

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

**AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

***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, 2012 through June 30, 2013. 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 27, 2014

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**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 AUDIT REPORT  
 FOR THE YEAR ENDED JUNE 30, 2013**

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**INDEPENDENT AUDITOR'S REPORT**

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

The Honorable Dave Yost  
Auditor of State  
State of Ohio

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Richmond Heights Local School District, Cuyahoga County, Ohio, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Richmond Heights Local School District, Ohio, as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 3 to the financial statements, the District restated its June 30, 2012 governmental activities' net position for property taxes. Our opinion is not modified with respect to this matter.

As discussed in Note 22 to the financial statements, there is substantial doubt about the District's ability to continue as a going concern. The financial statements do not include any adjustments that might result from this uncertainty. This matter does not affect our opinion on these financial statements.

### ***Other Matters***

#### ***Required Supplementary Information***

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Richmond Heights Local School District, Ohio's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2014, on our consideration of the Richmond Heights Local School District, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Richmond Heights Local School District, Ohio's internal control over financial reporting and compliance.

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



Digitally signed by James G. Zupka, CPA, President  
DN: cn=James G. Zupka, CPA, President, o=James G.  
Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2014.04.30 13:36:48 -04'00'

April 17, 2014

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## **Richmond Heights Local School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited*

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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, 2013. 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 2013 are as follows:

- Governmental activities reflected a slight increase in net position from fiscal year 2012, mainly due to an increase in property tax revenue.
- The School District is increasingly challenged by the negative impact of school district revenues caused by the great recession and the increasing negative impact from the growing number of students leaving for charter schools and other out of district options.

### **Using this Annual Financial Report**

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

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

### ***Reporting the School District as a Whole***

#### *Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as an entity looks at all financial transactions and asks the question, "How did we do financially during the 2013 fiscal year?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

## **Richmond Heights Local School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2013*

*Unaudited*

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

- **Governmental Activities** – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and general administration.
- **Business-Type Activities** – These services are provided on a fee basis to recover all of the expenses of the goods or services provided. The School District's business-type activities are food service, special services, latchkey/summer camp and web check services.

### ***Reporting the School District's Most Significant Funds***

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for its financial transactions. However, these fund financial statements concentrate on the School District's most significant funds. The School District's major governmental fund is the general fund.

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

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

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

### **The School District as a Whole**

The Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012:

## Richmond Heights Local School District

### *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2013*

*Unaudited*

**Table 1**  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and						
Other Assets	\$11,087,494	\$10,163,130	(\$245,623)	(\$110,695)	\$10,841,871	\$10,052,435
Capital Assets, Net	872,651	984,091	9,129	12,488	881,780	996,579
Total Assets	11,960,145	11,147,221	(236,494)	(98,207)	11,723,651	11,049,014
<b>Liabilities</b>						
Current and						
Other Liabilities	2,325,554	1,779,563	106,293	114,548	2,431,847	1,894,111
Long-Term Liabilities:						
Due Within One Year	80,562	95,387	0	0	80,562	95,387
Due in More than One Year	1,093,542	1,014,069	0	0	1,093,542	1,014,069
Total Liabilities	3,499,658	2,889,019	106,293	114,548	3,605,951	3,003,567
<b>Deferred Inflows of Resources</b>	7,399,618	7,224,271	0	0	7,399,618	7,224,271
<b>Net Position</b>						
Net Investment in						
Capital Assets	49,832	86,844	9,129	12,488	58,961	99,332
Restricted						
Capital Projects	60,021	20,090	0	0	60,021	20,090
Student Support	19,342	87,914	0	0	19,342	87,914
Other Purpose	2,699	4,941	0	0	2,699	4,941
Unrestricted (Deficit)	928,975	834,142	(351,916)	(225,243)	577,059	608,899
Total Net Position (Deficit)	\$1,060,869	\$1,033,931	(\$342,787)	(\$212,755)	\$718,082	\$821,176

By comparing assets and liabilities, one can see the overall position of the School District has declined as evidenced by the decrease in net position. The majority of this decrease is attributed to an increase in accounts payable, offset by an increase in property taxes receivable.

Table 2 shows the changes in net position for fiscal year 2013 for both our Governmental activities and our Business-Type activities. Revenue and expense comparisons can be made between fiscal years 2012 and 2013.

## Richmond Heights Local School District

### Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Unaudited

**Table 2**  
Change in Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for Services and Sales	\$470,627	\$317,620	\$130,661	\$142,159	\$601,288	\$459,779
Operating Grants and Contributions	327,354	316,481	254,604	290,560	581,958	607,041
Capital Grants	26,556	21,107	0	0	26,556	21,107
<i>Total Program Revenues</i>	<u>824,537</u>	<u>655,208</u>	<u>385,265</u>	<u>432,719</u>	<u>1,209,802</u>	<u>1,087,927</u>
<b>General Revenues:</b>						
Property Taxes	10,136,672	8,216,547	0	0	10,136,672	8,216,547
Grants and Entitlements	3,255,751	3,354,637	0	0	3,255,751	3,354,637
Investment Earnings	1,832	1,996	0	0	1,832	1,996
Miscellaneous	98,565	8,471	0	0	98,565	8,471
<i>Total General Revenues</i>	<u>13,492,820</u>	<u>11,581,651</u>	<u>0</u>	<u>0</u>	<u>13,492,820</u>	<u>11,581,651</u>
<b>Total Revenues</b>	<u>14,317,357</u>	<u>12,236,859</u>	<u>385,265</u>	<u>432,719</u>	<u>14,702,622</u>	<u>12,669,578</u>
<b>Program Expenses</b>						
Instruction	9,002,299	7,479,199	0	0	9,002,299	7,479,199
<b>Support Services:</b>						
Pupil and Instructional Staff	863,126	991,270	0	0	863,126	991,270
Board of Education, Administration, Fiscal and Business	1,822,198	1,993,238	0	0	1,822,198	1,993,238
Operation and Maintenance of Plant	981,669	917,158	0	0	981,669	917,158
Pupil Transportation	1,083,673	1,170,324	0	0	1,083,673	1,170,324
Central	177,891	141,668	0	0	177,891	141,668
Operation of Non-Instructional Services	5,953	6,728	0	0	5,953	6,728
Enterprise Operations	0	0	515,297	559,420	515,297	559,420
Extracurricular Activities	305,766	318,876	0	0	305,766	318,876
Interest and Fiscal Charges	47,844	51,733	0	0	47,844	51,733
<b>Total Program Expenses</b>	<u>14,290,419</u>	<u>13,070,194</u>	<u>515,297</u>	<u>559,420</u>	<u>14,805,716</u>	<u>13,629,614</u>
<b>Change in Net Position</b>	26,938	(833,335)	(130,032)	(126,701)	(103,094)	(960,036)
<i>Net Position (Deficit) Beginning of Year</i>	<u>1,033,931</u>	<u>1,867,266</u>	<u>(212,755)</u>	<u>(86,054)</u>	<u>821,176</u>	<u>1,781,212</u>
<i>Net Position (Deficit) End of Year</i>	<u>\$1,060,869</u>	<u>\$1,033,931</u>	<u>(\$342,787)</u>	<u>(\$212,755)</u>	<u>\$718,082</u>	<u>\$821,176</u>

