

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

AUDIT REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

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



Mary Taylor, CPA
Auditor of State

Board of Trustees
Richmond Heights Local School District
447 Richmond Road
Richmond Heights, OH 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, 2007 through June 30, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 15, 2010

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**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2009 AND 2008**

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

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Richmond Heights Local School District
Richmond Heights, Ohio 44143

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 (the School District), as of and for the years ended June 30, 2009 and June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Richmond Heights Local School District, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

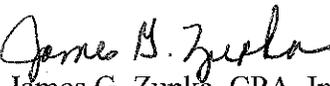
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Richmond Heights Local School District, Ohio, as of June 30, 2009 and June 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2010, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 and 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Richmond Heights Local School District, Ohio's financial statements as a whole. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


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

April 30, 2010

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2009
Unaudited

The discussion and analysis of the Richmond Heights Local School District's ("the District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. 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 fiscal year 2009 are as follows:

- In these difficult times the School District has focused on ways to help reduce costs while maintaining essential student services. In an effort to save on transportation costs, the School District reduced bussing to State minimums, providing transportation for only kindergarten to middle school students that live beyond a two-mile radius of their schools. Extracurricular activities, including sports, are now pay to participate programs. These cuts were necessary for the School District to avoid deficit spending and to keep financially responsible.
- Through the leasing of four copiers from North Coast Copiers, the School District will be able to reduce the costs of printing by making pamphlets and calendars in-house. Savings will also be seen on high volume copies, such as levy fliers and student announcements.
- The School District is committed to providing environmentally conscious learning spaces for our students to achieve their dreams. To help accomplish this, on September 17, 2008 the School District issued energy conservation notes to improve the efficiency of the school buildings' plumbing and electrical fixtures. These improvements will reduce maintenance and utility costs in the future while providing a superior place for our students to grow and flourish.
- On November 3, 2009, the School District passed a 4 mill continuing levy after suffering six straight levy defeats. This increased tax revenue will greatly help the School District to maintain serving the students and improve the vital programs offered in the 2010 fiscal year.

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 the School District as an entire operating entity. The statements begin at a summary level and expand to detailed financial activities.

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

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2009
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about 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 2009 fiscal year?" The Statement of Net Assets and Statement of Activities answer this question. These statements include all assets and liabilities 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 assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. Changes to the School District's net assets are a direct result of property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated educational programs, state funding, student enrollment, and general inflation.

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

- Governmental Activities - Most of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and general administration.
- Business-type Activities - These services are provided on a fee basis to recover all of the expenses of the goods or services provided. The School District's business-type activities are food service, adult continuing education, extended daycare/preschool and fingerprinting and background check services.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. 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.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2009
Unaudited

Governmental Funds Most of the School District's activities are reported in governmental funds, which accounts for the 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 an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps the reader determine the amount of financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and 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 Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2009 compared to 2008:

Table 1 - Net Assets (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current and Other Assets	\$ 10,644,817	\$ 10,465,823	\$ 206,152	\$ 284,089	\$ 10,850,969	\$ 10,749,912
Capital Assets, Net	1,046,716	1,125,440	10,187	12,328	1,056,903	1,137,768
Total Assets	\$ 11,691,533	\$ 11,591,263	\$ 216,339	\$ 296,417	\$ 11,907,872	\$ 11,887,680
Liabilities						
Current and Other Liabilities	\$ 7,971,462	\$ 7,976,909	\$ 74,993	\$ 90,592	\$ 8,046,455	\$ 8,067,501
Long-Term Liabilities:						
Due Within One Year	124,480	87,642	0	0	124,480	87,642
Due in More Than One Year	1,599,253	665,970	5,991	8,121	1,605,244	674,091
Total Liabilities	9,695,195	8,730,521	80,984	98,713	9,776,179	8,829,234
Net Assets						
Invested in Capital Assets, Net of Related Debt	926,001	1,026,119	10,187	12,328	936,188	1,038,447
Restricted						
Capital Projects	140,365	20,853	0	0	140,365	20,853
Other Purposes	88,735	83,544	0	0	88,735	83,544
Unrestricted	841,237	1,730,226	125,168	185,376	966,405	1,915,602
Total Net Assets	\$ 1,996,338	\$ 2,860,742	\$ 135,355	\$ 197,704	\$ 2,131,693	\$ 3,058,446

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2009
Unaudited

By comparing assets and liabilities, one can see the overall position of the School District has declined as evidenced by the decrease in net assets. The majority of this decrease is due to significant decline in property tax revenues from previous years.

