>3,717,967</i>	<i>0</i>	<i>3,717,967</i>
Liabilities			
Accounts Payable	86,164	0	86,164
Accrued Wages and Benefits	1,037,076	0	1,037,076
Intergovernmental Payable	278,062	0	278,062
Accrued Interest Payable	114,390	0	114,390
Long-Term Liabilities:			
Due Within One Year	204,185	0	204,185
Due In More Than One Year			
Net Pension Liability (See Note 21)	11,002,122	0	11,002,122
Net OPEB Liability (See Note 22)	2,518,779	0	2,518,779
Other Amounts Due in More Than One Year	20,251,352	0	20,251,352
<i>Total Liabilities</i>	<i>35,492,130</i>	<i>0</i>	<i>35,492,130</i>
Deferred Inflows of Resources			
Property Taxes	10,289,344	0	10,289,344
Pension	1,251,203	0	1,251,203
OPEB	295,876	0	295,876
<i>Total Deferred Inflows of Resources</i>	<i>11,836,423</i>	<i>0</i>	<i>11,836,423</i>
Net Position			
Net Investment in Capital Assets	292,927	4,376	297,303
Restricted for:			
Capital Projects	800,383	0	800,383
Other Purposes	315,223	0	315,223
Unrestricted (Deficit)	(9,002,877)	(49,356)	(9,052,233)
<i>Total Net Position</i>	<i>(\$7,594,344)</i>	<i>(\$44,980)</i>	<i>(\$7,639,324)</i>

See accompanying notes to the basic financial statements

Richmond Heights Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2018

	Program Revenues			Capital Grants
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Instruction:				
Regular	\$2,610,980	\$66,986	\$159,861	\$0
Special	2,805,116	26,945	612,134	0
Vocational	19,751	172	14,322	0
Support Services:				
Pupils	574,159	14,495	155,249	0
Instructional Staff	113,108	604	80,462	0
Board of Education	156,083	1,360	0	0
Administration	964,979	12,139	118,110	0
Fiscal	745,835	4,529	0	0
Business	25,757	221	0	0
Operation and Maintenance of Plant	858,747	6,978	1,087	23,692
Pupil Transportation	842,853	8,175	67,382	0
Central	201,430	1,682	3,600	0
Operation of Non-Instructional Services	16,356	0	16,386	0
Extracurricular Activities	142,360	43,809	504	0
Interest and Fiscal Charges	249,547	0	0	0
<i>Total Governmental Activities</i>	<u>10,327,061</u>	<u>188,095</u>	<u>1,229,097</u>	<u>23,692</u>
Business-Type Activities				
Food Service	484,194	70,995	386,532	0
Web Check Services	2,710	3,332	0	0
<i>Total Business-Type Activities</i>	<u>486,904</u>	<u>74,327</u>	<u>386,532</u>	<u>0</u>
Totals	<u>\$10,813,965</u>	<u>\$262,422</u>	<u>\$1,615,629</u>	<u>\$23,692</u>

General Revenues

Property Taxes Levied for:

 General Purposes

 Debt Service

 Capital Projects

Grants and Entitlements not

 Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

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

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$2,384,133)	\$0	(\$2,384,133)
(2,166,037)	0	(2,166,037)
(5,257)	0	(5,257)
(404,415)	0	(404,415)
(32,042)	0	(32,042)
(154,723)	0	(154,723)
(834,730)	0	(834,730)
(741,306)	0	(741,306)
(25,536)	0	(25,536)
(826,990)	0	(826,990)
(767,296)	0	(767,296)
(196,148)	0	(196,148)
30	0	30
(98,047)	0	(98,047)
(249,547)	0	(249,547)
(8,886,177)	0	(8,886,177)
0	(26,667)	(26,667)
0	622	622
0	(26,045)	(26,045)
(8,886,177)	(26,045)	(8,912,222)
10,186,170	0	10,186,170
611,820	0	611,820
532,147	0	532,147
3,258,041	0	3,258,041
141,966	0	141,966
37,263	43,197	80,460
14,767,407	43,197	14,810,604
5,881,230	17,152	5,898,382
(13,475,574)	(62,132)	(13,537,706)
(\$7,594,344)	(\$44,980)	(\$7,639,324)

See accompanying notes to the basic financial statements

Richmond Heights Local School District

*Balance Sheet
Governmental Funds
June 30, 2018*

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,017,694	\$17,549,546	\$1,637,412	\$20,204,652
Accrued Interest Receivable	1,085	0	0	1,085
Accounts Receivable	5,707	0	0	5,707
Intergovernmental Receivable	152,329	0	193,359	345,688
Interfund Receivable	154,802	0	0	154,802
Prepaid Items	14,090	0	0	14,090
Property Taxes Receivable	11,816,181	0	1,608,396	13,424,577
<i>Total Assets</i>	<u>\$13,161,888</u>	<u>\$17,549,546</u>	<u>\$3,439,167</u>	<u>\$34,150,601</u>
Liabilities				
Accounts Payable	\$65,419	\$0	\$20,745	\$86,164
Accrued Wages and Benefits	1,009,863	0	27,213	1,037,076
Intergovernmental Payable	272,914	0	5,148	278,062
Interfund Payable	0	0	34,802	34,802
<i>Total Liabilities</i>	<u>1,348,196</u>	<u>0</u>	<u>87,908</u>	<u>1,436,104</u>
Deferred Inflows of Resources				
Unavailable Revenue	1,677,239	0	204,886	1,882,125
Property Taxes	8,980,871	0	1,308,473	10,289,344
<i>Total Deferred Inflows of Resources</i>	<u>10,658,110</u>	<u>0</u>	<u>1,513,359</u>	<u>12,171,469</u>
Fund Balances				
Nonspendable	14,090	0	0	14,090
Restricted	0	17,549,546	1,837,900	19,387,446
Committed	237,508	0	0	237,508
Assigned	186,448	0	0	186,448
Unassigned	717,536	0	0	717,536
<i>Total Fund Balances</i>	<u>1,155,582</u>	<u>17,549,546</u>	<u>1,837,900</u>	<u>20,543,028</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$13,161,888</u>	<u>\$17,549,546</u>	<u>\$3,439,167</u>	<u>\$34,150,601</u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2018*

Total Governmental Fund Balances \$20,543,028

*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. 1,900,443

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	1,735,777	
Grants	146,348	
Total		1,882,125

In the statement of net position, interest is accrued on outstanding
 debt, whereas in governmental funds, an interest expenditure
 is reported when due. (114,390)

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

General Obligation Bonds	(18,504,051)	
Energy Conservation Refunding Notes	(540,000)	
School Renovation and Improvement Lease Purchase	(1,090,000)	
Compensated Absences	(321,486)	
Deferred Charge on Refunding	22,484	
Total		(20,433,053)

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

Deferred Outflows - Pension	3,529,684	
Deferred Outflows - OPEB	165,799	
Net Pension Liability	(11,002,122)	
Net OPEB Liability	(2,518,779)	
Deferred Inflows - Pension	(1,251,203)	
Deferred Inflows - OPEB	(295,876)	
Total		(11,372,497)