### **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, 2013  
Unaudited*

Property tax revenues increased due to the passage of a new 5.3 mill general fund operating levy passed on November 6, 2012 first collected in calendar year 2013. The School District's grants and entitlements decreased due to a reduction in state funding for schools revenues from the State of Ohio and the reduction of Tangible Property Tax loss reimbursement to the School District by the State of Ohio.

Overall expenses increased due to increases in instructional expenses. These expenses pay for classified and certified personnel pay and benefits which increase at set levels every year through negotiated agreements. These increases are offset by the retirement of personnel who are then replaced with an employee lower on the pay scale.

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 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Instruction	\$9,002,299	\$8,508,584	\$7,479,199	\$7,177,499
Support Services:				
Pupils and Instructional Staff	863,126	751,253	991,270	828,974
Board of Education, Administration				
Fiscal and Business	1,822,198	1,775,348	1,993,238	1,946,371
Operation and Maintenance of Plant	981,669	930,953	917,158	878,279
Pupil Transportation	1,083,673	1,056,294	1,170,324	1,145,995
Central	177,891	168,487	141,668	133,865
Operating of Non-Instructional Services	5,953	4,429	6,728	2,022
Extracurricular Activities	305,766	222,690	318,876	250,248
Interest and Fiscal Charges	47,844	47,844	51,733	51,733
Total	<u>\$14,290,419</u>	<u>\$13,465,882</u>	<u>\$13,070,194</u>	<u>\$12,414,986</u>

***Business-Type Activities***

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

Overall business-type activities net position decreased due to decreases in revenues in the food service, latchkey/summer camp and web check services for the fiscal year. The decrease in business-type activities net position can be attributed to the current tough economic conditions. In June of 2011, the School District subcontracted the Latchkey Program to Step by Step Learning Centers. Step by Step continues to utilize the School District facilities on a rental basis back to the Richmond Heights Board of Education.

**Richmond Heights Local School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited*

**The School District's Funds**

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. The general fund had total revenues of \$13,764,100 and expenditures of \$13,281,685. The general fund had an increase in fund balance due mainly to an increase in property tax revenues. Other Governmental Funds had a decrease in fund balance due to increases in expenditures for the fiscal year.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. During the course of fiscal year 2013, 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 property tax revenue being lower than anticipated. The final budget appropriations were higher than actual expenditures due mainly to the diligence of management to keep costs low while still providing the services the School District citizens expect.

**Capital Assets and Debt**

**Capital Assets**

Table 4 shows fiscal 2013 balances compared to 2012:

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$311,214	\$311,214	\$0	\$0	\$311,214	\$311,214
Buildings and Improvements	141,400	159,075	0	0	141,400	159,075
Furniture and Equipment	51,862	84,786	9,129	12,488	60,991	97,274
Vehicles	368,175	429,016	0	0	368,175	429,016
<b>Totals</b>	<b>\$872,651</b>	<b>\$984,091</b>	<b>\$9,129</b>	<b>\$12,488</b>	<b>\$881,780</b>	<b>\$996,579</b>

For fiscal year 2013, an Ohio law required school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2013, this amounted to \$142,359. See Note 11 to the basic financial statements for additional information on capital assets and Note 18 for additional information regarding required set-asides.

## **Richmond Heights Local School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited*

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### **Debt**

At June 30, 2013, the School District had energy conservation notes with a balance of \$821,261 outstanding. The School District had a balance of \$1,558 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 and updated on May 14, 2012. 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. On February 4, 2014, the Board of Education will requested to adopt a new five year forecast for the period of fiscal years 2014 through 2018. This forecast predicts a general fund deficit of \$1,503,549 as of June 30, 2014, and growing to a projected \$9,619,978 general fund deficit as of June 30, 2018.

### **Contacting the School District Fiscal Management**

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

## **Basic Financial Statements**

**Richmond Heights Local School District***Statement of Net Position**June 30, 2013*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$356,934	\$0	\$356,934
Accounts Receivable	33,643	0	33,643
Internal Balances	245,623	(245,623)	0
Property Taxes Receivable	10,451,294	0	10,451,294
Nondepreciable Capital Assets	311,214	0	311,214
Depreciable Capital Assets, Net	561,437	9,129	570,566
<i>Total Assets</i>	<u>11,960,145</u>	<u>(236,494)</u>	<u>11,723,651</u>
<b>Liabilities</b>			
Accounts Payable	513,457	106,068	619,525
Accrued Wages and Benefits	918,190	0	918,190
Intergovernmental Payable	844,526	225	844,751
Matured Compensated Absences Payable	36,005	0	36,005
Accrued Interest Payable	13,376	0	13,376
Long-Term Liabilities:			
Due Within One Year	80,562	0	80,562
Due In More Than One Year	1,093,542	0	1,093,542
<i>Total Liabilities</i>	<u>3,499,658</u>	<u>106,293</u>	<u>3,605,951</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	7,399,618	0	7,399,618
<b>Net Position</b>			
Net Investment in Capital Assets	49,832	9,129	58,961
Restricted for:			
Capital Projects	60,021	0	60,021
Other Purposes	22,041	0	22,041
Unrestricted (Deficit)	928,975	(351,916)	577,059
<i>Total Net Position (Deficit)</i>	<u>\$1,060,869</u>	<u>(\$342,787)</u>	<u>\$718,082</u>