Table 2 shows the changes in net assets for fiscal year 2009 for both governmental activities and business-type activities. Revenue and expense comparisons can be made between the years 2008 and 2009.

Table 2 - Change in Net Assets (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues:						
Charges for Services	\$ 295,486	\$ 324,946	\$ 319,815	\$ 426,044	\$ 615,301	\$ 750,990
Operating Grants and Contributions	397,142	276,147	186,458	173,729	583,600	449,876
Capital Grants and Contributions	121,430	34,018	0	0	121,430	34,018
Total Program Revenues	814,058	635,111	506,273	599,773	1,320,331	1,234,884
General Revenues:						
Property Taxes	7,731,406	9,584,300	0	0	7,731,406	9,584,300
Grants and Entitlements	3,335,060	2,983,649	0	0	3,335,060	2,983,649
Investment Earnings	27,606	77,080	0	0	27,606	77,080
Miscellaneous	115,151	29,838	0	0	115,151	29,838
Total General Revenues	11,209,223	12,674,867	0	0	11,209,223	12,674,867
Total Revenues	12,023,281	13,309,978	506,273	599,773	12,529,554	13,909,751
Program Expenses						
Instruction	7,533,401	7,356,797	0	0	7,533,401	7,356,797
Support Services:						
Pupil and Instructional Staff	1,043,448	924,189	0	0	1,043,448	924,189
Board of Education, Administration, Fiscal, and Business	1,628,987	1,910,943	0	0	1,628,987	1,910,943
Operation and Maintenance of Plant	1,202,514	1,219,266	0	0	1,202,514	1,219,266
Pupil Transportation	1,067,749	1,059,974	0	0	1,067,749	1,059,974
Central	154,537	181,023	0	0	154,537	181,023
Operation of Non-Instructional Services						
Services	2,182	0	0	0	2,182	0
Enterprise Operations	0	0	568,622	521,649	568,622	521,649
Extracurricular Activities	204,380	327,236	0	0	204,380	327,236
Interest and Fiscal Charges	50,487	7,142	0	0	50,487	7,142
Total Program Expenses	12,887,685	12,986,570	568,622	521,649	13,456,307	13,508,219
Change in Net Assets	(864,404)	323,408	(62,349)	78,124	(926,753)	401,532
Net Assets Beginning of Year	2,860,742	2,537,334	197,704	119,580	3,058,446	2,656,914
Net Assets End of Year	\$ 1,996,338	\$ 2,860,742	\$ 135,355	\$ 197,704	\$ 2,131,693	\$ 3,058,446

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2009
Unaudited

Governmental Activities

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

The School District's grants and entitlements increased due to an increase in School Foundation revenues from the State of Ohio.

Overall expenses decreased slightly due to diligent spending cuts, including the pay to play program for extracurricular activities. Staff reductions and a zero percent negotiated salary freeze with the Richmond Heights Education Association have helped to control instructional costs. Requirements dictated by the Federal No Child Left Behind legislation continue to add pressure to the School District's budget for future years.

