

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

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Richmond Heights Local School District, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

May 3, 2012

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**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 CUYAHOGA COUNTY, OHIO
 AUDIT REPORT
 FOR THE YEAR ENDED JUNE 30, 2011**

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Richmond Heights Local School District, Cuyahoga County, Ohio as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Richmond Heights Local School District, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Richmond Heights Local School District, Ohio, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2012, on our consideration of the Richmond Heights Local School District, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



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

February 16, 2012

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Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
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, 2011. 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 2011 are as follows:

- Governmental activities reflected an overall increase in revenues from fiscal year 2010 mainly due to increases in property tax revenue. This increase is attributed to the passage of a 4 mill continuing levy on November 3, 2009. In the prior year, the School District received only a half year of revenue from this levy.
- The School District is committed to providing environmentally conscious learning spaces for our students to achieve their dreams. To accomplish this, the School District issued energy conservation notes during fiscal year 2009 to improve the efficiency of the school buildings' plumbing and electrical fixtures. The notes were issued for a 15 year period with a maturity date of September 15, 2023. These improvements reduced maintenance and utility costs while providing a superior place for our students to grow and flourish.
- On November 2, 2010, the School District renewed a 5 year, 2 mill permanent improvement levy. This continued tax revenue will greatly help the School District with renovations and building improvements.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as an entity looks at all financial transactions and asks the question, "How did we do financially during the 2011 fiscal year?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of

Richmond Heights Local School District

*Management's Discussion and Analysis
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accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- **Governmental Activities** – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and general administration.
- **Business-Type Activities** – 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, adult continuing education, extended daycare/preschool and fingerprinting and background 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 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for its financial transactions. However, these fund financial statements concentrate on the School District's most significant funds. The School District's major governmental fund is the general fund.

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

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

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

Richmond Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Unaudited

The School District as a Whole

The Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and						
Other Assets	\$12,435,558	\$11,740,578	(\$84,229)	\$38,403	\$12,351,329	\$11,778,981
Capital Assets, Net	973,761	1,129,393	15,847	17,176	989,608	1,146,569
Total Assets	13,409,319	12,869,971	(68,382)	55,579	13,340,937	12,925,550
Liabilities						
Current and						
Other Liabilities	7,258,707	8,610,257	17,672	97,817	7,276,379	8,708,074
Long-Term Liabilities:						
Due Within One Year	117,578	102,326	0	0	117,578	102,326
Due in More than One Year	1,142,346	1,321,795	0	5,351	1,142,346	1,327,146
Total Liabilities	8,518,631	10,034,378	17,672	103,168	8,536,303	10,137,546
Net Assets						
Invested in Capital						
Assets, Net of Debt	5,925	94,609	15,847	17,176	21,772	111,785
Restricted						
Capital Projects	85,309	127,283	0	0	85,309	127,283
Set Aside	2,520	296,783	0	0	2,520	296,783
Student Support	168,090	0	0	0	168,090	0
Other Purpose	1,943	61,492	0	0	1,943	61,492
Unrestricted (Deficit)	4,626,901	2,255,426	(101,901)	(64,765)	4,525,000	2,190,661
Total Net Assets	\$4,890,688	\$2,835,593	(\$86,054)	(\$47,589)	\$4,804,634	\$2,788,004

By comparing assets and liabilities, one can see the overall position of the School District has improved as evidenced by the increase in net assets. The majority of this increase is attributed to the passage of a 4 mill continuing levy on November 3, 2009 and a 5 year, 2 mill permanent improvement levy on November 2, 2010.

Table 2 shows the changes in net assets for fiscal year 2011 for both our Governmental activities and our Business-Type activities. Revenue and expense comparisons can be made between fiscal years 2010 and 2011.

Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Charges for Services and Sales	\$271,039	\$295,899	\$162,651	\$219,817	\$433,690	\$515,716
Operating Grants and Contributions	426,020	374,977	239,992	202,185	666,012	577,162
Capital Grants	28,225	31,592	0	0	28,225	31,592
<i>Total Program Revenues</i>	<u>725,284</u>	<u>702,468</u>	<u>402,643</u>	<u>422,002</u>	<u>1,127,927</u>	<u>1,124,470</u>
General Revenues:						
Property Taxes	11,221,292	8,962,411	0	0	11,221,292	8,962,411
Grants and Entitlements	3,700,198	3,641,036	0	0	3,700,198	3,641,036
Investment Earnings	3,182	4,118	0	0	3,182	4,118
Miscellaneous	8,026	22,633	12,333	0	20,359	22,633
<i>Total General Revenues</i>	<u>14,932,698</u>	<u>12,630,198</u>	<u>12,333</u>	<u>0</u>	<u>14,945,031</u>	<u>12,630,198</u>
Total Revenues	<u>15,657,982</u>	<u>13,332,666</u>	<u>414,976</u>	<u>422,002</u>	<u>16,072,958</u>	<u>13,754,668</u>
Program Expenses						
Instruction	7,672,780	7,127,875	0	0	7,672,780	7,127,875
Support Services:						
Pupil and Instructional Staff	1,055,462	1,048,061	0	0	1,055,462	1,048,061
Board of Education, Administration, Fiscal and Business	2,039,713	1,779,785	0	0	2,039,713	1,779,785
Operation and Maintenance of Plant	1,214,157	1,052,857	0	0	1,214,157	1,052,857
Pupil Transportation	989,481	933,180	0	0	989,481	933,180
Central	202,000	265,186	0	0	202,000	265,186
Operation of Non-Instructional Services	13,998	18,758	0	0	13,998	18,758
Enterprise Operations	0	0	453,441	604,946	453,441	604,946
Extracurricular Activities	358,381	205,638	0	0	358,381	205,638
Interest and Fiscal Charges	56,915	62,071	0	0	56,915	62,071
Total Program Expenses	<u>13,602,887</u>	<u>12,493,411</u>	<u>453,441</u>	<u>604,946</u>	<u>14,056,328</u>	<u>13,098,357</u>
Change in Net Assets	2,055,095	839,255	(38,465)	(182,944)	2,016,630	656,311
<i>Net Assets Beginning of Year</i>	<u>2,835,593</u>	<u>1,996,338</u>	<u>(47,589)</u>	<u>135,355</u>	<u>2,788,004</u>	<u>2,131,693</u>
<i>Net Assets End of Year</i>	<u>\$4,890,688</u>	<u>\$2,835,593</u>	<u>(\$86,054)</u>	<u>(\$47,589)</u>	<u>\$4,804,634</u>	<u>\$2,788,004</u>

Governmental Activities

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

Richmond Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Unaudited

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

Overall expenses increased due to increases in instructional expenses and support services. These expenses pay for classified and certified personnel pay and benefits which increase at set levels every year through negotiated agreements. Requirements dictated by the Federal No Child Left Behind legislation continue to add pressure to the School District's budget for future years.