Net Position of Governmental Activities (\$7,594,344)

See accompanying notes to the basic financial statements

Richmond Heights Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$9,496,942	\$0	\$1,020,628	\$10,517,570
Intergovernmental	3,652,574	0	817,225	4,469,799
Interest	44,066	60,656	37,244	141,966
Tuition and Fees	115,999	0	0	115,999
Extracurricular Activities	28,928	0	10,984	39,912
Rentals	32,184	0	0	32,184
Contributions and Donations	0	0	31,404	31,404
Miscellaneous	34,902	0	2,361	37,263
<i>Total Revenues</i>	<u>13,405,595</u>	<u>60,656</u>	<u>1,919,846</u>	<u>15,386,097</u>
Expenditures				
Current:				
Instruction:				
Regular	5,376,027	0	94,921	5,470,948
Special	3,095,405	0	269,819	3,365,224
Vocational	19,751	0	0	19,751
Support Services:				
Pupils	732,442	0	83,780	816,222
Instructional Staff	71,161	0	67,403	138,564
Board of Education	156,083	0	0	156,083
Administration	1,397,294	0	126,916	1,524,210
Fiscal	766,806	0	0	766,806
Business	25,574	0	0	25,574
Operation and Maintenance of Plant	799,264	0	1,296	800,560
Pupil Transportation	945,504	0	8,208	953,712
Central	192,992	0	3,600	196,592
Operation of Non-Instructional Services	0	0	15,274	15,274
Extracurricular Activities	73,382	0	149,873	223,255
Capital Outlay	0	31,178	160,882	192,060
Debt Service:				
Principal Retirement	167,000	0	0	167,000
Interest and Fiscal Charges	45,024	92,834	0	137,858
Issuance Costs	0	266,769	84,500	351,269
<i>Total Expenditures</i>	<u>13,863,709</u>	<u>390,781</u>	<u>1,066,472</u>	<u>15,320,962</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(458,114)</u>	<u>(330,125)</u>	<u>853,374</u>	<u>65,135</u>
Other Financing Sources (Uses)				
General Obligation Bonds Issued	0	7,550,000	9,695,000	17,245,000
Premium on Bonds Issued	0	236,269	1,022,782	1,259,051
Transfers In	0	10,073,334	163,530	10,236,864
Transfers Out	(163,530)	0	(10,073,334)	(10,236,864)
<i>Total Other Financing Sources (Uses)</i>	<u>(163,530)</u>	<u>17,859,603</u>	<u>807,978</u>	<u>18,504,051</u>
<i>Net Change in Fund Balances</i>	(621,644)	17,529,478	1,661,352	18,569,186
<i>Fund Balances Beginning of Year</i>	<u>1,777,226</u>	<u>20,068</u>	<u>176,548</u>	<u>1,973,842</u>
<i>Fund Balances End of Year</i>	<u>\$1,155,582</u>	<u>\$17,549,546</u>	<u>\$1,837,900</u>	<u>\$20,543,028</u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018*

Net Change in Fund Balances - Total Governmental Funds \$18,569,186

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

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

Capital Asset Additions	67,634	
Current Year Depreciation	(134,700)	
Total		(67,066)

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

Delinquent Property Taxes	812,567	
Grants	9,627	
Total		822,194

Repayment of long-term obligations is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position:

Payment on Notes	92,000	
Payment on Lease Purchase	75,000	
Total		167,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in the funds:

Compensated Absences	50,013	
Amortization of Deferred Charge on Refunding	(3,748)	
Total		46,265

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. (107,941)

Other financing sources in the governmental funds, such as the issuance of general obligation bonds, increase long-term liabilities in the statement of net position. (18,504,051)

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

Pension	815,304	
OPEB	29,360	
Total		844,664

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

Pension	3,756,731	
OPEB	354,248	
Total		4,110,979

Change in Net Position of Governmental Activities \$5,881,230

See accompanying notes to the basic financial statements

Richmond Heights Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Property Taxes	\$9,272,777	\$9,775,157	\$9,633,392	(\$141,765)
Intergovernmental	6,083,650	6,141,127	3,594,580	(2,546,547)
Interest	8,461	8,544	8,999	455
Tuition and Fees	434,921	439,135	236,593	(202,542)
Rentals	38,923	39,300	30,984	(8,316)
Miscellaneous	30,827	31,072	32,362	1,290
<i>Total Revenues</i>	<u>15,869,559</u>	<u>16,434,335</u>	<u>13,536,910</u>	<u>(2,897,425)</u>
Expenditures				
Current:				
Instruction:				
Regular	5,399,217	5,528,678	5,222,416	306,262
Special	3,436,340	3,441,079	3,136,116	304,963
Vocational	35,852	35,778	25,706	10,072
Support Services:				
Pupils	735,634	755,027	720,328	34,699
Instructional Staff	76,723	78,760	73,236	5,524
Board of Education	286,342	271,751	195,227	76,524
Administration	1,520,005	1,513,259	1,455,018	58,241
Fiscal	588,263	600,345	521,985	78,360
Business	28,002	28,304	25,660	2,644
Operation and Maintenance of Plant	854,390	865,514	818,395	47,119
Pupil Transportation	1,096,834	1,101,817	980,431	121,386
Central	233,671	239,820	195,115	44,705
Extracurricular Activities	73,157	75,100	71,939	3,161
Debt Service:				
Principal Retirement	167,000	167,000	167,000	0
Interest and Fiscal Charges	45,100	45,100	45,024	76
<i>Total Expenditures</i>	<u>14,576,530</u>	<u>14,747,332</u>	<u>13,653,596</u>	<u>1,093,736</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,293,029</u>	<u>1,687,003</u>	<u>(116,686)</u>	<u>(1,803,689)</u>
Other Financing Sources (Uses)				
Advances In	220,000	220,000	220,000	0
Advances Out	(156,000)	(156,000)	(154,802)	1,198
Transfers Out	(194,050)	(194,050)	(176,030)	18,020
<i>Total Other Financing Sources (Uses)</i>	<u>(130,050)</u>	<u>(130,050)</u>	<u>(110,832)</u>	<u>19,218</u>
<i>Net Change in Fund Balance</i>	1,162,979	1,556,953	(227,518)	(1,784,471)
<i>Fund Balance Beginning of Year</i>	521,503	521,503	521,503	0
Prior Year Encumbrances Appropriated	207,040	207,040	207,040	0
<i>Fund Balance End of Year</i>	<u>\$1,891,522</u>	<u>\$2,285,496</u>	<u>\$501,025</u>	<u>(\$1,784,471)</u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District