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

Table 3 - Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2009	2009	2008	2008
Instruction	\$ 7,533,401	\$ 7,112,324	\$ 7,356,797	\$ 7,042,016
Supporting Services:				
Pupil and Instructional Staff	1,043,448	910,032	924,189	792,258
Board of Education, Administration, Fiscal, and Business	1,628,987	1,587,589	1,910,943	1,863,835
Operation and Maintenance of Plant	1,202,514	1,076,358	1,219,266	1,172,252
Pupil Transportation	1,067,749	1,032,297	1,059,974	1,033,169
Central	154,537	134,719	181,023	162,434
Operation of Non-Instructional Services	2,182	2,182	0	0
Extracurricular Activities	204,380	168,651	327,236	278,353
Interest and Fiscal Charges	50,487	50,487	7,142	7,142
Total Cost of Services	<u>\$ 12,887,685</u>	<u>\$ 12,074,639</u>	<u>\$ 12,986,570</u>	<u>\$ 12,351,459</u>

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2009
Unaudited

Business-Type Activities

Business-type activities include the food service, uniform school supplies, and latchkey/summer school programs and Webcheck services.

Overall, net assets decreased \$61,377 in 2009. Business-type activities decreased due to a decrease of \$95,432 in program revenues to support the food service, special services, latchkey/summer camp and web check services operational activities for the fiscal year in combination with increased expenses.

The School District's Funds

Information about the School District's major funds start on page 13. These funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$11,387,889 and expenditures of \$11,226,988. The net change in fund balance for the year was an increase of \$192,539. This change was due to a decrease in expenditures.

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 2009, the School District amended its General Fund budget several times.

For the general fund, original and final budget basis estimated revenues were \$20,873,698 and \$12,116,876, respectively. Total actual revenues were \$11,937,415.

Final appropriations for the general fund remained consistent with the original appropriations. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$11,884,678.

In 2009, the Webcheck Service Fund was reclassified from an Internal Service Fund to a business-type fund to better reflect the fee based revenue. See Note 21 for more detail.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2009
Unaudited

Capital Assets and Debt

Capital Assets

At the end of fiscal year 2009, the School District had \$1,056,903 invested in land, buildings and improvements, furniture and equipment, and vehicles, \$1,046,716 of which is in governmental activities. Table 4 shows fiscal year 2009 balances compared to 2008:

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 311,214	\$ 311,214	\$ 0	\$ 0	\$ 311,214	\$ 311,214
Buildings and Improvements	247,538	282,932	0	0	247,538	282,932
Furniture and Equipment	193,483	199,212	10,187	12,328	203,670	211,540
Vehicles	294,481	332,082	0	0	294,481	332,082
Totals	<u>\$ 1,046,716</u>	<u>\$ 1,125,440</u>	<u>\$ 10,187</u>	<u>\$ 12,328</u>	<u>\$ 1,056,903</u>	<u>\$ 1,137,768</u>

For fiscal year 2009, an Ohio law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks. For fiscal year 2009, this amounted to \$163,314 for each set-aside. For fiscal year 2009, the School District had qualifying disbursements or offsets exceeding these requirements. See Note 8 to the basic financial statements for additional information on the School District's capital assets.

Debt

At June 30, 2009, the School District had energy conservation notes with a balance of \$1,028,650 outstanding. The School District had a balance of \$120,715 remaining on two capital leases. More information on the notes and capital leases can be found in Note 15 and Note 19 to the basic financial statements.

School District Outlook

The Board of Education and administration are aware of their limited financial resources. They are working within a five-year budget plan and actively pursuing additional funding through local levies.

As of yet, no new monies have been generated since May 2003.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2009
Unaudited

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

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

Contacting the School District's Financial Management

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

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 920,408	\$ 142,010	\$ 1,062,418
Accounts Receivable	22,582	0	22,582
Intergovernmental Receivable	0	112,280	112,280
Internal Balances	49,294	(49,294)	0
Materials and Supplies Inventory	0	55	55
Inventory Held for Resale	0	1,101	1,101
Property Taxes Receivable	9,652,533	0	9,652,533
Non-Depreciable Capital Assets	311,214	0	311,214
Depreciable Capital Assets, Net	735,502	10,187	745,689
Total Assets	<u>\$ 11,691,533</u>	<u>\$ 216,339</u>	<u>\$ 11,907,872</u>
<u>Liabilities</u>			
Accounts Payable	\$ 113,995	\$ 51,016	\$ 165,011
Accrued Wages and Benefits	736,178	3,967	740,145
Intergovernmental Payable	504,059	20,010	524,069
Deferred Revenue	6,603,525	0	6,603,525
Accrued Interest Payable	13,705	0	13,705
Long-Term Liabilities:			
Due Within One Year	124,480	0	124,480
Due In More Than One Year	1,599,253	5,991	1,605,244
Total Liabilities	<u>9,695,195</u>	<u>80,984</u>	<u>9,776,179</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	926,001	10,187	936,188
Restricted for:			
Capital Projects	140,365	0	140,365
Special Revenue	88,735	0	88,735
Unrestricted	841,237	125,168	966,405
Total Net Assets	<u>\$ 1,996,338</u>	<u>\$ 135,355</u>	<u>\$ 2,131,693</u>