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

Table 3
Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Instruction	\$7,672,780	\$7,327,925	\$7,127,875	\$6,790,555
Support Services:				
Pupils and Instructional Staff	1,055,462	897,594	1,048,061	883,826
Board of Education, Administration				
Fiscal and Business	2,039,713	2,001,997	1,779,785	1,735,225
Operation and Maintenance of Plant	1,214,157	1,169,123	1,052,857	999,966
Pupil Transportation	989,481	971,522	933,180	912,587
Central	202,000	187,790	265,186	248,296
Operating of Non-Instructional Services	13,998	(872)	18,758	281
Extracurricular Activities	358,381	265,609	205,638	158,136
Interest and Fiscal Charges	56,915	56,915	62,071	62,071
Total	<u>\$13,602,887</u>	<u>\$12,877,603</u>	<u>\$12,493,411</u>	<u>\$11,790,943</u>

Business-Type Activities

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

Overall business-type activities net assets decreased due to a decrease in program revenues to support the food service, special services, latchkey/summer camp and web check services operational activities for the fiscal year which was offset by decreases in expenses. The decrease in business-type activities net assets can be attributed to the current tough economic conditions.

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. The general fund had total revenues of \$13,981,453 and expenditures of \$12,749,491. The general fund had an increase in fund balance due mainly to an increase in

Richmond Heights Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

property tax revenue due to receiving a full year of the continuing tax levy passed by voters on November 3, 2009. Other Governmental Funds had an increase in fund balance due to an increase of grant monies awarded to the School District for the fiscal year as well as increases in tuition and fee revenue.

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 2011, the School District amended its general fund budget several times.

For the general fund, the final budget basis revenue estimate was higher than actual revenues, which can be attributed to tuition and fee revenue being lower than anticipated offset by more State foundation revenue received than expected. The final budget appropriations were less than actual expenditures due mainly to an increase in cash.

Capital Assets and Debt

Capital Assets

At the end of fiscal 2011 the School District had \$989,608 invested in land, buildings and improvements, furniture and equipment, and vehicles, \$973,761 of which is in governmental activities. Table 4 shows fiscal 2011 balances compared to 2010:

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$311,214	\$311,214	\$0	\$0	\$311,214	\$311,214
Buildings and Improvements	176,750	212,144	0	0	176,750	212,144
Furniture and Equipment	90,236	161,090	15,847	17,176	106,083	178,266
Vehicles	395,561	444,945	0	0	395,561	444,945
Totals	\$973,761	\$1,129,393	\$15,847	\$17,176	\$989,608	\$1,146,569

For fiscal year 2011, an Ohio law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks. For fiscal year 2011, this amounted to \$136,921 for each set aside. See Note 11 to the basic financial statements for additional information on capital assets and Note 18 for additional information regarding required set-asides.

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*Management's Discussion and Analysis
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Unaudited*

Debt

At June 30, 2011, the School District had energy conservation notes with a balance of \$930,661 outstanding. The School District had a balance of \$37,175 remaining on a capital lease. More information on the notes and capital leases can be found in Note 16 and Note 20 to the basic financial statements.

School District Outlook

The Board of Education and administration are aware of their limited financial resources. The Board of Education approved the current five-year forecast for the period of fiscal years 2012 through 2016 on October 27, 2011. The projection reflects increasing negative fund balances at the end of each fiscal year. No reductions have been planned to meet the fiscal needs of the School District at this time. The School District anticipates that they may enter Fiscal Caution with the Department of Education and Auditor of State's office in fiscal year 2013.

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

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

Contacting the School District Fiscal Management

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

Richmond Heights Local School District

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$322,600	\$19,426	\$342,026
Accounts Receivable	2,559	102,858	105,417
Intergovernmental Receivable	156,847	0	156,847
Internal Balances	210,645	(210,645)	0
Materials and Supplies Inventory	0	471	471
Inventory Held for Resale	0	3,661	3,661
Property Taxes Receivable	11,742,907	0	11,742,907
Nondepreciable Capital Assets	311,214	0	311,214
Depreciable Capital Assets, Net	662,547	15,847	678,394
<i>Total Assets</i>	<u>13,409,319</u>	<u>(68,382)</u>	<u>13,340,937</u>
Liabilities			
Accounts Payable	50,578	0	50,578
Accrued Wages and Benefits	835,544	6,800	842,344
Intergovernmental Payable	766,375	10,872	777,247
Matured Compensated Absences Payable	69,991	0	69,991
Deferred Revenue	5,521,062	0	5,521,062
Accrued Interest Payable	15,157	0	15,157
Long-Term Liabilities:			
Due Within One Year	117,578	0	117,578
Due In More Than One Year	1,142,346	0	1,142,346
<i>Total Liabilities</i>	<u>8,518,631</u>	<u>17,672</u>	<u>8,536,303</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	5,925	15,847	21,772
Restricted for:			
Capital Projects	85,309	0	85,309
Set Aside	2,520	0	2,520
Student Support	168,090	0	168,090
Other Purposes	1,943	0	1,943
Unrestricted (Deficit)	4,626,901	(101,901)	4,525,000
<i>Total Net Assets (Deficit)</i>	<u>\$4,890,688</u>	<u>(\$86,054)</u>	<u>\$4,804,634</u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2011