See accompanying notes to the basic financial statements

**Richmond Heights Local School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2013*

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants
<b>Governmental Activities</b>				
Instruction:				
Regular	\$6,284,881	\$187,890	\$37,750	\$0
Special	2,565,754	71,032	194,730	0
Vocational	151,664	2,313	0	0
Support Services:				
Pupils	680,740	24,069	50,349	0
Instructional Staff	182,386	3,317	34,138	0
Board of Education	344,174	8,158	0	0
Administration	1,004,600	26,286	0	0
Fiscal	462,474	12,128	0	0
Business	10,950	278	0	0
Operation and Maintenance of Plant	981,669	24,160	0	26,556
Pupil Transportation	1,083,673	26,932	447	0
Central	177,891	4,004	5,400	0
Operation of Non-Instructional Services	5,953	0	1,524	0
Extracurricular Activities	305,766	80,060	3,016	0
Interest and Fiscal Charges	47,844	0	0	0
<i>Total Governmental Activities</i>	<u>14,290,419</u>	<u>470,627</u>	<u>327,354</u>	<u>26,556</u>
<b>Business-Type Activities</b>				
Food Service	450,595	117,520	254,604	0
Special Services	25,079	0	0	0
Latchkey/Summer Camp	30,970	5,213	0	0
Web Check Services	8,653	7,928	0	0
<i>Total Business-Type Activities</i>	<u>515,297</u>	<u>130,661</u>	<u>254,604</u>	<u>0</u>
<i>Totals</i>	<u>\$14,805,716</u>	<u>\$601,288</u>	<u>\$581,958</u>	<u>\$26,556</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 Position

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

*Net Position (Deficit) End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$6,059,241)	\$0	(\$6,059,241)
(2,299,992)	0	(2,299,992)
(149,351)	0	(149,351)
(606,322)	0	(606,322)
(144,931)	0	(144,931)
(336,016)	0	(336,016)
(978,314)	0	(978,314)
(450,346)	0	(450,346)
(10,672)	0	(10,672)
(930,953)	0	(930,953)
(1,056,294)	0	(1,056,294)
(168,487)	0	(168,487)
(4,429)	0	(4,429)
(222,690)	0	(222,690)
(47,844)	0	(47,844)
<u>(13,465,882)</u>	<u>0</u>	<u>(13,465,882)</u>
0	(78,471)	(78,471)
0	(25,079)	(25,079)
0	(25,757)	(25,757)
<u>0</u>	<u>(725)</u>	<u>(725)</u>
<u>0</u>	<u>(130,032)</u>	<u>(130,032)</u>
<u>(13,465,882)</u>	<u>(130,032)</u>	<u>(13,595,914)</u>
10,023,740	0	10,023,740
112,932	0	112,932
3,255,751	0	3,255,751
1,832	0	1,832
98,565	0	98,565
<u>13,492,820</u>	<u>0</u>	<u>13,492,820</u>
26,938	(130,032)	(103,094)
<u>1,033,931</u>	<u>(212,755)</u>	<u>821,176</u>
<u>\$1,060,869</u>	<u>(\$342,787)</u>	<u>\$718,082</u>

See accompanying notes to the basic financial statements

**Richmond Heights Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2013*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$244,884	\$112,050	\$356,934
Accounts Receivable	33,643	0	33,643
Interfund Receivable	480,279	0	480,279
Property Taxes Receivable	10,334,124	117,170	10,451,294
<i>Total Assets</i>	<u>\$11,092,930</u>	<u>\$229,220</u>	<u>\$11,322,150</u>
<b>Liabilities</b>			
Accounts Payable	\$450,255	\$63,202	\$513,457
Accrued Wages and Benefits	878,556	39,634	918,190
Intergovernmental Payable	829,342	15,184	844,526
Matured Compensated Absences Payable	36,005	0	36,005
Interfund Payable	0	234,656	234,656
<i>Total Liabilities</i>	<u>2,194,158</u>	<u>352,676</u>	<u>2,546,834</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	1,222,994	14,003	1,236,997
Property Taxes	7,314,574	85,044	7,399,618
<i>Total Deferred Inflows of Resources</i>	<u>8,537,568</u>	<u>99,047</u>	<u>8,636,615</u>
<b>Fund Balances</b>			
Restricted	0	68,059	68,059
Assigned	13,610	0	13,610
Unassigned (Deficit)	347,594	(290,562)	57,032
<i>Total Fund Balances (Deficit)</i>	<u>361,204</u>	<u>(222,503)</u>	<u>138,701</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$11,092,930</u>	<u>\$229,220</u>	<u>\$11,322,150</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, 2013*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$10,016,692	\$112,851	\$10,129,543
Intergovernmental	3,255,751	458,224	3,713,975
Interest	1,780	52	1,832
Tuition and Fees	331,679	0	331,679
Extracurricular Activities	35,799	75,006	110,805
Rentals	28,143	0	28,143
Contributions and Donations	401	3,016	3,417
Miscellaneous	93,855	4,710	98,565
<i>Total Revenues</i>	<u>13,764,100</u>	<u>653,859</u>	<u>14,417,959</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	6,031,096	100,799	6,131,895
Special	2,247,898	279,995	2,527,893
Vocational	151,113	0	151,113
Support Services:			
Pupils	602,203	66,023	668,226
Instructional Staff	121,949	52,704	174,653
Board of Education	342,231	0	342,231
Administration	958,980	1,030	960,010
Fiscal	465,080	0	465,080
Business	10,505	0	10,505
Operation and Maintenance of Plant	947,883	769	948,652
Pupil Transportation	1,028,447	926	1,029,373
Central	165,229	10,155	175,384
Operation of Non-Instructional Services	0	5,156	5,156
Extracurricular Activities	190,314	112,017	302,331
Capital Outlay	0	99,557	99,557
Debt Service:			
Principal Retirement	18,222	56,206	74,428
Interest and Fiscal Charges	535	48,224	48,759
<i>Total Expenditures</i>	<u>13,281,685</u>	<u>833,561</u>	<u>14,115,246</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>482,415</u>	<u>(179,702)</u>	<u>302,713</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	139,430	139,430
Transfers Out	(139,430)	0	(139,430)
<i>Total Other Financing Sources (Uses)</i>	<u>(139,430)</u>	<u>139,430</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	342,985	(40,272)	302,713
<i>Fund Balances (Deficit) Beginning of Year</i>	18,219	(182,231)	(164,012)
<i>Fund Balances (Deficit) End of Year</i>	<u>\$361,204</u>	<u>(\$222,503)</u>	<u>\$138,701</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, 2013*

**Net Change in Fund Balances - Total Governmental Funds** \$302,713

*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	12,376
Current Year Depreciation	(123,816)

Total (111,440)

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	7,129
Grants	(107,731)

Total (100,602)

Repayment of note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 74,428

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. (139,076)