See accompanying notes to the basic financial statements.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
Instruction:							
Regular	\$ 5,992,038	\$ 143,451	\$ 24,552	\$ 0	\$ (5,824,035)	\$ 0	\$ (5,824,035)
Special	1,417,485	23,152	227,574	0	(1,166,759)	0	(1,166,759)
Vocational	123,878	2,348	0	0	(121,530)	0	(121,530)
Supporting Services:							
Pupil	732,715	19,856	46	0	(712,813)	0	(712,813)
Instructional Staff	310,733	1,783	111,731	0	(197,219)	0	(197,219)
Board of Education	104,627	1,983	0	0	(102,644)	0	(102,644)
Administration	1,069,318	20,914	10,936	0	(1,037,468)	0	(1,037,468)
Fiscal	363,982	6,895	0	0	(357,087)	0	(357,087)
Business	91,060	1,682	0	0	(89,378)	0	(89,378)
Operation and Maintenance of Plant	1,202,514	21,218	0	104,938	(1,076,358)	0	(1,076,358)
Pupil Transportation	1,067,749	18,960	0	16,492	(1,032,297)	0	(1,032,297)
Central	154,537	3,388	16,430	0	(134,719)	0	(134,719)
Operation of Non-Instructional Services	2,182	0	0	0	(2,182)	0	(2,182)
Extracurricular Activities	204,380	29,856	5,873	0	(168,651)	0	(168,651)
Interest and Fiscal Charges	50,487	0	0	0	(50,487)	0	(50,487)
Total Governmental Activities	<u>12,887,685</u>	<u>295,486</u>	<u>397,142</u>	<u>121,430</u>	<u>(12,073,627)</u>	<u>0</u>	<u>(12,073,627)</u>
Business-Type Activities							
Food Services	374,686	156,692	186,458	0	0	(31,536)	(31,536)
Uniform School Supplies	458	0	0	0	0	(458)	(458)
Special Services	47,695	51,027	0	0	0	3,332	3,332
Latchkey/Preschool	140,130	106,257	0	0	0	(33,873)	(33,873)
Web Check Services	5,653	5,839	0	0	0	186	186
Total Business-Type Activities	<u>568,622</u>	<u>319,815</u>	<u>186,458</u>	<u>0</u>	<u>0</u>	<u>(62,349)</u>	<u>(62,349)</u>
Total Primary Government	<u>\$ 13,456,307</u>	<u>\$ 615,301</u>	<u>\$ 583,600</u>	<u>\$ 121,430</u>	<u>(12,073,627)</u>	<u>(62,349)</u>	<u>(12,135,976)</u>
General Revenues							
Property Taxes Levied for:							
General Purposes					7,626,945	0	7,626,945
Capital Projects					104,461	0	104,461
Grants and Entitlements not Restricted to Specific Programs					3,335,060	0	3,335,060
Investment Earnings					27,606	0	27,606
Miscellaneous					115,151	0	115,151
Total General Revenues					<u>11,209,223</u>	<u>0</u>	<u>11,209,223</u>
Change in Net Assets					(864,404)	(62,349)	(926,753)
Net Assets at Beginning of Year					2,860,742	197,704	3,058,446
Net Assets at End of Year					<u>\$ 1,996,338</u>	<u>\$ 135,355</u>	<u>\$ 2,131,693</u>