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants
Governmental Activities				
Instruction:				
Regular	\$5,240,453	\$76,619	\$106,573	\$0
Special	2,220,134	28,983	129,763	0
Vocational	212,193	2,917	0	0
Support Services:				
Pupils	778,673	16,410	85	0
Instructional Staff	276,789	2,068	139,305	0
Board of Education	295,272	4,059	0	0
Administration	1,103,095	14,968	9,812	0
Fiscal	640,252	8,782	0	0
Business	1,094	95	0	0
Operation and Maintenance of Plant	1,214,157	13,624	3,185	28,225
Pupil Transportation	989,481	12,602	5,357	0
Central	202,000	2,385	11,825	0
Operation of Non-Instructional Services	13,998	0	14,870	0
Extracurricular Activities	358,381	87,527	5,245	0
Interest and Fiscal Charges	56,915	0	0	0
<i>Total Governmental Activities</i>	<u>13,602,887</u>	<u>271,039</u>	<u>426,020</u>	<u>28,225</u>
Business-Type Activities				
Food Service	329,998	72,490	239,992	0
Latchkey/Summer Camp	119,098	85,492	0	0
Web Check Services	4,345	4,669	0	0
<i>Total Business-Type Activities</i>	<u>453,441</u>	<u>162,651</u>	<u>239,992</u>	<u>0</u>
<i>Totals</i>	<u>\$14,056,328</u>	<u>\$433,690</u>	<u>\$666,012</u>	<u>\$28,225</u>

General Revenues

Property Taxes Levied for:

General Purposes

Capital Projects

Grants and Entitlements not

Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets (Deficit) Beginning of Year

Net Assets (Deficit) End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$5,057,261)	\$0	(\$5,057,261)
(2,061,388)	0	(2,061,388)
(209,276)	0	(209,276)
(762,178)	0	(762,178)
(135,416)	0	(135,416)
(291,213)	0	(291,213)
(1,078,315)	0	(1,078,315)
(631,470)	0	(631,470)
(999)	0	(999)
(1,169,123)	0	(1,169,123)
(971,522)	0	(971,522)
(187,790)	0	(187,790)
872	0	872
(265,609)	0	(265,609)
(56,915)	0	(56,915)
<u>(12,877,603)</u>	<u>0</u>	<u>(12,877,603)</u>
0	(17,516)	(17,516)
0	(33,606)	(33,606)
<u>0</u>	<u>324</u>	<u>324</u>
0	(50,798)	(50,798)
<u>(12,877,603)</u>	<u>(50,798)</u>	<u>(12,928,401)</u>
11,093,079	0	11,093,079
128,213	0	128,213
3,700,198	0	3,700,198
3,182	0	3,182
8,026	12,333	20,359
<u>14,932,698</u>	<u>12,333</u>	<u>14,945,031</u>
2,055,095	(38,465)	2,016,630
<u>2,835,593</u>	<u>(47,589)</u>	<u>2,788,004</u>
<u>\$4,890,688</u>	<u>(\$86,054)</u>	<u>\$4,804,634</u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District

Balance Sheet

Governmental Funds

June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$40,560	\$93,685	\$134,245
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	188,355	0	188,355
Accounts Receivable	2,559	0	2,559
Intergovernmental Receivable	0	156,847	156,847
Interfund Receivable	402,025	0	402,025
Property Taxes Receivable	11,615,903	127,004	11,742,907
<i>Total Assets</i>	<u>\$12,249,402</u>	<u>\$377,536</u>	<u>\$12,626,938</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$46,070	\$4,508	\$50,578
Accrued Wages and Benefits	831,607	3,937	835,544
Intergovernmental Payable	764,322	2,053	766,375
Matured Compensated Absences Payable	46,989	23,002	69,991
Interfund Payable	0	191,380	191,380
Deferred Revenue	8,940,842	157,405	9,098,247
<i>Total Liabilities</i>	<u>10,629,830</u>	<u>382,285</u>	<u>11,012,115</u>
Fund Balances			
Restricted	2,520	158,522	161,042
Committed	7,435	0	7,435
Assigned	136,417	0	136,417
Unassigned (Deficit)	1,473,200	(163,271)	1,309,929
<i>Total Fund Balances</i>	<u>1,619,572</u>	<u>(4,749)</u>	<u>1,614,823</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$12,249,402</u>	<u>\$377,536</u>	<u>\$12,626,938</u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities*
 June 30, 2011

Total Governmental Fund Balances	\$1,614,823
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	973,761
In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.	(15,157)
Other long-term assets such as delinquent property taxes and grants, are not available to pay for current-period expenditures and therefore are deferred in the funds.	3,577,185
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Energy Conservation Notes	(930,661)
Capital Lease Payable	(37,175)
Compensated Absences	<u>(292,088)</u>
Total	<u>(1,259,924)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$4,890,688</u></u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$10,185,851	\$120,829	\$10,306,680
Intergovernmental	3,597,032	492,102	4,089,134
Interest	3,180	2	3,182
Tuition and Fees	161,520	62,980	224,500
Extracurricular Activities	24,690	21,528	46,218
Rentals	321	0	321
Contributions and Donations	833	6,572	7,405
Miscellaneous	8,026	0	8,026
<i>Total Revenues</i>	<u>13,981,453</u>	<u>704,013</u>	<u>14,685,466</u>
Expenditures			
Current:			
Instruction:			
Regular	5,180,521	66,098	5,246,619
Special	2,126,862	110,220	2,237,082
Vocational	212,193	0	212,193
Support Services:			
Pupils	695,158	86,191	781,349
Instructional Staff	147,181	119,371	266,552
Board of Education	295,272	0	295,272
Administration	1,093,760	10,361	1,104,121
Fiscal	639,009	0	639,009
Business	12,897	0	12,897
Operation and Maintenance of Plant	999,696	2,749	1,002,445
Pupil Transportation	933,725	4,624	938,349
Central	174,892	8,481	183,373
Operation of Non-Instructional Services	0	12,685	12,685
Extracurricular Activities	219,568	137,663	357,231
Capital Outlay	0	198,412	198,412
Debt Service:			
Principal Retirement	16,605	50,343	66,948
Interest and Fiscal Charges	2,152	54,087	56,239
<i>Total Expenditures</i>	<u>12,749,491</u>	<u>861,285</u>	<u>13,610,776</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,231,962</u>	<u>(157,272)</u>	<u>1,074,690</u>
Other Financing Sources (Uses)			
Transfers In	0	150,531	150,531
Transfers Out	(150,531)	0	(150,531)
<i>Total Other Financing Sources (Uses)</i>	<u>(150,531)</u>	<u>150,531</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,081,431	(6,741)	1,074,690
<i>Fund Balances Beginning of Year</i>	<u>538,141</u>	<u>1,992</u>	<u>540,133</u>
<i>Fund Balances End of Year</i>	<u>\$1,619,572</u>	<u>(\$4,749)</u>	<u>\$1,614,823</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, 2011*