In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due. 915

*Change in Net Position of Governmental Activities* \$26,938

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, 2013*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Revised Budget	Actual	
<b>Revenues</b>				
Property Taxes	\$8,931,305	\$9,556,448	\$9,346,582	(\$209,866)
Intergovernmental	3,111,095	3,328,855	3,255,751	(73,104)
Interest	1,701	1,820	1,780	(40)
Tuition and Fees	301,524	322,629	315,544	(7,085)
Extracurricular Activities	18,161	19,432	19,005	(427)
Rentals	27,334	29,247	28,605	(642)
Contributions and Donations	81	87	85	(2)
Miscellaneous	75,554	80,174	78,623	(1,551)
<i>Total Revenues</i>	<u>12,466,755</u>	<u>13,338,692</u>	<u>13,045,975</u>	<u>(292,717)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,341,264	5,460,965	5,428,566	32,399
Special	2,399,916	2,451,856	2,387,988	63,868
Vocational	77,162	78,904	87,340	(8,436)
Support Services:				
Pupils	696,577	712,191	734,365	(22,174)
Instructional Staff	119,835	122,520	121,692	828
Board of Education	433,198	441,890	394,495	47,395
Administration	959,841	981,329	974,508	6,821
Fiscal	469,926	480,472	477,219	3,253
Business	8,558	8,751	8,718	33
Operation and Maintenance of Plant	908,215	928,461	919,832	8,629
Pupil Transportation	1,048,740	1,072,127	1,069,367	2,760
Central	141,170	144,224	159,881	(15,657)
Extracurricular Activities	172,716	176,597	175,520	1,077
<i>Total Expenditures</i>	<u>12,777,118</u>	<u>13,060,287</u>	<u>12,939,491</u>	<u>120,796</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(310,363)</u>	<u>278,405</u>	<u>106,484</u>	<u>(171,921)</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	8,896	8,896	8,896	0
Advances Out	(168,540)	(168,540)	(168,540)	0
Transfers Out	(139,430)	(139,430)	(139,430)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(299,074)</u>	<u>(299,074)</u>	<u>(299,074)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(609,437)	(20,669)	(192,590)	(171,921)
<i>Fund Balance Beginning of Year</i>	47,668	47,668	47,668	0
Prior Year Encumbrances Appropriated	234,236	234,236	234,236	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$327,533)</u>	<u>\$261,235</u>	<u>\$89,314</u>	<u>(\$171,921)</u>

See accompanying notes to the basic financial statements

**Richmond Heights Local School District**

*Statement of Fund Net Position*

*Enterprise Funds*

*June 30, 2013*

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	<u>Food Service</u>	<u>Special Services</u>	<u>Latchkey/ Summer Camp</u>	<u>Web Check Services</u>	<u>Total Enterprise Funds</u>
<b>Assets</b>					
Depreciable Capital Assets, Net	\$9,129	\$0	\$0	\$0	\$9,129
<b>Liabilities</b>					
<i>Current Liabilities:</i>					
Accounts Payable	105,695	0	373	0	106,068
Intergovernmental Payable	0	0	225	0	225
Interfund Payable	94,603	93,898	56,145	977	245,623
<i>Total Liabilities</i>	<u>200,298</u>	<u>93,898</u>	<u>56,743</u>	<u>977</u>	<u>351,916</u>
<b>Net Position</b>					
Investment in Capital Assets	9,129	0	0	0	9,129
Unrestricted (Deficit)	<u>(200,298)</u>	<u>(93,898)</u>	<u>(56,743)</u>	<u>(977)</u>	<u>(351,916)</u>
<i>Total Net Position (Deficit)</i>	<u><u>(\$191,169)</u></u>	<u><u>(\$93,898)</u></u>	<u><u>(\$56,743)</u></u>	<u><u>(\$977)</u></u>	<u><u>(\$342,787)</u></u>

See accompanying notes to the basic financial statements

**Richmond Heights Local School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Enterprise Funds  
For the Fiscal Year Ended June 30, 2013*

	Food Service	Special Services	Latchkey/ Summer Camp	Web Check Services	Total Enterprise Funds
<b>Operating Revenues</b>					
Tuition	\$0	\$0	\$5,213	\$0	\$5,213
Sales	117,520	0	0	0	117,520
Charges for Services	0	0	0	7,928	7,928
<i>Total Operating Revenues</i>	<u>117,520</u>	<u>0</u>	<u>5,213</u>	<u>7,928</u>	<u>130,661</u>
<b>Operating Expenses</b>					
Salaries	0	0	24,470	0	24,470
Purchased Services	344,376	25,079	0	8,653	378,108
Materials and Supplies	102,387	0	6,500	0	108,887
Depreciation	3,359	0	0	0	3,359
Other	473	0	0	0	473
<i>Total Operating Expenses</i>	<u>450,595</u>	<u>25,079</u>	<u>30,970</u>	<u>8,653</u>	<u>515,297</u>
<i>Operating Loss</i>	(333,075)	(25,079)	(25,757)	(725)	(384,636)
<b>Non-Operating Revenues</b>					
Operating Grants	254,604	0	0	0	254,604
<i>Change in Net Position</i>	(78,471)	(25,079)	(25,757)	(725)	(130,032)
<i>Net Position (Deficit) Beginning of Year</i>	<u>(112,698)</u>	<u>(68,819)</u>	<u>(30,986)</u>	<u>(252)</u>	<u>(212,755)</u>
<i>Net Position (Deficit) End of Year</i>	<u><u>(\$191,169)</u></u>	<u><u>(\$93,898)</u></u>	<u><u>(\$56,743)</u></u>	<u><u>(\$977)</u></u>	<u><u>(\$342,787)</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, 2013*

	<u>Food Service</u>	<u>Special Services</u>	<u>Latchkey/ Summer Camp</u>	<u>Web Check Services</u>	<u>Total Enterprise Funds</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>					
<b>Cash Flows from Operating Activities</b>					
Cash Received from Customers	\$117,520	\$77,779	\$5,213	\$7,928	\$208,440
Cash Payments to Employees for Services	0	0	(27,040)	0	(27,040)
Cash Payments for Employee Benefits	0	0	(3,185)	0	(3,185)
Cash Payments for Goods and Services	(444,365)	0	(6,500)	(8,653)	(459,518)
Other Cash Payments	(473)	0	0	0	(473)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(327,318)</u>	<u>77,779</u>	<u>(31,512)</u>	<u>(725)</u>	<u>(281,776)</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Operating Grants Received	254,604	0	0	0	254,604
Advances In	55,635	33,975	30,810	725	121,145
Advances Out	0	(8,896)	0	0	(8,896)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>310,239</u>	<u>25,079</u>	<u>30,810</u>	<u>725</u>	<u>366,853</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(17,079)	102,858	(702)	0	85,077
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>17,079</u>	<u>(102,858)</u>	<u>702</u>	<u>0</u>	<u>(85,077)</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</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, 2013*