Statement of Fund Net Position

Enterprise Funds

June 30, 2018

	<u>Food Service</u>	<u>Web Check Services</u>	<u>Total Enterprise Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$68,373	\$704	\$69,077
Accounts Receivable	1,191	376	1,567
<i>Total Current Assets</i>	69,564	1,080	70,644
Depreciable Capital Assets, Net	4,376	0	4,376
<i>Total Assets</i>	73,940	1,080	75,020
Liabilities			
<i>Current Liabilities:</i>			
Interfund Payable	120,000	0	120,000
Net Position			
Investment in Capital Assets	4,376	0	4,376
Unrestricted (Deficit)	(50,436)	1,080	(49,356)
<i>Total Net Position</i>	<u>(\$46,060)</u>	<u>\$1,080</u>	<u>(\$44,980)</u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Enterprise Funds
For the Fiscal Year Ended June 30, 2018*

	Food Service	Web Check Services	Total Enterprise Funds
Operating Revenues			
Charges for Services	\$70,995	\$3,332	\$74,327
Other Operating Revenues	36,003	0	36,003
<i>Total Operating Revenues</i>	<u>106,998</u>	<u>3,332</u>	<u>110,330</u>
Operating Expenses			
Salaries	36,518	0	36,518
Purchased Services	246,494	2,710	249,204
Materials and Supplies	195,074	0	195,074
Depreciation	4,657	0	4,657
Other	1,451	0	1,451
<i>Total Operating Expenses</i>	<u>484,194</u>	<u>2,710</u>	<u>486,904</u>
<i>Operating Income (Loss)</i>	<u>(377,196)</u>	<u>622</u>	<u>(376,574)</u>
Non-Operating Revenues			
Federal and State Grants Received	386,532	0	386,532
Other Non-Operating Revenues	7,194	0	7,194
<i>Total Non-Operating Revenues</i>	<u>393,726</u>	<u>0</u>	<u>393,726</u>
<i>Change in Net Position</i>	16,530	622	17,152
<i>Net Position Beginning of Year</i>	<u>(62,590)</u>	<u>458</u>	<u>(62,132)</u>
<i>Net Position End of Year</i>	<u>(\$46,060)</u>	<u>\$1,080</u>	<u>(\$44,980)</u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District

Statement of Cash Flows

Enterprise Funds

For the Fiscal Year Ended June 30, 2018

	<u>Food Service</u>	<u>Web Check Services</u>	<u>Total Enterprise Funds</u>
Increase in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$70,794	\$2,956	\$73,750
Other Operating Revenues	35,013	0	35,013
Cash Payments to Employees for Services	(36,518)	0	(36,518)
Cash Payments for Goods and Services	(465,780)	(3,124)	(468,904)
Other Cash Payments	(1,451)	0	(1,451)
<i>Net Cash Used for Operating Activities</i>	<u>(397,942)</u>	<u>(168)</u>	<u>(398,110)</u>
Cash Flows from Noncapital Financing Activities			
Federal and State Grants Received	406,690	0	406,690
Other Non-Operating Revenues	7,194	0	7,194
Advances In	120,000	0	120,000
Advances Out	(75,000)	0	(75,000)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>458,884</u>	<u>0</u>	<u>458,884</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	60,942	(168)	60,774
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>7,431</u>	<u>872</u>	<u>8,303</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$68,373</u>	<u>\$704</u>	<u>\$69,077</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities			
Operating Income (Loss)	(\$377,196)	\$622	(\$376,574)
Adjustments:			
Depreciation	4,657	0	4,657
Increase in Accounts Receivable	(1,191)	(376)	(1,567)
Increase (Decrease) in Liabilities:			
Accounts Payable	(24,212)	0	(24,212)
Intergovernmental Payable	0	(414)	(414)
<i>Net Cash Used for Operating Activities</i>	<u>(\$397,942)</u>	<u>(\$168)</u>	<u>(\$398,110)</u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2018

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$11,278</u></u>
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Liabilities

Due to Students	<u><u>\$11,278</u></u>
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See accompanying notes to the basic financial statements

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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 5 administrators, 37 non-certified and 53 certificated full time teaching personnel who provide services to 765 students and other community members.

Reporting Entity

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

Nonpublic School Within the School District boundaries, Richmond Heights Christian School is operated independently. Current State legislation provides funding to this nonpublic school. These monies are received and disbursed on behalf of the nonpublic school by the Treasurer of the School District, as directed by the nonpublic schools. These transactions are reported as a 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 and a claims servicing pool. These organizations are the Northeast Ohio Network for Educational Technology and Ohio Schools Council and the Health Care Benefits Program of Lake County Schools Council. These organizations are discussed in Notes 16 and 17 of the basic financial statements.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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 are the School District's major governmental funds:

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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.

Building Fund The building fund accounts for and reports bond proceeds restricted for the various capital improvements within the School District.

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.

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., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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 and for pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value or 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 and OPEB plans are explained in Notes 21 and 22.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 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. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balance to net position of governmental activities found on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 21 and 22).

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/Other Postemployment Benefits (OPEB)

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

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 statement 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, 2018

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources 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."

During fiscal year 2018, investments were limited to STAR Ohio, a money market mutual fund, commercial paper, treasury bills and treasury notes. Except for STAR Ohio, investments are reported at fair value.

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

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$44,066, which includes \$36,940 assigned from other School District funds.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old debt or the life of the new debt, whichever is shorter, using the straight-line method and is presented as deferred outflows of resources on the statement of net position.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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 acquisition values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

Interfund Balances

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

Compensated Absences

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

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

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for the payment during the current fiscal year. Net pension/OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are receipted in the year the bonds are issued.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt service and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

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:

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.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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 also assigned fund balance for public school support and to cover a gap between fiscal year 2019's estimated revenues and appropriated budget in the general fund.

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 and web check services. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenue and expenses not meeting these definitions are reported as non-operating.

Internal Activity

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

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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 – Changes in Accounting Principles and Restatement of Net Position

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit 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, 2017:

	Governmental Activities	Business-Type Activities	Total
Net Position June 30, 2017	(\$10,443,110)	(\$62,132)	(\$10,505,242)
Adjustments:			
Net OPEB Liability	(3,051,719)	0	(3,051,719)
Deferred Outflow - Payments Subsequent to Measurement Date	19,255	0	19,255
Restated Net Position July 1, 2017	<u>(\$13,475,574)</u>	<u>(\$62,132)</u>	<u>(\$13,537,706)</u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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. Investments are reported at cost (budget basis) rather than fair value (GAAP basis).
3. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP).
5. Budgetary revenues and expenditures of the public school support and termination benefits funds are reclassified to the general fund for GAAP Reporting.
6. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed or assigned fund balance.