Net Change in Fund Balances - Total Governmental Funds \$1,074,690

*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	51,524
Current Year Depreciation	<u>(207,156)</u>

Total (155,632)

Revenues such as delinquent property taxes and grants, in the statement of
activities that do not provide current financial resources
are not reported as revenues in the funds:

Delinquent Property Taxes	914,612
Grants	<u>57,904</u>

Total 972,516

Repayment of note and capital lease principal is an expenditure in
the governmental funds, but the repayment reduces long-term
liabilities in the statement of net assets. 66,948

Compensated absences reported in the statement of activities do not
require the use of current financial resources and therefore are not
reported as an expenditure in governmental funds. 97,249

In the statement of activities, interest is accrued on outstanding notes,
whereas in governmental funds, an interest expenditure is
reported when due. (676)

Change in Net Assets of Governmental Activities \$2,055,095

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Revised Budget	Actual	
Revenues				
Property Taxes	\$8,257,162	\$8,708,126	\$8,711,969	\$3,843
Intergovernmental	3,405,720	3,591,723	3,597,032	5,309
Interest	4,931	5,200	3,180	(2,020)
Tuition and Fees	167,606	176,760	161,786	(14,974)
Extracurricular Activities	12,137	12,800	12,160	(640)
Rentals	569	600	321	(279)
Contributions and Donations	664	700	673	(27)
Miscellaneous	5,974	6,300	6,310	10
<i>Total Revenues</i>	11,854,763	12,502,209	12,493,431	(8,778)
Expenditures				
Current:				
Instruction:				
Regular	5,118,885	5,118,885	5,118,885	0
Special	2,028,718	2,028,718	2,028,718	0
Vocational	212,193	212,193	212,193	0
Support Services:				
Pupils	690,302	690,302	709,602	(19,300)
Instructional Staff	161,949	161,949	161,949	0
Board of Education	308,922	308,922	308,922	0
Administration	1,061,508	1,061,508	1,061,508	0
Fiscal	641,633	641,633	641,633	0
Business	14,422	14,422	14,422	0
Operation and Maintenance of Plant	1,007,330	1,007,330	1,007,330	0
Pupil Transportation	914,150	914,150	914,150	0
Central	216,783	216,783	216,783	0
Extracurricular Activities	218,876	218,876	218,876	0
<i>Total Expenditures</i>	12,595,671	12,595,671	12,614,971	(19,300)
<i>Excess of Revenues Under Expenditures</i>	(740,908)	(93,462)	(121,540)	(28,078)
Other Financing Sources (Uses)				
Advances In	12,000	12,000	0	(12,000)
Advances Out	(63,777)	(63,777)	(63,777)	0
Transfers Out	(150,531)	(150,531)	(150,531)	0
<i>Total Other Financing Sources (Uses)</i>	(202,308)	(202,308)	(214,308)	(12,000)
<i>Net Change in Fund Balance</i>	(943,216)	(295,770)	(335,848)	(40,078)
<i>Fund Balance Beginning of Year</i>	161,990	161,990	161,990	0
Prior Year Encumbrances Appropriated	314,801	314,801	314,801	0
<i>Fund Balance (Deficit) End of Year</i>	(\$466,425)	\$181,021	\$140,943	(\$40,078)

See accompanying notes to the basic financial statements

Richmond Heights Local School District

Statement of Fund Net Assets

Enterprise Funds

June 30, 2011

	<u>Food Service</u>	<u>Special Services</u>	<u>Latchkey/ Summer Camp</u>	<u>Web Check Services</u>	<u>Total Enterprise Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$0	\$0	\$19,102	\$324	\$19,426
Accounts Receivable	0	102,858	0	0	102,858
Materials and Supplies Inventory	471	0	0	0	471
Inventory Held for Resale	3,661	0	0	0	3,661
<i>Total Current Assets</i>	4,132	102,858	19,102	324	126,416
Capital Assets, Net	15,847	0	0	0	15,847
<i>Total Assets</i>	19,979	102,858	19,102	324	142,263
Liabilities					
<i>Current Liabilities:</i>					
Accrued Wages and Benefits	0	0	6,800	0	6,800
Intergovernmental Payable	0	0	10,872	0	10,872
Interfund Payable	38,968	171,677	0	0	210,645
<i>Total Liabilities</i>	38,968	171,677	17,672	0	228,317
Net Assets					
Invested in Capital Assets	15,847	0	0	0	15,847
Unrestricted (Deficit)	(34,836)	(68,819)	1,430	324	(101,901)
<i>Total Net Assets (Deficit)</i>	(\$18,989)	(\$68,819)	\$1,430	\$324	(\$86,054)

See accompanying notes to the basic financial statements

Richmond Heights Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Enterprise Funds
For the Fiscal Year Ended June 30, 2011*