	<u>Food Service</u>	<u>Special Services</u>	<u>Latchkey/ Summer Camp</u>	<u>Web Check Services</u>	<u>Total Enterprise Funds</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities</b>					
Operating Loss	(\$333,075)	(\$25,079)	(\$25,757)	(\$725)	(\$384,636)
Adjustments:					
Depreciation	3,359	0	0	0	3,359
Decrease in Assets:					
Accounts Receivable	0	102,858	0	0	102,858
Materials and Supplies Inventory	988	0	0	0	988
Inventory Held for Resale	3,910	0	0	0	3,910
Increase (Decrease) in Liabilities:					
Accounts Payable	2,232	0	373	0	2,605
Intergovernmental Payable	(4,732)	0	(6,128)	0	(10,860)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$327,318)</u>	<u>\$77,779</u>	<u>(\$31,512)</u>	<u>(\$725)</u>	<u>(\$281,776)</u>

See accompanying notes to the basic financial statements

**Richmond Heights Local School District**

*Statement of Fiduciary Assets and Liabilities*

*Agency Funds*

*June 30, 2013*

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**Assets**

Equity in Pooled Cash and Cash Equivalents \$14,175

**Liabilities**

Due to Students \$14,175

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, 2013*

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### **Note 1 - Description of the School District and Reporting Entity**

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and federal agencies. This Board of Education controls the School District's two instructional/support facilities staffed by 40 non-certified and 59 certificated full time teaching personnel who provide services to 850 students and other community members.

#### ***Reporting Entity***

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

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

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

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

### **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 more significant of the School District's accounting policies are described below.

## **Richmond Heights Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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### ***Basis of Presentation***

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

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

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at 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.

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

***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.

## Richmond Heights Local School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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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 position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service; the School District has no internal service funds.

***Enterprise Funds*** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the School District's enterprise funds:

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

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

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

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

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

### ***Measurement Focus***

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

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

## Richmond Heights Local School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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

#### ***Basis of Accounting***

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 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 Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on

## **Richmond Heights Local School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available

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

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

### ***Cash and Cash Equivalents***

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

During fiscal year 2013, investments were limited to STAR Ohio. Investments are reported at fair value which, is based on quoted market price or current share.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2013.

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 2013 amounted to \$1,780 which includes \$523 assigned from other School District funds.

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

### ***Capital Assets***

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

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

**Richmond Heights Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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:

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

***Interfund Balances***

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

***Compensated Absences***

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

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

***Accrued Liabilities and Long-Term Obligations***

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

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

## Richmond Heights Local School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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### ***Net Position***

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

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

### ***Fund Balance***

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

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

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

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

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

***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.

## **Richmond Heights Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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### ***Operating Revenues and Expenses***

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

### ***Internal Activity***

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

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

### ***Estimates***

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

### ***Budgetary Data***

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

## **Richmond Heights Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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### **Note 3 – Change in Accounting Principles and Restatement of Prior Year’s Net Position**

#### ***Change in Accounting Principles***

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements”, Statement No. 61, “The Financial Reporting Entity: Omnibus, an Amendment of GASB Statements No. 14 and No. 34”, Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”, Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 65, “Items Previously Reported as Assets and Liabilities”, and Statement No. 66, “Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units presentation and certain disclosure requirements. These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District’s financial statements.

#### ***Restatement of Net Position***

During fiscal year 2013, it was determined that property taxes receivable was overstated by \$3,023,422 in the prior fiscal year. This reduced governmental activities net position at June 30, 2012 from \$4,057,353 to \$1,033,931 attributed to an error on the information provided by Cuyahoga County.

**Richmond Heights Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

**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:

Fund Balances	General	Other Governmental Funds	Total
<i>Restricted for</i>			
Community Involvement	\$0	\$2,429	\$2,429
Classroom Facilities Maintenance	0	7,770	7,770
Technology Improvements	0	182	182
Special Needs	0	270	270
Drug Abuse Education	0	11,390	11,390
Capital Improvements	0	46,018	46,018
<i>Total Restricted</i>	<u>0</u>	<u>68,059</u>	<u>68,059</u>
<i>Assigned to</i>			
Public School Support	12,476	0	12,476
Purchases on Order	1,134	0	1,134
<i>Total Assigned</i>	<u>13,610</u>	<u>0</u>	<u>13,610</u>
<i>Unassigned (Deficit)</i>	<u>347,594</u>	<u>(290,562)</u>	<u>57,032</u>
<i>Total Fund Balances (Deficit)</i>	<u><u>\$361,204</u></u>	<u><u>(\$222,503)</u></u>	<u><u>\$138,701</u></u>

**Note 5 – Accountability and Compliance**

*Accountability*

Fund balances at June 30, 2013, included the following individual fund deficits:

**Special Revenue Funds**

District Managed Student Activity	\$158,700
Title I	98,691
IDEA Grant	20,901
Miscellaneous State Grants	11,304
Title VI	676
Miscellaneous Federal Grants	213
Network Connectivity	77

**Enterprise Funds**

Food Service	191,169
Special Services	93,898
Latchkey/Summer Camp	56,743
Web Check Services	977

## **Richmond Heights Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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

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

### ***Compliance***

The general fund had total original appropriations including prior year encumbrances which exceeded original estimated resources plus carryover balances by \$327,533, contrary to Section 5705.39, Revised Code. This was corrected by year end.

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 a negative cash balance at June 30, 2013 in the district managed student activities special revenue fund of \$25,972.

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

### **Note 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:

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.

**Richmond Heights Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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Net Change in Fund Balance

GAAP Basis	\$342,985
Net Adjustment for Revenue Accruals	(699,021)
Advances In	8,896
Net Adjustment for Expenditure Accruals	479,711
Advances Out	(168,540)
Perspective Difference:	
Public School Support	5,301
Adjustment for Encumbrances	<u>(161,922)</u>
Budget Basis	<u><u>(\$192,590)</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.

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;

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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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, \$233,062 of the School District's bank balance of \$483,062 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

### ***Investments***

As of June 30, 2013, the School District had \$2,937 invested in STAR Ohio with an average maturity of 52.5 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.