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

Net Change in Fund Balance

GAAP Basis	(\$621,644)
Net Adjustment for Revenue Accruals	207,240
Advances In	220,000
Ending Fair Value Adjustment for Investments	(33,982)
Net Adjustment for Expenditure Accruals	(25,663)
Advances Out	(154,802)
Perspective Difference:	
Public School Support	(4,243)
Termination Benefits	468,241
Adjustment for Encumbrances	(282,665)
Budget Basis	<u><u>(\$227,518)</u></u>

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:

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Fund Balances	General	Building	Other Governmental Funds	Total
<i>Nonspendable:</i>				
Prepaid Items	\$14,090	\$0	\$0	\$14,090
<i>Restricted for:</i>				
Capital Projects	0	17,549,546	430,869	17,980,415
Debt Service	0	0	1,153,389	1,153,389
Other Purposes:				
Extracurricular Activities	0	0	27,932	27,932
Community Involvement	0	0	11,643	11,643
Technology Improvements	0	0	3,600	3,600
Teacher Education	0	0	35,584	35,584
Medicaid	0	0	174,883	174,883
<i>Total Restricted</i>	0	17,549,546	1,837,900	19,387,446
<i>Committed to:</i>				
Purchases on Order:				
Support Services	56,031	0	0	56,031
Employee Benefits	181,477	0	0	181,477
<i>Total Committed</i>	237,508	0	0	237,508
<i>Assigned to:</i>				
Public School Support	18,861	0	0	18,861
Purchases on Order:				
Support Services	128,616	0	0	128,616
Fiscal Year 2019 Appropriations	38,971	0	0	38,971
<i>Total Assigned</i>	186,448	0	0	186,448
<i>Unassigned</i>	717,536	0	0	717,536
<i>Total Fund Balances</i>	\$1,155,582	\$17,549,546	\$1,837,900	\$20,543,028

Note 6 – Accountability

The food service enterprise fund ended the year with a deficit fund balance of \$46,060 as the result of operations. Management is currently analyzing their operations to determine appropriate steps to alleviate the deficit.

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.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2018, \$58,503 of the School District's total bank balance of \$391,495 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the School District's financial institutions participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

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

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

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

Investments

Investments are reported at fair value. As of June 30, 2018, the School District had the following investments:

Measurement/Investment	S&P Rating	Measurement Amount	Percent of Total Investments
Net Asset Value Per Share:			
STAR Ohio (Less than One Year)	AAAm	\$2,333,801	N/A
Fair Value - Level 1 Inputs:			
Money Market (Less than One Year)	N/A	10,029	0.05%
Fair Value - Level 2 Inputs:			
Commercial Paper (Less than One Year)	A-1+	2,282,500	11.46
Commercial Paper (Less than One Year)	A-1	9,606,406	48.22
Treasury Bills (Less than One Year)	A-1+	4,691,253	23.55
Treasury Notes (Less than One Year)	AA+	996,661	5.00
Total Portfolio		<u>\$19,920,650</u>	<u>100.00%</u>

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The preceding chart identifies the School District's recurring fair value measurements as of June 30, 2018. The Money

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk As a means of limiting its exposure to fair value losses arising from rising interest rates, and according to State law, the School District's investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District and that investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements shall not exceed thirty days.

Credit Risk The School District's investment policy requires certain credit ratings for some investments as allowed by State law. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer.

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, in the opinion of management the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Litigation

The School District is not party to various legal proceedings.

Note 9 – Receivables

Receivables at June 30, 2018, 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:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
<i>Governmental Activities:</i>	
Foundation Adjustment	\$77,063
School Employee Retirement System	75,266
Title I Grant	74,156
21st Century Grant	74,055
Classroom Reduction	22,539
Early Childhood Education Grant	16,872
Other Federal Grant	4,802
Title VI-B Grant	935
Total	<u><u>\$345,688</u></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 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, 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.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017, 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, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2018 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, 2018, was \$1,233,337 in the general fund, \$91,599 in the bond retirement fund and \$74,520 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2017 was \$1,369,787 in the general fund and \$13,974 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 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$199,014,720	98.39 %	\$199,190,860	98.27 %
Public Utility Personal	3,264,850	1.61	3,505,970	1.73
Total	<u>\$202,279,570</u>	<u>100.00 %</u>	<u>\$202,696,830</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$87.90		\$99.98	

The tax rate increased due to the School District passing a new, three part levy during fiscal year 2018. The three part levy includes a \$17.5 million bond issue for building, improving and renovating school facilities, 2.91 mills for permanent improvements for the School District and 4.94 mills for current operating expenses.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$311,214	\$0	\$0	\$311,214
Capital Assets, being depreciated:				
Buildings and Improvements	7,381,599	49,585	0	7,431,184
Furniture and Equipment	1,158,309	18,049	0	1,176,358
Vehicles	1,160,906	0	0	1,160,906
Total Capital Assets, being depreciated	9,700,814	67,634	0	9,768,448
Less Accumulated Depreciation:				
Buildings and Improvements	(6,251,665)	(65,601)	0	(6,317,266)
Furniture and Equipment	(1,090,719)	(13,783)	0	(1,104,502)
Vehicles	(702,135)	(55,316)	0	(757,451)
Total Accumulated Depreciation	(8,044,519)	(134,700) *	0	(8,179,219)
Total Capital Assets, being depreciated, net	1,656,295	(67,066)	0	1,589,229
Governmental Activities Capital Assets, Net	\$1,967,509	(\$67,066)	\$0	\$1,900,443

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$18,090
Special	2,399
Support Services:	
Pupils	2,588
Instructional Staff	3,467
Administration	3,753
Fiscal	1,039
Business	379
Operation and Maintenance of Plant	58,869
Pupil Transportation	37,526
Central	4,838
Operation of Non-Instructional Services	1,082
Extracurricular Activities	670
Total Depreciation	<u>\$134,700</u>

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Capital asset activity for business-type activities for the fiscal year ended June 30, 2018, was as follows:

	Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018
Business-Type Activities:				
Furniture and Equipment	\$104,341	\$0	\$0	\$104,341
Less Accumulated Depreciation	(95,308)	(4,657)	0	(99,965)
Business-Type Activities Capital Asset, Net	\$9,033	(\$4,657)	\$0	\$4,376

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, 2018, the School District contracted with Ohio Schools Council for the following coverage:

Type of Coverage	Limit	Deductible
Auto Liability	\$15,000,000	N/A
Uninsured Motorist	1,000,000	N/A
Comprehensive General Liability:		
General Liability	15,000,000	N/A
Personal Injury	15,000,000	N/A
General Aggregate	15,000,000	N/A
Errors and Omissions	17,000,000	\$5,000
Property Coverage:		
Blanket Building and Contents	34,380,326	2,500

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

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

Note 13 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. All administrators and certified employees receive 1.25 of sick leave days per month. 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 union 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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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:

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

Insurance Benefits

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

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

Note 14 – Long-Term Obligations

The original issue date, interest rate, original issue amount and date of maturity of each of the School District's long-term obligations is as follows:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
General Obligation Bonds:			
2018A School Facilities Construction and Improvement Bonds	2% - 5%	\$9,695,000	December 1, 2047
2018B School Facilities Construction and Improvement Bonds	5	7,550,000	December 1, 2054
Other Long-Term Obligations:			
2017 Energy Conservation Refunding Notes	1.95	686,000	September 15, 2023
2015 School Renovation and Improvement Lease Purchase	2.94	1,250,000	December 1, 2029