	Food Service	Special Services	Latchkey/ Summer Camp	Web Check Services	Total Enterprise Funds
Operating Revenues					
Tuition	\$0	\$0	\$85,492	\$0	\$85,492
Sales	72,490	0	0	0	72,490
Charges for Services	0	0	0	4,669	4,669
<i>Total Operating Revenues</i>	<u>72,490</u>	<u>0</u>	<u>85,492</u>	<u>4,669</u>	<u>162,651</u>
Operating Expenses					
Salaries	0	0	88,682	0	88,682
Fringe Benefits	0	0	13,013	0	13,013
Purchased Services	190,427	0	13,444	4,211	208,082
Materials and Supplies	135,738	0	3,959	134	139,831
Depreciation	3,359	0	0	0	3,359
Other	474	0	0	0	474
<i>Total Operating Expenses</i>	<u>329,998</u>	<u>0</u>	<u>119,098</u>	<u>4,345</u>	<u>453,441</u>
<i>Operating Income (Loss)</i>	<u>(257,508)</u>	<u>0</u>	<u>(33,606)</u>	<u>324</u>	<u>(290,790)</u>
Non-Operating Revenues					
Operating Grants	239,992	0	0	0	239,992
Other	12,333	0	0	0	12,333
<i>Total Non-Operating Revenues</i>	<u>252,325</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>252,325</u>
<i>Change in Net Assets</i>	(5,183)	0	(33,606)	324	(38,465)
<i>Net Assets (Deficit) Beginning of Year</i>	<u>(13,806)</u>	<u>(68,819)</u>	<u>35,036</u>	<u>0</u>	<u>(47,589)</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>(\$18,989)</u></u>	<u><u>(\$68,819)</u></u>	<u><u>\$1,430</u></u>	<u><u>\$324</u></u>	<u><u>(\$86,054)</u></u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District*Statement of Cash Flows**Enterprise Funds**For the Fiscal Year Ended June 30, 2011*

	Food Service	Special Services	Latchkey/ Summer Camp	Web Check Services	Total Enterprise Funds
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities					
Cash Received from Customers	\$72,490	\$0	\$85,492	\$4,669	\$162,651
Cash Payments to Employees for Services	0	0	(88,682)	0	(88,682)
Cash Payments for Employee Benefits	0	0	(26,396)	0	(26,396)
Cash Payments for Goods and Services	(379,481)	(19,525)	(19,347)	(4,345)	(422,698)
Other Cash Payments	(474)	0	0	0	(474)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(307,465)</u>	<u>(19,525)</u>	<u>(48,933)</u>	<u>324</u>	<u>(375,599)</u>
Cash Flows from Noncapital Financing Activities					
Operating Grants Received	239,992	0	0	0	239,992
Other Cash Receipts	12,333	0	0	0	12,333
Advances In	27,162	19,525	0	0	46,687
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>279,487</u>	<u>19,525</u>	<u>0</u>	<u>0</u>	<u>299,012</u>
Cash Flows from Capital and Related Financing Activities					
Payments for Capital Acquisitions	<u>(2,030)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,030)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(30,008)	0	(48,933)	324	(78,617)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>30,008</u>	<u>0</u>	<u>68,035</u>	<u>0</u>	<u>98,043</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$19,102</u>	<u>\$324</u>	<u>\$19,426</u>

See accompanying notes to the basic financial statements

(continued)

Richmond Heights Local School District

Statement of Cash Flows

Enterprise Funds (continued)

For the Fiscal Year Ended June 30, 2011

	Food Service	Special Services	Latchkey/ Summer Camp	Web Check Services	Total Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used) for Operating Activities					
Operating Income (Loss)	(\$257,508)	\$0	(\$33,606)	\$324	(\$290,790)
Adjustments:					
Depreciation	3,359	0	0	0	3,359
Increase in Assets:					
Materials and Supplies Inventory	(358)	0	0	0	(358)
Inventory Held for Resale	(2,314)	0	0	0	(2,314)
Increase (Decrease) in Liabilities:					
Accounts Payable	(50,644)	0	0	0	(50,644)
Accrued Wages and Benefits	0	0	653	0	653
Compensated Absences Payable	0	0	(5,351)	0	(5,351)
Intergovernmental Payable	0	(19,525)	(10,629)	0	(30,154)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$307,465)</u>	<u>(\$19,525)</u>	<u>(\$48,933)</u>	<u>\$324</u>	<u>(\$375,599)</u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2011

Assets

Equity in Pooled Cash and Cash Equivalents \$9,791

Liabilities

Due to Students \$9,791

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, 2011*

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 48 non-certified and 55 certificated full time teaching personnel who provide services to 1,023 students and other community members.

Reporting Entity

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

Nonpublic School Within the School District boundaries, Richmond Heights Christian School is operated independently. Current State legislation provides funding to this nonpublic school. These monies are received and disbursed on behalf of the nonpublic school by the Treasurer of the School District, as directed by the nonpublic schools. These transactions are reported as a 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 following entities which perform activities within the School District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

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

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

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

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

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

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

Fund Accounting

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

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

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

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

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

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

Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in fund net

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

Cash and Cash Equivalents

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

During fiscal year 2011, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2011.

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 2011 amounted to \$3,180 which includes \$922 assigned from other School District funds.

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

Inventory

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

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments or imposed by law through constitutional provision. Restricted assets in the general fund include amounts required by State statute to be set-aside for the purchase of textbooks and other instructional material and budget stabilization. See Note 18 for additional information regarding set asides.

Capital Assets

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

Richmond Heights Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

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

Interfund Balances

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

Compensated Absences

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

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

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

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

Richmond Heights Local School District

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For the Fiscal Year Ended June 30, 2011*

Accrued Liabilities and Long-Term Obligations

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

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

Net Assets

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

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

Fund Balance

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

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

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

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

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

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

Operating Revenues and Expenses

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

Internal Activity

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

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

Estimates

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Budgetary Data

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

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

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

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

Change in Accounting Principles

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 59, "Financial Instruments Omnibus". GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments by updating and improving existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of this statement did not result in any change in the School District's financial statements.