## Richmond Heights Local School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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***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.

### **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 and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - unavailable revenue.

The amount available as an advance at June 30, 2013 was \$1,796,556 in the general fund and \$18,123 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2012 was \$1,124,029 in the general fund and \$12,106 in the permanent improvement capital projects fund.

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

**Richmond Heights Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$243,800,140	99.03 %	\$208,267,840	98.77 %
Public Utility Personal	2,399,490	0.97	2,603,950	1.23
Total	<u>\$246,199,630</u>	<u>100.00 %</u>	<u>\$210,871,790</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$82.60		\$88.81	

On November 6, 2012, the residents of the School District approved a 5.3 mill operating levy designated for current operating expenses. Tax revenue from this levy was received beginning January 1, 2013.

**Note 9 - Receivables**

Receivables at June 30, 2013, consisted of accounts, taxes and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

**Note 10 - Contingencies**

*Grants*

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

*Litigation*

The School District had two cases in litigation within the Cuyahoga County Court system during fiscal year 2013. The cases were for real estate taxes and an EEOC complaint by a former principal. School District management estimates that the potential claims against the School District not covered by insurance resulting from such litigation would not materially affect the financial statements of the School District.

During fiscal year 2013, the School District expended \$358,240 in legal fees, which did have a material effect on the financial condition of the School District.

**Richmond Heights Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

**Note 11 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$311,214	\$0	\$0	\$311,214
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	6,244,248	0	0	6,244,248
Furniture and Equipment	1,125,441	12,376	0	1,137,817
Vehicles	971,070	0	0	971,070
<i>Total Capital Assets, being depreciated</i>	<u>8,340,759</u>	<u>12,376</u>	<u>0</u>	<u>8,353,135</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(6,085,173)	(17,675)	0	(6,102,848)
Furniture and Equipment	(1,040,655)	(45,300)	0	(1,085,955)
Vehicles	(542,054)	(60,841)	0	(602,895)
Total Accumulated Depreciation	<u>(7,667,882)</u>	<u>(123,816) *</u>	<u>0</u>	<u>(7,791,698)</u>
Total Capital Assets, being depreciated, net	<u>672,877</u>	<u>(111,440)</u>	<u>0</u>	<u>561,437</u>
Governmental Activities Capital Assets, Net	<u>\$984,091</u>	<u>(\$111,440)</u>	<u>\$0</u>	<u>\$872,651</u>
	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
<b>Business-Type Activities</b>				
Furniture and Equipment	\$88,762	\$0	\$0	\$88,762
Less Accumulated Depreciation	(76,274)	(3,359)	0	(79,633)
Business-Type Activities Capital Asset, Net	<u>\$12,488</u>	<u>(\$3,359)</u>	<u>\$0</u>	<u>\$9,129</u>

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$43,589
Special	437
Support Services:	
Pupils	2,026
Instructional Staff	3,092
Administration	3,080
Fiscal	864
Business	379
Operation and Maintenance of Plant	37,388
Pupil Transportation	28,190
Central	3,336
Operation of Non-Instructional Services	765
Extracurricular Activities	670
Total Depreciation	<u>\$123,816</u>

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

### Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. At June 30, 2013, the School District contracted with Indiana Insurance Company for the following coverage:

Auto Liability	\$1,000,000	N/A
Uninsured Motorist	100,000	N/A
Comprehensive General Liability		
General Liability	1,000,000	N/A
Personal Injury	1,000,000	N/A
General Aggregate	2,000,000	N/A
Errors and Omissions	1,000,000	5,000
Property Coverage		
Blanket Building and Contents	30,915,233	2,500

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

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

## **Richmond Heights Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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### **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](http://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, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$161,587, \$216,150 and \$182,063, respectively. For fiscal year 2013, 81.74 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 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](http://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.

## **Richmond Heights Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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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. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, 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 \$534,467 and \$7,804 for the fiscal year ended June 30, 2013, \$514,576 and \$7,684 for the fiscal year ended June 30, 2012, and \$478,304 and \$6,349 for the fiscal year ended June 30, 2011. For fiscal year 2013, 82.70 percent has been contributed for the DB plan and 82.70 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 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2013 were \$33,115 made by the School District and \$23,654 made by the plan members. In addition, member contributions of \$5,575 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

### **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, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://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 2013, 0.16 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 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$76,821 in surcharge.

## **Richmond Heights Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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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, 2013, 2012, and 2011 were \$78,795, \$34,941, and \$31,110, respectively. For fiscal year 2013, 81.74 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$9,128, \$12,765, and \$11,716 respectively. For fiscal year 2013, 81.74 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

### ***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](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, 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, 2013, 2012, and 2011 were \$41,113, \$39,583, and \$36,706 respectively. For fiscal year 2013, 82.70 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

## **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.

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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

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

### ***Insurance Benefits***

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

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

### **Note 16 - Long-Term Obligations**

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

	Principal Outstanding 6/30/2012	Additions	(Reductions)	Principal Outstanding 6/30/2013	Amount Due in One Year
<b>Governmental Activities:</b>					
Energy Conservation Notes					
2009 - 5.584%	\$877,467	\$0	(\$56,206)	\$821,261	\$59,388
Capital Lease	19,780	0	(18,222)	1,558	1,558
Compensated Absences	212,209	147,861	(8,785)	351,285	19,616
Total Governmental Activities	\$1,109,456	\$147,861	(\$83,213)	\$1,174,104	\$80,562

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 \$18,157,200 with an unvoted debt margin of \$210,872 at June 30, 2013. Principal and interest requirements to retire the energy conservation notes are as follows:

**Richmond Heights Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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Fiscal Year Ended June 30,	Energy Conservation Bonds	
	Principal	Interest
2014	\$59,388	\$45,042
2015	62,751	41,679
2016	66,303	38,126
2017	70,058	34,372
2018	74,024	30,405
2019 - 2023	437,941	84,207
2024	50,796	1,418
Total	<u>\$821,261</u>	<u>\$275,249</u>

**Note 17 - Jointly Governed Organizations**

***Northeast Ohio Network for Educational Technology***

The Northeast Ohio Network for Educational Technology (NEONET) is the computer service organization or Data Acquisition Site (DAS) used by the School District. NEONET is a jointly governed organization among twenty-five school districts, three career centers, and the Summit and Medina County Educational Service Centers. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Board of Directors consists of member district superintendents and treasurers. The manager/director is a permanent, non-voting member of the board of directors. Each participant's degree of control is limited to its representation on the board. The Board of Directors exercise total control over the 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 \$33,562 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. The Assembly exercises total control over the operations of the association including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Assembly. In fiscal year 2013, the School District paid \$725 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

**Richmond Heights Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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 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 May 2011, the School District joined a new Ohio Schools Council consortium electricity purchasing program through First Energy Solutions which provides for additional discounts above what the School District would receive otherwise.