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

	Principal Outstanding 6/30/2017	Additions	(Reductions)	Principal Outstanding 6/30/2018	Amount Due in One Year
Governmental Activities:					
General Obligation Bonds:					
2018A School Facilities Construction and Improvement Bonds:					
Serial Bonds	\$0	\$1,295,000	\$0	\$1,295,000	\$0
Term Bonds	0	8,400,000	0	8,400,000	0
Premium	0	302,974	0	302,974	0
Total 2018A School Facilities Construction and Improvement Bonds	\$0	\$9,997,974	\$0	\$9,997,974	\$0

(continued)

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	Principal Outstanding 6/30/2017	Additions	(Reductions)	Principal Outstanding 6/30/2018	Amount Due in One Year
Governmental Activities (continued):					
2018B School Facilities Construction and Improvement Bonds:					
Term Bonds	\$0	\$7,550,000	\$0	\$7,550,000	\$0
Premium	0	956,077	0	956,077	0
Total 2018B School Facilities Construction and Improvement Bonds	0	8,506,077	0	8,506,077	0
Total General Obligation Bonds	0	18,504,051	0	18,504,051	0
2017 Energy Conservation Refunding Notes	632,000	0	(92,000)	540,000	94,000
2015 School Renovation and Improvement Lease Purchase	1,165,000	0	(75,000)	1,090,000	80,000
Compensated Absences	371,499	56,388	(106,401)	321,486	30,185
Net Pension Liability:					
SERS	3,114,517	0	(602,152)	2,512,365	0
STRS	11,554,216	0	(3,064,459)	8,489,757	0
Total Net Pension Liability	14,668,733	0	(3,666,611)	11,002,122	0
Net OPEB Liability:					
SERS	1,205,687	0	(81,292)	1,124,395	0
STRS	1,846,032	0	(451,648)	1,394,384	0
Total Net OPEB Liability	3,051,719	0	(532,940)	2,518,779	0
Total Governmental Activities	\$19,888,951	\$18,560,439	(\$4,472,952)	\$33,976,438	\$204,185

The general obligation bonds will be paid from the bond retirement fund. The energy conservation refunding notes will be paid from the general fund. The school renovation and improvement lease purchase obligation will be paid from the building capital project fund. Compensated absences will be paid from the general fund and title I and other federal grants special revenue funds. There is no repayment schedule for the net pension liability or net OPEB liability; however, employer pension and OPEB contributions are made from the following funds: general fund and title I and other federal grants special revenue funds. For additional information related to the net pension liability and the net OPEB liability see Notes 21 and 22.

On April 26, 2018, the School District issued \$9,695,000 in general obligation bonds for the purpose of retiring the 2017 School Facilities Construction and Improvement Bond Anticipation Notes, dated December 28, 2017, issued for the purpose of constructing, renovating and improving facilities for school and community use, furnishing and equipping the same, improving the sites thereof, and acquiring land and interest in land in connection therewith and retiring notes previously issued for such purposes. The bonds were sold at a premium of \$302,974, and the bonds consisted of serial and term bonds of \$1,295,000 and \$8,400,000, respectively. The bonds were issued with interest rates varying from 2 to 5 percent. The bonds will be paid from the bond retirement fund. The bonds were issued for a 30 year period with a final maturity date of December 1, 2047.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Optional Redemption The bonds maturing after December 1, 2028, are subject to redemption at the option of the School District, either in whole or in part, in the integral multiples of \$5,000, in such order of maturity as the School District shall determine, on any date on or after December 1, 2028, at a redemption price equal to 100 percent of the principal amount redeemed, plus, in each case, accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption The term bonds maturing on December 1, 2031, 2033, 2038, 2043, and 2047 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

Year	2018A School Facilities Construction and Improvement Term Bonds				
	\$710,000	\$555,000	\$1,750,000	\$2,425,000	\$2,960,000
2029	\$215,000	\$0	\$0	\$0	\$0
2030	240,000	0	0	0	0
2032	0	265,000	0	0	0
2034	0	0	305,000	0	0
2035	0	0	315,000	0	0
2036	0	0	360,000	0	0
2037	0	0	375,000	0	0
2039	0	0	0	415,000	0
2040	0	0	0	430,000	0
2041	0	0	0	445,000	0
2042	0	0	0	460,000	0
2044	0	0	0	0	700,000
2045	0	0	0	0	725,000
2046	0	0	0	0	755,000
Total	\$455,000	\$265,000	\$1,355,000	\$1,750,000	\$2,180,000
<i>Stated Maturity</i>	<i>12/1/2031</i>	<i>12/1/2033</i>	<i>12/1/2038</i>	<i>12/1/2043</i>	<i>12/1/2047</i>

The remaining principal amounts of the term bonds (\$255,000, \$290,000, \$395,000, \$675,000, and \$780,000) will mature at the stated maturity.

On May 23, 2018, the School District issued \$7,550,000 in general obligation term bonds for the purpose of constructing, renovating and improving facilities for school and community use, furnishing and equipping the same, improving the sites thereof, and acquiring land and interest in land in connection therewith. The bonds were sold at a premium of \$956,077. The bonds were issued with an interest rate of 5 percent. The bonds will be paid from the bond retirement fund. The bonds were issued for a 37 year period with a final maturity date of December 1, 2054.

Optional Redemption The bonds are subject to redemption at the option of the School District, either in whole or in part, in the integral multiples of \$5,000, in such order of maturity as the School District shall determine, on any date on or after December 1, 2028, at a redemption price equal to 100 percent of the principal amount redeemed, plus, in each case, accrued interest to the date fixed for redemption.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Mandatory Sinking Fund Redemption The term bonds maturing on December 1, 2043 and 2054 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

Year	2018B School Facilities	
	Construction and Improvement	
	\$1,135,000	\$6,415,000
2032	\$90,000	\$0
2033	90,000	0
2034	90,000	0
2035	100,000	0
2036	85,000	0
2037	90,000	0
2038	95,000	0
2039	110,000	0
2040	115,000	0
2041	125,000	0
2042	140,000	0
2048	0	780,000
2049	0	820,000
2050	0	860,000
2051	0	915,000
2052	0	960,000
2053	0	1,010,000
Total	\$1,130,000	\$5,345,000

The remaining principal amounts of the term bonds (\$5,000 and \$1,070,000) will mature at the stated maturity.

On July 7, 2016, the School District issued \$686,000 in energy conservation refunding notes for the purpose of currently refunding all or a portion of energy conservation notes, series 2008, dated September 17, 2008, issued for the purpose of purchasing and installing energy conservation measures. The bonds were issued with an interest rate of 1.95 percent. The notes will be paid from the general fund. The notes were issued for a 7 year period with a final maturity date of September 15, 2023.