Note 4 – Fund Balances

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Restricted for</i>			
Community Involvement	\$ 0	\$ 6,049	\$ 6,049
Classroom Facilities Maintenance	0	21,089	21,089
Technology Improvements	0	3,959	3,959
Remedial Reading	0	71,654	71,654
Special Needs	0	630	630
Drug Abuse Education	0	5,231	5,231
Non-Public Schools	0	2,078	2,078
Textbooks Instructional Materials	2,520	0	2,520
Capital Improvements	<u>0</u>	<u>47,832</u>	<u>47,832</u>
<i>Total Restricted</i>	2,520	158,522	161,042
<i>Committed to</i>			
Other Purposes	7,435	0	7,435
<i>Assigned to</i>			
Other Purposes	136,417	0	136,417
<i>Unassigned (Deficit)</i>	<u>1,473,200</u>	<u>(163,271)</u>	<u>1,309,929</u>
<i>Total Fund Balances</i>	<u>\$ 1,619,572</u>	<u>\$ (4,749)</u>	<u>\$ 1,614,823</u>

Note 5 – Accountability and Compliance

Accountability

Fund balances at June 30, 2011, included the following individual fund deficits:

Special Revenue Funds

District Managed Student Activity	\$151,078
State Grants	11,304
Title VI	676
Miscellaneous Federal Grants	213

Enterprise Fund

Food Service	18,989
Special Services	68,819

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

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

Richmond Heights Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Compliance

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

<u>Fund</u>	<u>Original Estimated Revenues Plus Carryover Balance</u>	<u>Original Appropriations</u>	<u>Excess</u>
Governmental Funds			
General	\$12,343,554	\$12,809,979	\$466,425

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

<u>Fund</u>	<u>Final Estimated Revenues Plus Carryover Balance</u>	<u>Final Appropriations</u>	<u>Excess</u>
Governmental Funds			
<i>Special Revenue Funds:</i>			
District Managed Student Activity	\$108,791	\$140,971	\$32,180
State Grants	(11,304)	0	11,304
Enterprise Funds			
Special Services	(83,333)	19,525	102,858

Also, the School District had negative fund balances in conflict with Ohio Revised Code Section 5705.10 which states, monies paid into any fund are to be used only for the purpose for which the fund is established. The School District had negative cash balances at June 30, 2011 in the district managed student activities special revenue fund and the special services enterprise fund in the amounts of \$32,176 and \$102,858, respectively.

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

Note 6 - Budgetary Basis of Accounting

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to a balance sheet transactions (GAAP).
5. Budgetary revenues and expenditures of the public school support fund are reclassified to the general fund for GAAP Reporting.

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

Net Change in Fund Balance	
GAAP Basis	\$1,081,431
Net Adjustment for Revenue Accruals	(1,474,450)
Net Adjustment for Expenditure Accruals	299,286
Advances Out	(63,777)
Excess of revenues under expenditures:	
Public School Support	4,108
Adjustment for Encumbrances	<u>(182,446)</u>
Budget Basis	<u><u>(\$335,848)</u></u>

Note 7 – Deposits and Investments

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

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

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

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

Richmond Heights Local School District

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For the Fiscal Year Ended June 30, 2011*

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

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

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

Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$83,311 of the School District's bank balance of \$609,424 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Investments

As of June 30, 2011, the School District had \$2,934 invested in STAR Ohio with an average maturity of 58.3 days and a rating of AAAM by Standard and Poor's.

All investments are in an internal investment pool.

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

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

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

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer. At June 30, 2011, the School District invested in only STAR Ohio.

Note 8 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District'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, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 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.

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

The School District receives property taxes from Cuyahoga County. The County 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, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 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 revenue.

The amount available as an advance at June 30, 2011 was \$2,667,272 in the general fund and \$28,728 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2010 was \$1,198,099 in the general fund and \$12,901 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$244,321,170	99.08 %	\$244,664,330	99.10 %
Public Utility Personal	2,273,580	0.92	2,230,650	0.90
Total	<u>\$246,594,750</u>	<u>100.00 %</u>	<u>\$246,894,980</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$82.60		\$82.60	

Note 9 - Receivables

Receivables at June 30, 2011, consisted of taxes, intergovernmental, accounts (rent and tuition), and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

Richmond Heights Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Title I Grant	\$106,348
Education Jobs Grant	45,382
Title II-A Grant	5,070
Title II Grant	<u>47</u>
Total	<u><u>\$156,847</u></u>

Note 10 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

Litigation

The School District is party to a few legal proceedings. During fiscal year 2011, a total of eight complaints were filed with the Ohio Civil Rights Commission. The Ohio Civil Rights Commission complaints have been filed by staff members and parents claiming discrimination. Complaints have been investigated and answered. As of the date of this report, the School District is awaiting a decision to the investigation from the U.S. Department of Education and the Civil Rights Commission. The School Board is of the opinion that legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>6/30/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2011</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	<u>\$311,214</u>	<u>\$0</u>	<u>\$0</u>	<u>\$311,214</u>

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Governmental Activities (continued)				
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	\$6,244,248	\$0	\$0	\$6,244,248
Furniture and Equipment	1,035,305	51,524	0	1,086,829
Vehicles	943,149	0	0	943,149
<i>Total Capital Assets, being depreciated</i>	<u>8,222,702</u>	<u>51,524</u>	<u>0</u>	<u>8,274,226</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(6,032,104)	(35,394)	0	(6,067,498)
Furniture and Equipment	(874,215)	(122,378)	0	(996,593)
Vehicles	(498,204)	(49,384)	0	(547,588)
Total Accumulated Depreciation	<u>(7,404,523)</u>	<u>(207,156)*</u>	<u>0</u>	<u>(7,611,679)</u>
Total Capital Assets, being depreciated, net	<u>818,179</u>	<u>(155,632)</u>	<u>0</u>	<u>662,547</u>
Governmental Activities Capital Assets, Net	<u>\$1,129,393</u>	<u>(\$155,632)</u>	<u>\$0</u>	<u>\$973,761</u>
Business-Type Activities				
Furniture and Equipment	\$86,732	\$2,030	\$0	\$88,762
Less Accumulated Depreciation:				
Furniture and Equipment	(69,556)	(3,359)	0	(72,915)
Business-Type Activities Capital Asset, Net	<u>\$17,176</u>	<u>(\$1,329)</u>	<u>\$0</u>	<u>\$15,847</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$73,602
Special	15
Support Services:	
Pupils	3,475
Instructional Staff	5,120
Administration	5,283
Fiscal	1,482
Business	650
Operation and Maintenance of Plant	63,052
Pupil Transportation	49,384
Central	2,630
Operation of Non-Instructional Services	1,313
Extracurricular Activities	1,150
Total Depreciation	<u>\$207,156</u>