**Note 18 - Set-Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the 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, 2013, 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 capital acquisitions. Disclosure of this information is required by State statute.

	<u>Capital Improvement</u>
Set-aside Balance as of June 30, 2012	\$0
Current Year Set-aside Requirement	142,359
Offsets	(133,450)
Qualifying Disbursements	<u>(37,872)</u>
Totals	<u>(28,963)</u>
Set-aside Balance Carried	
Forward to Future Fiscal Years	<u>\$0</u>
Set-aside Balance as of June 30, 2013	<u>\$0</u>

Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years.

## Richmond Heights Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

### Note 19 - Interfund Transactions

#### *Interfund Transfers*

The general fund transferred \$104,430 to the bond retirement fund for the payment of debt and \$35,000 to the district managed student activity special revenue fund to support programs in this fund.

#### *Interfund Balances*

Interfund balances at June 30, 2013, consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	\$480,279	\$0
Other Governmental Funds	0	234,656
Enterprise Fund:		
Food Service	0	94,603
Special Services	0	93,898
Latchkey/Summer Camp	0	56,145
Web Check Services	0	977
<i>Total Enterprise Funds</i>	0	245,623
Total All Funds	\$480,279	\$480,279

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

### Note 20 - Capital Leases

The School District entered into capital leases for copiers in fiscal year 2009. The leased equipment is reported as a group in governmental activities at a cost of \$83,527; as of June 30, 2013 the leases have been fully depreciated. The agreements provide for minimum, annual lease payments as follows:

	Governmental Activities
2014	\$1,563
Less: Amounts Representing Interest	(5)
Present Value of Minimum Lease Payments	\$1,558

**Richmond Heights Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**Note 21 - Significant Commitments**

***Encumbrances***

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

General fund	\$169,066
Other Governmental	<u>74,926</u>
Total	<u><u>\$243,992</u></u>

**Note 22 – Going Concern**

The School District projects a deficit cash balance of \$509,000 at June 30, 2014 based on its 5 year forecast. The deficit includes 2013 expenditures being paid in 2014 due to insufficient funds. A 5.3 mill additional tax levy was passed on November 6, 2012 by the voters which will help offset negative fund balances. Other significant steps are being taken by the School District to alleviate the financial shortfall, including staff reductions and an issuance of \$1,000,000 tax anticipation note which will be repaid in 2014.

As of April 17, 2014, the School District has not determined when the situation will be resolved.

**Note 23 – Subsequent Event**

On October 4, 2013, the Treasurer was relieved of her position. Since October 2013, an Interim Treasurer has served in her place. Also, the Superintendent was relieved from his position on April 14, 2014. An Interim Superintendent has served in his place.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<b>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>			
<u>Passed through Ohio Department of Education</u>			
<i>Child Nutrition Cluster</i>			
National School Breakfast Program	10.553	\$ 88,050	\$ 0
National School Lunch Program (Note 2)	10.555	<u>185,629</u>	<u>20,612</u>
<b>Total U.S. Department of Agriculture</b>		<u>273,679</u>	<u>20,612</u>
<b><u>U.S. Department of Education</u></b>			
<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	<u>200,298</u>	<u>0</u>
Special Education Cluster:			
Special Education Grants to States	84.027	<u>155,784</u>	<u>0</u>
Title II-A - Improving Teacher Quality State Grants	84.367	<u>33,878</u>	<u>0</u>
Title IV - Safe and Drug-Free Schools and Community State Grants	84.186	<u>19,647</u>	<u>0</u>
<b>Total U.S. Department of Education</b>		<u>409,607</u>	<u>0</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 683,286</u>	<u>\$ 20,612</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF**  
**EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2013**

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**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*  
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Garfield Hts., Ohio 44125

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Ohio Society of Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Richmond Heights Local School District, Cuyahoga County, Ohio, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Richmond Heights Local School District, Ohio's basic financial statements and have issued our report thereon dated April 17, 2014, wherein we noted the District restated its June 30, 2012 governmental activities' net position for property taxes and there is substantial doubt about the District's ability to continue as a going concern.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as **Items 2013-001, 2013-002, 2013-003 and 2013-004** to be material weaknesses.

## 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as **Item 2013-005**.

## District's Response to Findings

Richmond Heights Local School District, Ohio's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Richmond Heights Local School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

## Purpose of this Report

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

**James G. Zupka**  
CPA, President

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President  
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o=James G. Zupka, CPA, Inc., ou=Accounting,  
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Date: 2014.04.30 13:38:21 -04'00'

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

April 17, 2014

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

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

**Compliance**

We have audited the Richmond Heights Local School District, Cuyahoga County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Richmond Heights Local School District, Ohio's major federal program for the year ended June 30, 2013. The Richmond Heights Local School District, Ohio's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Richmond Heights Local School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Richmond Heights Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Richmond Heights Local School District's compliance.

## Opinion on Each Major Federal Program

In our opinion, the Richmond Heights Local School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

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

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

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

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

James G. Zupka,  
CPA, President

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

April 17, 2014

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT  
 CUYAHOGA COUNTY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 OMB CIRCULAR A-133 & .505  
 JUNE 30, 2013**

**1. SUMMARY OF AUDITOR'S RESULTS**

2013(i)	Type of Financial Statement Opinion	Unmodified
2013(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
2013(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2013(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
2013(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2013(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2013(v)	Type of Major Program's Compliance Opinion	Unmodified
2013(vi)	Are there any reportable findings under .510(a)?	No
2013(vii)	Major Programs (list):  Child Nutrition Cluster: National School Breakfast Program - CFDA #10.553 National School Lunch Program - CFDA #10.555	
2013(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2013(ix)	Low Risk Auditee?	Yes

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
JUNE 30, 2013  
(CONTINUED)**

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

**2013-001 - Material Weakness - Cash Receipts/Receivables**

Condition/Criteria

**1) Cash Receipts**

During our testing of cash receipts, we noted several gaps in the sequence of pay-in numbers. These gaps were primarily due to manual inputting errors during the period of September, 2012 to March, 2013. Also, we noted one receipt number entered into the system which differed from the actual receipt number by a digit. In addition, we noted one bank deposit slip that reflected \$20 less than the actual receipt for Food Services.