On October 21, 2015, the School District issued \$1,250,000 in lease purchase obligations (LPOs), to provide funding for various roofing, building, HVAC and other improvements to the Richmond Heights Secondary School and Richmond Heights Elementary School; various improvements, renovations and appurtenances to the Richmond Heights Secondary School's technology hub, teacher's lounge, restrooms and related areas. The LPOs issuance included issuance costs of \$58,490. The LPOs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The LPOs have been designated to be "qualified tax exempt obligations" within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the Branch Banking and Trust Company, and then leased back to the School District. The LPOs were issued through a series of annual leases with an initial lease term of one year which includes the right to renew for fifteen successive one year term through December 1, 2029, subject to annual appropriations. To satisfy the trustee requirements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 2.94 percent. The School District has the option to purchase the Project Facilities on any Lease Payment Date on and after June 1, 2022, by paying the amount necessary to defease the Indenture.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

The School District's overall legal debt margin was \$521,104 with an unvoted debt margin of \$202,697 at June 30, 2018. Principal and interest requirements to retire the energy conservation notes and general obligation bonds are as follows:

Fiscal Year Ending June 30	General Obligation Bonds				Energy Conservation Refunding Notes	
	Serial Bonds		Term Bonds		Principal	Interest
	Principal	Interest	Principal	Interest		
2019	\$0	\$48,326	\$0	\$755,660	\$94,000	\$10,072
2020	60,000	42,844	0	714,506	96,000	8,229
2021	105,000	39,544	0	714,506	98,000	6,347
2022	110,000	36,344	0	714,506	100,000	4,417
2023	110,000	34,007	0	714,506	101,000	2,467
2024-2028	705,000	114,667	0	3,572,530	51,000	497
2029-2033	205,000	4,100	1,065,000	3,495,581	0	0
2034-2038	0	0	2,100,000	3,116,582	0	0
2039-2043	0	0	2,730,000	2,563,624	0	0
2043-2048	0	0	3,640,000	1,954,171	0	0
2049-2053	0	0	4,335,000	1,084,625	0	0
2054-2055	0	0	2,080,000	105,500	0	0
Total	\$1,295,000	\$319,832	\$15,950,000	\$19,506,297	\$540,000	\$32,029

Annual base rent requirements to retire the lease purchase obligations outstanding at June 30, 2018, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$80,000	\$30,870	\$110,870
2020	80,000	28,518	108,518
2021	80,000	26,166	106,166
2022	85,000	23,740	108,740
2023	85,000	21,241	106,241
2024-2028	470,000	66,151	536,151
2029-2030	210,000	6,175	216,175
Total	\$1,090,000	\$202,861	\$1,292,861

Note 15 – Short-Term Notes Payable

On December 28, 2017, the School District issued \$9,950,000 in bond anticipation notes for the purpose of constructing, renovating and improving facilities for school and community use, furnishing and equipping the same, improving the sites thereof, and acquiring land and interest in land in connection. The notes were sold at a premium of \$68,854 and issued with an interest rate of 3.25 percent. The notes were paid from the bond retirement fund during fiscal year 2018.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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 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 \$48,441 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 2018, the School District paid \$14,900 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; Constellation New Energy (formerly known as Compass Energy) selected as of April 1, 2016. The contract with Compass Energy Gas Services was extended until March 31, 2019. There are currently 157 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.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 17 – Claims Servicing Pool

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

Note 18 – Set-Asides

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2017	\$0
Current year set-aside requirement	133,603
Current year offsets	(102,258)
Qualifying disbursements	<u>(165,077)</u>
Totals	<u><u>(\$133,732)</u></u>
Set-aside balance carried forward to future fiscal years	<u><u>\$0</u></u>
Set-aside balance June 30, 2018	<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.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 19 – Interfund Transactions

Interfund Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfers To	Transfers From		
	General	Other Governmental Funds	Total
Governmental Funds:			
Building	\$0	\$10,073,334	\$10,073,334
Other Governmental Funds	163,530	0	163,530
<i>Total All Funds</i>	<u>\$163,530</u>	<u>\$10,073,334</u>	<u>\$10,236,864</u>

The general fund transfers to the other governmental funds were to various special revenue and capital projects funds to support programs in those funds. The other governmental funds transfer to the building fund was to pay debt.

Interfund Balances

Interfund balances at June 30, 2018, consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
Governmental Funds:		
General	\$154,802	\$0
Other Governmental Funds	0	34,802
<i>Total Governmental Funds</i>	<u>154,802</u>	<u>34,802</u>
Enterprise Fund:		
Food Service	0	120,000
<i>Total All Funds</i>	<u>\$154,802</u>	<u>\$154,802</u>

Interfund payables in the special revenue funds are due to the timing of the receipt of grant monies received by the various funds. Interfund payables exist in the enterprise funds due to the timing of the receipt of various revenue sources.

Note 20 – Encumbrances

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Governmental Funds:		Enterprise Funds:	
General	\$282,665	Food Service	\$40,000
Building	643,226	Web Check Services	<u>290</u>
Other Governmental	<u>45,999</u>	Total Enterprise Funds	<u>\$40,290</u>
Total Governmental Funds	<u>\$971,890</u>		

Note 21 – Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability

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

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

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

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

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OPEB liabilities* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contributions outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 22 for the required OPEB disclosures.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Plan Description – School Employees Retirement System (SERS)

Plan Description – The School District’s 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:

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

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

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

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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$219,230 for fiscal year 2018. Of this amount, \$14,991 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – The School District’s licensed teachers and other faculty members participate in STRS, 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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The entire 14 percent employer contribution rate was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$596,074 for fiscal year 2018. Of this amount, \$110,580 is reported as an intergovernmental payable.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.04255340%	0.03451800%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.04204950%</u>	<u>0.03573850%</u>	
Change in Proportionate Share	<u>-0.00050390%</u>	<u>0.00122050%</u>	
Proportionate Share of the Net Pension Liability	\$2,512,365	\$8,489,757	\$11,002,122
Pension Expense	(\$245,895)	(\$3,510,836)	(\$3,756,731)

At June 30, 2018, 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	\$108,123	\$327,835	\$435,958
Changes of Assumptions	129,916	1,856,803	1,986,719
Changes in Proportionate Share and Difference between School District Contributions and Proportionate Share of Contributions	0	291,703	291,703
School District Contributions Subsequent to the Measurement Date	<u>219,230</u>	<u>596,074</u>	<u>815,304</u>
Total Deferred Outflows of Resources	<u>\$457,269</u>	<u>\$3,072,415</u>	<u>\$3,529,684</u>
Deferred Inflows of Resources:			
Differences between Expected and Actual Experience	\$0	\$68,424	\$68,424
Net Difference between Projected and Actual Earnings on Pension Plan Investments	11,926	280,172	292,098
Changes in Proportionate Share and Difference between School District Contributions and Proportionate Share of Contributions	<u>205,887</u>	<u>684,794</u>	<u>890,681</u>
Total Deferred Inflows of Resources	<u>\$217,813</u>	<u>\$1,033,390</u>	<u>\$1,251,203</u>

\$815,304 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 fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	(\$54,708)	\$149,323	\$94,615
2020	102,103	530,452	632,555
2021	31,399	541,940	573,339
2022	(58,568)	221,236	162,668
Total	\$20,226	\$1,442,951	\$1,463,177

Actuarial Assumptions – SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented as follows:

Wage Inflation	3.00 percent
Future Salary Increases, Including Inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

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

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

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

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's Proportionate Share of the Net Pension Liability	\$3,486,509	\$2,512,365	\$1,696,320

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017 actuarial valuation, compared with July 1, 2016 are presented as follows:

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017 actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016, actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set-back from age 90 and above.