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

Richmond Heights Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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, 2011, the School District contracted with the following insurance companies:

Company	Type of Coverage	Limit	Deductible
Indiana Insurance Company	Auto Liability	\$1,000,000	N/A
	Uninsured Motorist	100,000	N/A
	Comprehensive General Liability		
	General Liability	1,000,000	N/A
	Personal Injury	1,000,000	N/A
	General Aggregate	2,000,000	N/A
	Errors and Omissions	1,000,000	2,500
	Property Coverage		
	Blanket Building and Contents	31,732,814	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 - Pension Plans

School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$182,063, \$214,425 and \$149,932, respectively. For fiscal year 2011, 89.17 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

State Teachers Retirement System

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

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

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$478,304 and \$6,349 for the fiscal year ended June 30, 2011, \$482,961 and \$12,685 for the fiscal year ended June 30, 2010 and \$495,394 and none for the fiscal year ended June 30, 2009. For fiscal year 2011, 80.44 percent has been contributed for the DB plan and 80.44 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2011 were \$23,733 made by the School District and \$16,952 made by the plan members. In addition, member contributions of \$4,535 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 14 - Postemployment Benefits

School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$9,065 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$31,110, \$41,640 and \$68,616 respectively. For fiscal year 2011, 89.17 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009, were \$11,716, \$12,751 and \$12,371 respectively. For fiscal year 2011, 89.17 percent has been contributed, with the balance being reported as an intergovernmental payable. The Full amount has been contributed for fiscal years 2010 and 2009.

State Teachers Retirement System

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$36,706, \$38,663 and \$39,604 respectively. For fiscal year 2011, 80.44 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Note 15 - Other Employee Benefits

Compensated Absences

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

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

<u>Years of Experience</u>	<u>Percentage</u>
1-4	6.3 %
5-9	12.5
10+	25.0

Insurance Benefits

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

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 16 - Long-Term Obligations

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

	Principal Outstanding 6/30/2010	Additions	(Reductions)	Principal Outstanding 6/30/2011	Amount Due in One Year
Governmental Activities:					
Energy Conservation Notes					
2009 - 5.584%	\$981,004	\$0	(\$50,343)	\$930,661	\$53,194
Capital Lease	53,780	0	(16,605)	37,175	17,395
Compensated Absences	389,337	79,641	(176,890)	292,088	46,989
Total Governmental Activities	<u>\$1,424,121</u>	<u>\$79,641</u>	<u>(\$243,838)</u>	<u>\$1,259,924</u>	<u>\$117,578</u>
Business-Type Activities:					
Compensated Absences	<u>\$5,351</u>	<u>\$12,381</u>	<u>(\$17,732)</u>	<u>\$0</u>	<u>\$0</u>

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

The capital leases will be paid from the general fund. Compensated absences will be paid from the general fund.

The School District's overall legal debt margin was \$22,228,648 with an unvoted debt margin of \$246,985 at June 30, 2011. Principal and interest requirements to retire the energy conservation notes are as follows:

Fiscal Year Ended June 30,	Energy Conservation Bonds	
	Principal	Interest
2012	\$53,194	\$51,236
2013	56,206	48,224
2014	59,388	45,042
2015	62,751	41,679
2016	66,303	38,126
2017 - 2021	392,264	129,884
2022 - 2024	<u>240,555</u>	<u>20,519</u>
Total	<u>930,661</u>	<u>374,710</u>

Note 17 - Jointly Governed Organizations

Northeast Ohio Network for Educational Technology

The Northeast Ohio Network for Educational Technology (NEONET) is the computer service organization or Data Acquisition Site (DAS) used by the School District. NEONET is a jointly governed

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

organization among twenty-five school districts, three career centers, and the Summit and Medina County Educational Service Centers. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Board of Directors consists of member district superintendents and treasurers. The manager/director is a permanent, non-voting member of the board of directors. Each school district's control is limited to its representation on the board. The Board of Directors exercise total control over the operations of the association including budgeting, appropriating, contracting and designating management. All association revenues are generated from charges for services and State funding. The School District does not retain an ongoing financial interest or an ongoing financial responsibility in NEONET. During the current fiscal year, the School District made \$62,493 in payments to NEONET. Financial information can be obtained by writing to the Summit County Educational Service Center, 420 Washington Avenue, Suite 200, Cuyahoga Falls, OH 44221.

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly from September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2011, the School District paid \$1,100 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

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

Richmond Heights Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 18 - Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2011, only the unspent portion of certain workers' compensation refunds continues to be set aside.

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

	Textbooks Instructional Materials	Capital Improvement	Budget Stabilization
Set-aside Balance as of June 30, 2010	(\$13,783)	\$0	\$269,783
Current Year Set-aside Requirement	136,921	136,921	0
Offsets	0	(130,377)	0
Qualifying Disbursements	(120,618)	(145,309)	0
Totals	<u>\$2,520</u>	<u>(\$138,765)</u>	<u>\$269,783</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>\$0</u>	<u>\$269,783</u>
Set-aside Balance as of June 30, 2011	<u>\$2,520</u>	<u>\$0</u>	<u>\$269,783</u>

Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This balance is therefore not presented as being carried forward to future fiscal years. Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. The total balance for the three set-asides at the end of the fiscal year was \$272,303.

Note 19 - Interfund Transactions

Interfund Transfers

The general fund transferred \$104,430 to the bond retirement fund for the payment of debt and \$46,101 to the district managed student activity special revenue fund to support programs in this fund.