See accompanying notes to the basic financial statements.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 304,374	\$ 321,501	\$ 625,875
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	294,533	0	294,533
Accounts Receivable	21,065	1,517	22,582
Interfund Receivable	240,706	0	240,706
Property Taxes Receivable	<u>9,524,693</u>	<u>127,840</u>	<u>9,652,533</u>
Total Assets	<u>\$10,385,371</u>	<u>\$ 450,858</u>	<u>\$10,836,229</u>
<u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 75,419	\$ 38,576	\$ 113,995
Accrued Wages and Benefits	720,668	15,510	736,178
Intergovernmental Payable	498,179	5,880	504,059
Interfund Payable	0	191,412	191,412
Deferred Revenue	<u>8,555,397</u>	<u>116,670</u>	<u>8,672,067</u>
Total Liabilities	<u>9,849,663</u>	<u>368,048</u>	<u>10,217,711</u>
<u>Fund Balances</u>			
Reserved for:			
Encumbrances	185,156	83,451	268,607
Property Taxes	955,147	11,170	966,317
School Bus Purchase	24,750	0	24,750
Budget Stabilization	269,783	0	269,783
Unreserved, Undesignated (Deficit) Reported in:			
General Fund	(899,128)	0	(899,128)
Special Revenue Funds	0	(92,319)	(92,319)
Capital Projects Funds	<u>0</u>	<u>80,508</u>	<u>80,508</u>
Total Fund Balances	<u>535,708</u>	<u>82,810</u>	<u>618,518</u>
Total Liabilities and Fund Balances	<u>\$10,385,371</u>	<u>\$ 450,858</u>	<u>\$10,836,229</u>

See accompanying notes to the basic financial statements.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009**

Total Governmental Fund Balances		\$ 618,518
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,046,716
In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.		(13,705)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes		2,068,542
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		
Energy Conservation Notes	\$ (1,028,650)	
Capital Leases	(120,715)	
Compensated Absences	<u>(574,368)</u>	
Total		<u>(1,723,733)</u>
Net Assets of Governmental Activities		<u>\$ 1,996,338</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, 2009

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property and Other Local Taxes	\$ 7,756,868	\$ 106,003	\$ 7,862,871
Intergovernmental	3,351,552	484,784	3,836,336
Interest	27,575	31	27,606
Tuition and Fees	206,110	9,745	215,855
Extracurricular Activities	3,500	72,094	75,594
Rentals	384	0	384
Charges for Services	0	2,641	2,641
Contributions and Donations	125	17,171	17,296
Miscellaneous	41,775	73,376	115,151
Total Revenues	<u>11,387,889</u>	<u>765,845</u>	<u>12,153,734</u>
Expenditures			
Current:			
Instruction:			
Regular	4,875,459	1,032,250	5,907,709
Special	1,221,704	199,621	1,421,325
Vocational	123,878	0	123,878
Support Services:			
Pupil	732,917	7,658	740,575
Instructional Staff	132,010	211,291	343,301
Board of Education	104,627	0	104,627
Administration	1,045,110	10,550	1,055,660
Fiscal	358,884	0	358,884
Business	87,691	0	87,691
Operation and Maintenance of Plant	1,132,172	0	1,132,172
Pupil Transportation	1,008,400	0	1,008,400
Central	181,135	18,636	199,771
Extracurricular Activities	153,118	49,351	202,469
Capital Outlay	0	151,935	151,935
Debt Service:			
Principal Retirement	62,133	22,857	84,990
Interest and Fiscal Charges	7,750	29,032	36,782
Total Expenditures	<u>11,226,988</u>	<u>1,733,181</u>	<u>12,960,169</u>
Excess of Revenues (Under) Expenditures	<u>160,901</u>	<u>(967,336)</u>	<u>(806,435)</u>
Other Financing Sources (Uses)			
Inception of Capital Lease	83,527	0	83,527
Notes Issued	0	1,051,507	1,051,507
Transfers In	2,409	54,298	56,707
Transfers Out	(54,298)	(2,409)	(56,707)
Total Other Financing Sources (Uses)	<u>31,638</u>	<u>1,103,396</u>	<u>1,135,034</u>
Net Change in Fund Balances	192,539	136,060	328,599
Fund Balances (Deficit) at Beginning of Year	<u>343,169</u>	<u>(53,250)</u>	<u>289,919</u>
Fund Balances at End of Year	<u>\$ 535,708</u>	<u>\$ 82,810</u>	<u>\$ 618,518</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, 2009**