Actuarial assumptions used in the July 1, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

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

Richmond Heights Local School District

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For the Fiscal Year Ended June 30, 2018

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	\$12,169,778	\$8,489,757	\$5,389,891

Note 22 – Defined Benefit OPEB Plans

See Note 21 for a description of the net OPEB liability.

Plan Description – School Employees Retirement System (SERS)

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. 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 2018, the School District’s surcharge obligation was \$21,240.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District’s contractually required contribution to SERS was \$29,360 for fiscal year 2018. Of this amount, \$21,795 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to postemployment health care.

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

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement system relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.04229930%	0.03451800%	
Proportion of the Net OPEB Liability Current Measurement Date	0.04189660%	0.03573850%	
Change in Proportionate Share	-0.00040270%	0.00122050%	
Proportionate Share of the Net OPEB Liability	\$1,124,395	\$1,394,384	\$2,518,779
OPEB Expense	\$61,918	(\$416,166)	(\$354,248)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between Expected and Actual Experience	\$0	\$80,492	\$80,492
Changes in Proportionate Share and Difference between School District Contributions and Proportionate Share of Contributions	0	55,947	55,947
School District Contributions Subsequent to the Measurement Date	29,360	0	29,360
Total Deferred Outflows of Resources	\$29,360	\$136,439	\$165,799

	SERS	STRS	Total
Deferred Inflows of Resources:			
Changes of Assumptions	\$106,699	\$112,322	\$219,021
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	2,969	59,599	62,568
Changes in Proportionate Share and Difference between School District Contributions and Proportionate Share of Contributions	14,287	0	14,287
Total Deferred Inflows of Resources	\$123,955	\$171,921	\$295,876

\$29,360 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	(\$44,577)	(\$10,879)	(\$55,456)
2020	(44,577)	(10,879)	(55,456)
2021	(34,058)	(10,879)	(44,937)
2022	(743)	(10,880)	(11,623)
2023	0	4,020	4,020
Thereafter	0	4,015	4,015
Total	(\$123,955)	(\$35,482)	(\$159,437)

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Actuarial Assumptions – SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented as follows:

Wage Inflation	3.00 percent
Future Salary Increases, Including Inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, Net of Plan Investment Expense, Including Price Inflation:	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 21.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017, was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017, was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the School District's proportionate share of the net OPEB liability for SERS and what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what the School District's proportionate share of the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.5 percent decreasing to 4.0 percent) and higher (8.5 percent decreasing to 6.0 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's Proportionate Share of the Net OPEB Liability	\$1,357,850	\$1,124,395	\$939,439

	1% Decrease (6.5% decreasing to 4.0%)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
School District's Proportionate Share of the Net OPEB Liability	\$912,362	\$1,124,395	\$1,405,024

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented as follows:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

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

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 21.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036, and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long-term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rates The following table represents the School District's proportionate share of the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the School District's proportionate share of the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	(3.13%)	(4.13%)	(5.13%)
School District's Proportionate Share of the Net OPEB Liability	\$1,871,939	\$1,394,384	\$1,016,960

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
		Trend Rate	
School District's Proportionate Share of the Net OPEB Liability	\$968,759	\$1,394,384	\$1,954,558

Note 23 – Subsequent Event

The School District issued Certificates of Participation dated October 4, 2018, in the amount of \$8,305,000, for the purpose of constructing, enlarging or other improvement, furnishing, and equipping, lease, and eventual acquisition of school facilities or improvements to school facilities. The Series A bonds have a final maturity date of December 1, 2047.

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 Five Fiscal Years (1) **

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.04204950%	0.04255340%	0.04480000%	0.05243800%	0.05243800%
School District's Proportionate Share of the Net Pension Liability	\$2,512,365	\$3,114,517	\$2,556,332	\$2,653,858	\$3,118,320
School District's Covered Payroll	\$1,400,079	\$1,339,157	\$1,318,036	\$1,559,061	\$1,233,489
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	179.44%	232.57%	193.95%	170.22%	252.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

See accompanying notes to the required supplementary information

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

	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.04189660%	0.04229930%
School District's Proportionate Share of the Net OPEB Liability	\$1,124,395	\$1,205,687
School District's Covered Payroll	\$1,400,079	\$1,339,157
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	80.31%	90.03%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

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

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

See accompanying notes to the required supplementary information

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 Five Fiscal Years (1) **

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.03573850%	0.03451800%	0.03581180%	0.03976657%	0.03976657%
School District's Proportionate Share of the Net Pension Liability	\$8,489,757	\$11,554,216	\$9,897,162	\$9,672,606	\$11,521,945
School District's Covered Payroll	\$4,006,521	\$3,700,179	\$2,940,064	\$4,079,585	\$4,171,315
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	211.90%	312.26%	336.63%	237.10%	276.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

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

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

See accompanying notes to the required supplementary information

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

	2018	2017
School District's Proportion of the Net OPEB Liability	0.03573850%	0.03451800%
School District's Proportionate Share of the Net OPEB Liability	\$1,394,384	\$1,846,032
School District's Covered Payroll	\$4,006,521	\$3,700,179
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	34.80%	49.89%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

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

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

See accompanying notes to the required supplementary information

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$219,230	\$196,011	\$187,482	\$173,717
Contributions in Relation to the Contractually Required Contribution	<u>(219,230)</u>	<u>(196,011)</u>	<u>(187,482)</u>	<u>(173,717)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,623,926	\$1,400,079	\$1,339,157	\$1,318,036
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$29,360	\$19,255	\$17,869	\$32,004
Contributions in Relation to the Contractually Required Contribution	<u>(29,360)</u>	<u>(19,255)</u>	<u>(17,869)</u>	<u>(32,004)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.81%</u>	<u>1.38%</u>	<u>1.33%</u>	<u>2.43%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.31%</u>	<u>15.38%</u>	<u>15.33%</u>	<u>15.61%</u>

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

(2) Includes surcharge

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
\$216,086	\$170,715	\$228,915	\$193,779	\$227,176	\$162,303
(216,086)	(170,715)	(228,915)	(193,779)	(227,176)	(162,303)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,559,061	\$1,233,489	\$1,701,969	\$1,541,600	\$1,677,817	\$1,649,417
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
\$27,835	\$20,609	\$34,941	\$48,004	\$33,331	\$95,212
(27,835)	(20,609)	(34,941)	(48,004)	(33,331)	(95,212)
\$0	\$0	\$0	\$0	\$0	\$0
1.79%	1.67%	2.05%	3.11%	1.99%	5.77%
15.65%	15.51%	15.50%	15.68%	15.53%	15.61%