Interfund Balances

Interfund balances at June 30, 2011, consist of the following individual fund receivables and payables:

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$402,025	\$0
Special Revenue Funds:		
Other Grants	0	361
District Managed Student Activities	0	150,990
Schoolnet	0	1,836
State Grants	0	11,304
Title V	0	676
Drug Free Schools	0	1,000
Miscellaneous Federal Grants	0	213
<i>Total Special Revenue Funds</i>	<u>0</u>	<u>166,380</u>
Capital Projects Fund:		
Permanent Improvements	0	25,000
Enterprise Fund:		
Food Service	0	38,968
Rotary Special Services	0	171,677
<i>Total Enterprise Funds</i>	<u>0</u>	<u>210,645</u>
Total All Funds	<u>\$402,025</u>	<u>\$402,025</u>

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

Note 20 - Capital Leases

The School District entered into capital leases for copiers in fiscal year 2009. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases." The leased equipment is reported as a group in governmental activities at a cost of \$83,527; accumulated depreciation through June 30, 2011 amounted to \$50,116 leaving a book value of \$33,411. The agreements provide for minimum, annual lease payments as follows:

	<u>Governmental Activities</u>
2012	\$18,757
2013	18,757
2014	1,563
Total Minimum Lease Payments	<u>39,077</u>
Less: Amounts Representing Interest	<u>(1,902)</u>
Present Value of Minimum Lease Payments	<u>\$37,175</u>

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture			
<u>Passed through Ohio Department of Education</u>			
<i>Child Nutrition Cluster</i>			
National School Lunch Program (Note 2)	10.555	\$ 234,729	\$ 17,462
Total U.S. Department of Agriculture		<u>234,729</u>	<u>17,462</u>
U.S. Department of Education			
<u>Passed through the Ohio Department of Education</u>			
<i>Title I, Part A Cluster</i>			
Title I - Grants to Local Educational Agencies School Improvement, Sub A	84.010	153,377	0
ARRA - Title I	84.389	<u>54,493</u>	<u>0</u>
<i>Total Title I, Part A Cluster</i>		<u>207,870</u>	<u>0</u>
Education Technology State Grants	84.318	<u>1,463</u>	<u>0</u>
Title II-A - Improving Teacher Quality State Grants	84.367	<u>33,830</u>	<u>0</u>
Title IV - Safe and Drug-Free Schools and Community State Grants	84.186	<u>1,249</u>	<u>0</u>
ARRA-State Fiscal Stabilization Fund-Education State Grants, Recovery Act	84.394	<u>113,684</u>	<u>0</u>
Total U.S. Department of Education		<u>358,096</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 592,825</u>	<u>\$ 17,462</u>

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

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTAL SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: NONCASH SUPPORT

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

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

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Richmond Heights Local School District, Cuyahoga County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the Richmond Heights Local School District, Ohio's basic financial statements and have issued our report thereon dated February 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Richmond Heights Local School District, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as **Item 2011-001** and **Item 2011-002**.

We noted certain matters that we reported to the management of the Richmond Heights Local School District, Ohio, in a separate letter dated February 16, 2012.

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

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



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

February 16, 2012

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

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

Compliance

We have audited the Richmond Heights Local School District, Cuyahoga County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Richmond Heights Local School District, Ohio's major federal programs for the year ended June 30, 2011. The Richmond Heights Local School District, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Richmond Heights Local School District, Ohio's management. Our responsibility is to express an opinion on the Richmond Heights Local School District, Ohio's compliance based on our audit.

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

In our opinion, the Richmond Heights Local School District, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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



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

February 16, 2012

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & .505
 JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

2011(i)	Type of Financial Statement Opinion	Unqualified
2011(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2011(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2011(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
2011(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2011(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2011(v)	Type of Major Program's Compliance Opinion	Unqualified
2011(vi)	Are there any reportable findings under .510?	No
2011(vii)	Major Programs (list): Title I - Grants to Local Educational Agencies - CFDA #84.010 ARRA - Title I - Grants to Local Educational Agencies - CFDA #84.389 ARRA - State Fiscal Stabilization Fund - ARRA - CFDA #84.394	
2011(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2011(ix)	Low Risk Auditee?	No

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2011
(CONTINUED)

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

2011-001 Appropriations Exceeding Estimated Resources

Condition

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

Cause/Effect

As of June 30, 2011, the following funds had appropriations exceeding estimated resources:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<u>Original Budget</u>	\$ 12,343,554	\$12,809,979	\$ (466,425)
<u>Final Budget</u>			
District Managed Student Activity	108,791	140,971	(32,180)
State Grants	(11,304)	0	(11,304)
Special Services	(83,333)	19,525	(102,838)

Recommendation

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

Client Response/Corrective Action Plan

The District filed an additional appropriation amendment and an amended certificate of estimated resources with the County Budget Commission on June 30, 2011, due to a shortfall in tax collections. The Treasurer is aware of the law and will take steps next year so the District will be in compliance with Section 5705.39 of the Ohio Revised Code.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2011
(CONTINUED)

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

2011-002 Negative Cash Fund Balances

Condition/Criteria

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

Cause/Effect

Negative cash fund balances are an indication that revenues from other sources are being used to pay obligations of these funds. Additionally, money spent for purposes other than specified in grant agreements could result in the reduction or loss of future grant awards. The District had negative cash fund balances in the following funds at June 30, 2011:

	Balance at June 30, 2011
<u>Non-Major Governmental Funds</u>	
Student Activities	\$ (32,176)
 <u>Major Enterprise Funds</u>	
Special Services	(102,858)

Recommendation

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

Client Response/Corrective Action Plan

The Treasurer is aware of the issue and will take the appropriate action to correct this in the future. The negative cash fund balance in the Special Services Fund is attributed to a receivable that will be collected in fiscal year 2012.

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

None.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 CUYAHOGA COUNTY
 SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
 JUNE 30, 2011**

<u>Number</u>	<u>Finding Summary</u>	<u>Corrected?</u>	<u>Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain</u>
2010-1	Appropriations Exceeding Estimated Resources	No	Repeated as Finding 2011-001.
2010-2	Negative Cash Fund Balance	No	Repeated as Finding 2011-002.

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

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**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

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

To the Board of Education:


Ohio Revised Code Section 117.53 states, "the Auditor of State shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The Auditor of State shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether the Richmond Heights Local School District (the District), Cuyahoga County, Ohio, has updated its anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within the definition of harassment, intimidation or bullying, per the requirements listed in Ohio Revised Code 3313.666.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.


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

February 16, 2012

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Dave Yost • Auditor of State

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 15, 2012