**2) Property Taxes Receivable**

Delinquent property taxes provided by the County for the prior year were overstated by approximately \$3 million.

**3) Outstanding Receivables**

A \$79,198 receivable from 2010 had not been billed and a \$26,661 receivable from 2009 had not been monitored for collection.

Cause/Effect

1) Gaps in sequence of pay-in numbers could lead to missing receipts and/or incorrect receipt recording.

2) Property taxes receivable was restated for the prior year due to the overstatement.

3) Unbilled and delinquent receivables resulted in a loss of revenue to the District.

Recommendation

We recommend the District utilize automated numbering for all receipts in order to prevent errors and gaps in the sequence of pay-in numbers. Also, proper cross-training of personnel and supervision will increase controls over the cash receipt process. Proper support for financial amounts should also be obtained from third parties. In addition, the District should implement and maintain procedures for identifying unbilled and delinquent receivables and monitoring them for timely collection.

Client Response/Corrective Action Plan

The District will review the above recommendation and implement it accordingly.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
JUNE 30, 2013  
(CONTINUED)**

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

**2013-002 - Material Weakness - Expenses**

Condition/Criteria

During our testing of cash disbursements and expenses, we noted the following:

- 1) Expenses of \$710,123 were not being recorded on the books.
- 2) The District is late in its payments to Chartwell regarding the food service cost by a few months due to a lack of funds. Chartwell bills for 2013 of \$57,080 were paid in 2014. These payments were not recorded as a payable in the financial statements.
- 3) Regarding travel expenses, a) the District paid \$165.82 for food purchases incurred one to two days (January 19 and January 20, 2014) prior to an approved conference. These purchases also included food for two individuals not attending the conference. The District also paid for a hotel room for two days (January 19 and January 20, 2014) prior to this conference date at a cost of \$258. b) Also, mileage reimbursement of \$157.92 for the Superintendent was approved by the Superintendent. c) In addition, reimbursements related to attending conferences did not have proper support attached that listed the dates of the event as well as reason for the conference.
- 4) Per District Policy, purchases of a single item exceeding \$5,000 requires at least 3 price quotations. We noted numerous expenditures exceeding \$5,000 that did not have support of price quotations required per the District purchasing policy.

Cause/Effect

- 1) Expenses were understated and not being posted timely due to insufficient revenues to cover these expenses. A GAAP adjustment was made to properly reflect these expenses in the financial statements.
- 2) The District is late in its payments to Chartwell and recording of expenses on the books. A GAAP adjustment was made to properly reflect these expenses in the financial statements.
- 3) Travel expenses may be overstated.
- 4) Purchases may not be the lowest or best price and did not comply with the District's purchasing policy.

Recommendation

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

- 1) The District should record expenses on a more timely basis in order to properly reflect cash at a specific date.
- 2) The District should budget its expenses appropriately in order to pay bills and record expenses on a timely basis. Also, the District should review its current procedures for cost effective measures and/or increase fees accordingly.
- 3) The District review and approve all purchases prior to reimbursement to determine if the purchases are according to the District's policy and are reasonable.
- 4) The District should attach price quotations to the respective purchase requisition and purchase order for single items exceeding \$5,000 and such purchases. should not be approved without 3 price quotations.

**Client Response/Corrective Action**

The District will implement the above recommendation.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
JUNE 30, 2013  
(CONTINUED)

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

**2013-003 - Material Weakness - Financial Reporting**

**Condition/Criteria**

During our review of GAAP reporting, we noted the following:

- 1) Intergovernmental payables of \$482,086 were recorded twice.
- 2) Capital assets net of depreciation of \$22,946 were recorded, but the items did not meet the District's capitalization threshold.
- 3) Payables of \$343,656 were not recorded.
- 4) Accounts receivable of \$33,643 was not recorded.

**Cause/Effect**

Payables and capital assets were overstated and receivables were understated in the financial statements. Audit adjustments have been proposed to correct financial activity.

**Recommendation**

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

**Client Response/Corrective Action**

The District will implement the above recommendation accordingly.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
JUNE 30, 2013  
(CONTINUED)**

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

**2013-004 Material Weakness - Payroll**

**Condition/Criteria**

During our testing of payroll, we noted the following:

- 1) Authorization for direct deposit was not documented in one employee's file.
- 2) Authorization for an art supplemental contract was not documented in one employee's file.
- 3) Authorization for an hourly pay rate of \$86.54 for the Interim Superintendent, who was performing interim duties in addition to his regular principal duties, was not documented in his payroll file.
- 4) Several I-9 federal forms were available but not completed.
- 5) The Superintendent approved an August 2013 timesheet for \$71.25 for an employee who was absent on that day.
- 6) The District is not timely paying its pension and unemployment benefits.

**Cause/Effect**

Payroll expense and related liabilities may be overstated.

**Recommendation**

In order to increase controls over the payroll process, we recommend that all direct deposits, supplemental contracts, pay rates, I-9 federal forms, and timesheets be approved and documented in the respective employee's file. Personnel files should be reviewed and updated on a periodic basis. The District is in the process of making the necessary payments for pension and unemployment benefits.

**Client Response/Corrective Action**

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

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
JUNE 30, 2013  
(CONTINUED)

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

2013-005 - Noncompliance Citation - Purchase Orders

Condition/Criteria

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. **Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** - The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
JUNE 30, 2013  
(CONTINUED)**

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

**2013-005 - Noncompliance Citation - Purchase Orders (Continued)**

specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During our testing, several expenditures tested were not properly encumbered. This could result in expenditures made that were not legal or properly budgeted for. Also, the District's Board has not established amounts for blanket purchase orders, through resolution at the inception of the blanket purchase order.

**Cause/Effect**

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

**Recommendation**

We recommend the District certify/encumber the funds for all expenditures in accordance with the above Ohio Revised Code Section. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Treasurer utilize the encumbrance method of accounting and certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used. Also, we recommend blanket purchase orders be approved for an amount established by the Board through resolution.

**Client Response/Corrective Action**

The District will implement the above recommendation.

**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, 2013**

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<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: <b>Explain</b></u>
2012-001	Accounts Receivable	No	Repeated as Finding 2013-001
2012-002	Negative Cash Fund Balances	No	Partially Corrected - see Management letter recommendation

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

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

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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, harassment on a school bus, and by electronic means 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, President

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

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April 17, 2014

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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  
JUNE 10, 2014**