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$596,074	\$560,913	\$518,025	\$411,609
Contributions in Relation to the Contractually Required Contribution	<u>(596,074)</u>	<u>(560,913)</u>	<u>(518,025)</u>	<u>(411,609)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$4,257,671	\$4,006,521	\$3,700,179	\$2,940,064
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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

See accompanying notes to the required supplementary information

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$530,346	\$542,271	\$522,260	\$484,653	\$495,646	\$495,394
<u>(530,346)</u>	<u>(542,271)</u>	<u>(522,260)</u>	<u>(484,653)</u>	<u>(495,646)</u>	<u>(495,394)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,079,585	\$4,171,315	\$4,017,385	\$3,728,100	\$3,812,662	\$3,810,723
<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$40,796	\$41,713	\$40,174	\$37,281	\$38,127	\$38,107
<u>(40,796)</u>	<u>(41,713)</u>	<u>(40,174)</u>	<u>(37,281)</u>	<u>(38,127)</u>	<u>(38,107)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Richmond Heights Local School District, Ohio

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Net Pension Liability

Changes in Assumptions – SERS

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

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

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

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

Changes in Assumptions – STRS

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

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

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

Richmond Heights Local School District, Ohio

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018*

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

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:	
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, Net of Plan Investment Expense, Including Price Inflation:	
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

Changes in Assumptions – STRS

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

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
<i>Child Nutrition Cluster:</i>		
School Breakfast program	10.553	\$132,962
Summer Food Service Program for Children	10.559	29,662
National School Lunch Program	10.555	229,671
National School Lunch Program- Non-Cash Assistance		34,116
Total - National School Lunch Program		<u>263,787</u>
Total Child Nutrition Cluster		426,411
Food Service Equipment Grant	10.570	24,831
Child and Adult Care Food Program	10.558	<u>8,573</u>
Total U.S. Department of Agriculture		<u>459,815</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	58,058
Total - Title I Grants to Local Educational Agencies		<u>209,756</u>
Special Education - Grants to States	84.027	5,802
Total - Special Education - Grants to States		<u>155,028</u>
Supporting Effective Instruction State Grant	84.367	700
Total - Supporting Effective Instruction State Grant		<u>20,000</u>
Student Support and Academic Enrichment Program	84.424	5,198
Twenty - First Century Community Learning Centers	84.287	<u>143,887</u>
Total U.S. Department of Education		<u>598,429</u>
Total Federal Awards Expenditures		<u><u>\$1,058,244</u></u>

The accompanying notes are an integral part of this schedule.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Expenditures Schedule (the Schedule) includes the federal award activity of the Richmond Heights Local School District, Cuyahoga County, Ohio (the District) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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

Richmond Heights Local School District
Cuyahoga County
447 Richmond Road
Richmond Heights, Ohio 44143

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Richmond Heights Local School District, Cuyahoga County, Ohio (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 12, 2019, wherein we noted we were unable to obtain sufficient appropriate evidence to opine on the Governmental Activities' nondepreciable capital assets, depreciable capital assets, and net position – net investment in capital assets. Additionally, we noted District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 12, 2019

OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Richmond Heights Local School District
Cuyahoga County
447 Richmond Road
Richmond Heights, Ohio 44143

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Richmond Heights Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Richmond Heights Local School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Richmond Heights Local School District, Cuyahoga County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

March 12, 2019

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Qualified – Governmental Activities; Unmodified for all other opinion units.
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies, CFDA 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

FINDING NUMBER 2018-001

Material Weakness / Noncompliance Finding – Capital Asset Accounting

Ohio Admin. Code § 117-2-02 (A) requires all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Richmond Heights Local School District Bylaws & Policies Section 7455- Accounting System for Fixed Assets indicates, the Board of Education shall maintain a fixed-asset, accounting system. The fixed-asset system shall maintain sufficient information to permit (A) the preparation of year-end financial statements in accordance with generally- accepted accounting principles; (B) adequate insurance coverage and; (C) control and accountability.

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The District does not have a comprehensive capital asset inventory listing which agrees to the June 30, 2018 gross capital asset or accumulated depreciation values listed in Note 11 to the basic financial statements. As such, and disclosed in the Independent Auditor's Report, an opinion on the Governmental Activities' nondepreciable capital assets, depreciable capital assets, and net position – net investment in capital assets, stated at \$311,214, \$1,589,229 and \$292,927, respectively could not be rendered.

The District maintained a spreadsheet listing of depreciable capital assets from which the current reported balances and accumulated depreciation were derived. This spreadsheet, however, only provided a detailed inventory of items dating back to fiscal year 2016 and \$8,433,390 (gross) of capital assets are reported as lump sum amounts. In fiscal year 2017, the District contracted with an independent appraisal company to prepare a capital asset inventory report. This report, however, did not include capital asset values for Land and Buildings and Improvements, as these were based upon historical data, and only reflected \$4,378,133 (gross) capital assets compared to the reported balance of \$10,079,662 (gross).

Failure to update the master capital assets inventory list annually and include all items inhibits management's ability to monitor its capital assets inventory and prepare accurate financial statements in accordance with generally accepted accounting principles.

The District should annually update its master capital assets inventory and ensure the reported balances include all asset categories and agree with the reported financial statement amounts.

Officials' Response: See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Richmond Heights Local Schools

447 Richmond Road, Richmond Heights, OH 44143 • Phone: 216-692-0086 • Fax: 216-692-2820

“It’s a New Day for the Richmond Heights Way”

BOARD OF EDUCATION

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Dr. Hugh A. Turner

ADMINISTRATION

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Renée T. Willis, Ph.D.

Treasurer

Cooper Martin

Secondary Principal

Marnisha Brown

Elementary Principal

Elizabeth Boyd

Director of Educational Services

Kelly Askew

Director of Operations

Phillip Stevens

Director of Special Education

Lakisha Davies

Dean of Students, S.S.

Shaun Lodge

Dean of School Culture, E.S.

Timothy Gorham

Technology Integration Coach

Joy Howard

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2 CFR 200.511(b)

JUNE 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Significant Deficiency – Capital Assets: The reported capital assets did not agree to the District’s most recent appraisal inventory report.	Not Corrected	See Finding 2018-001

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Richmond Heights Local Schools

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Joy Howard

CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

June 30, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	<p>The District has relied on historical audit data since before 2011 for land and building with accounting for depreciation, additions, and deductions.</p> <p>The District received a detailed appraisal of vehicles, equipment, and fixed assets in 2017. This report was to include a capital asset appraisal as well. The current treasurer has contacted the vendor (Accountable Assets, Inc.) to complete the capital asset report as contracted in 2017 before FY2019 year end.</p> <p>Once received the treasurer will update the asset spreadsheet to include capital and fixed assets and maintain the spreadsheet.</p> <p>Additionally the Board will review proposals from several appraisal firms for asset management systems.</p>	<p>06/30/2019</p> <p style="margin-top: 200px;">1st half FY2020</p>	<p>Treasurer</p> <p style="margin-top: 100px;">Treasurer</p>

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OHIO AUDITOR OF STATE KEITH FABER



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 28, 2019**