Net Change in Fund Balances - Total Governmental Funds \$ 328,599

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 is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	\$ 102,942	
Current Year Depreciation	<u>(181,666)</u>	
Total		(78,724)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	<u>(131,465)</u>	
Total		(131,465)

Other financing sources in the governmental funds increase long-term liabilities in the Statement of Net Assets.

Notes Issued	(1,051,507)	
Capital Leases	<u>(83,527)</u>	
Total		(1,135,034)

Repayment of note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 84,990

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. 79,923

In the Statement of Activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due. (13,705)

Internal service funds are used by management to charge costs to certain activities, such as fingerprinting, to individual funds. The Internal Service Fund was reclassified to an Enterprise Fund in 2009. 1,012

Change in Net Assets of Governmental Activities \$ (864,404)

The notes to the financial statements are an integral part of this statement.

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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$14,529,238	\$ 8,434,009	\$ 8,309,095	\$ (124,914)
Intergovernmental	5,860,505	3,401,937	3,351,552	(50,385)
Interest	48,217	27,990	27,575	(415)
Tuition and Fees	358,158	207,905	204,826	(3,079)
Extracurricular Activities	6,120	3,553	3,500	(53)
Rentals	671	390	384	(6)
Contribution and Donations	219	127	125	(2)
Miscellaneous	70,570	40,965	40,358	(607)
Total Revenues	<u>20,873,698</u>	<u>12,116,876</u>	<u>11,937,415</u>	<u>(179,461)</u>
Expenditures				
Current:				
Instruction:				
Regular	4,981,725	5,103,478	4,963,201	140,277
Special	1,685,879	1,723,468	1,702,124	21,344
Vocational	205,530	209,173	153,932	55,241
Support Services:				
Pupils	734,448	773,043	773,043	0
Instructional Staff	135,903	139,085	134,431	4,654
Board of Education	131,735	134,457	130,991	3,466
Administration	1,063,823	1,088,648	1,050,142	38,506
Fiscal	377,651	386,227	362,618	23,609
Business	88,413	90,480	87,351	3,129
Operation and Maintenance of Plant	1,167,638	1,172,947	1,133,312	39,635
Pupil Transportation	1,098,257	1,123,461	1,066,334	57,127
Central	192,906	196,832	174,632	22,200
Extracurricular Activities	154,218	157,831	152,567	5,264
Total Expenditures	<u>12,018,126</u>	<u>12,299,130</u>	<u>11,884,678</u>	<u>414,452</u>
Excess of Revenue (Under) Expenditures	<u>8,855,572</u>	<u>(182,254)</u>	<u>52,737</u>	<u>234,991</u>
Other Financing Sources (Uses)				
Advances In	121,508	70,534	69,489	(1,045)
Advances Out	(91,607)	(93,753)	(90,666)	3,087
Transfers In	4,212	2,445	2,409	(36)
Transfers Out	(54,862)	(56,147)	(54,298)	1,849
Total Other Financing Sources (Uses)	<u>(20,749)</u>	<u>(76,921)</u>	<u>(73,066)</u>	<u>3,855</u>
Net Change in Fund Balance	8,834,823	(259,175)	(20,329)	238,846
Fund Balance at Beginning of Year	146,022	146,022	146,022	0
Prior Year Encumbrances Appropriated	265,891	265,891	265,891	0
Fund Balance at End of Year	<u>\$ 9,246,736</u>	<u>\$ 152,738</u>	<u>\$ 391,584</u>	<u>\$ 238,846</u>

See accompanying notes to the basic financial statements.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Food Service	Special Services	Latchkey/ Summer Camp	Web Check Services	Total Enterprise Funds
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 61,823	\$ 0	\$ 80,001	\$ 186	\$142,010
Intergovernmental Receivable	0	112,280	0	0	112,280
Materials and Supplies Inventory	55	0	0	0	55
Inventory Held for Resale	1,101	0	0	0	1,101
Total Current Assets	<u>62,979</u>	<u>112,280</u>	<u>80,001</u>	<u>186</u>	<u>255,446</u>
Capital Assets, Net	10,187	0	0	0	10,187
Total Assets	<u>\$ 73,166</u>	<u>\$ 112,280</u>	<u>\$ 80,001</u>	<u>\$ 186</u>	<u>\$265,633</u>
Liabilities					
Current Liabilities:					
Accounts Payable	\$ 50,918	\$ 0	\$ 98	\$ 0	\$ 51,016
Accrued Wages	0	0	3,967	0	3,967
Intergovernmental Payable	0	0	20,010	0	20,010
Interfund Payable	0	49,294	0	0	49,294
Total Current Liabilities	<u>50,918</u>	<u>49,294</u>	<u>24,075</u>	<u>0</u>	<u>124,287</u>
Long-Term Liabilities:					
Compensated Absences Payable	0	0	5,991	0	5,991
Total Long-Term Liabilities	<u>0</u>	<u>0</u>	<u>5,991</u>	<u>0</u>	<u>5,991</u>
Total Liabilities	<u>50,918</u>	<u>49,294</u>	<u>30,066</u>	<u>0</u>	<u>130,278</u>
Net Assets					
Invested in Capital Assets	10,187	0	0	0	10,187
Unrestricted	12,061	62,986	49,935	186	125,168
Total Net Assets	<u>\$ 22,248</u>	<u>\$ 62,986</u>	<u>\$ 49,935</u>	<u>\$ 186</u>	<u>\$ 135,355</u>

See accompanying notes to the basic financial statements.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Food Service	Uniform School Supplies	Special Services	Latchkey/ Summer Camp	Web Check Services	Total Enterprise Fund
<u>Operating Revenues</u>						
Tuition	\$ 0	\$ 0	\$ 51,027	\$ 106,257	\$ 0	\$157,284
Sales	156,692	0	0	0	0	156,692
Charges for Services	0	0	0	0	5,839	5,839
Total Operating Revenues	<u>156,692</u>	<u>0</u>	<u>51,027</u>	<u>106,257</u>	<u>5,839</u>	<u>319,815</u>
<u>Operating Expenses</u>						
Salaries	0	0	0	88,101	0	88,101
Fringe Benefits	0	0	0	22,904	0	22,904
Purchased Services	228,403	0	45,369	21,420	4,517	299,709
Materials and Supplies	143,368	458	2,326	7,705	124	153,981
Cost of Sales	258	0	0	0	0	258
Depreciation	2,141	0	0	0	0	2,141
Other	516	0	0	0	0	516
Total Operating Expenses	<u>374,686</u>	<u>458</u>	<u>47,695</u>	<u>140,130</u>	<u>4,641</u>	<u>567,610</u>
Operating Income (Loss)	(217,994)	(458)	3,332	(33,873)	1,198	(247,795)
<u>Non-Operating Revenues</u>						
Operating Grants	186,458	0	0	0	0	186,458
Total Non-Operating Revenues	<u>186,458</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>186,458</u>
Changes in Net Assets	(31,536)	(458)	3,332	(33,873)	1,198	(61,337)
Net Assets at Beginning of Year	53,784	458	59,654	83,808	(1,012)	196,692
Net Assets at End of Year	<u>\$ 22,248</u>	<u>\$ 0</u>	<u>\$ 62,986</u>	<u>\$ 49,935</u>	<u>\$ 186</u>	<u>\$135,355</u>

See accompanying notes to the basic financial statements.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Food Service	Uniform School Supplies	Special Services	Latchkey/ Summer Camp	Web Check Services	Total Enterprise Funds
<i>Increase in Cash and Cash Equivalents</i>						
Cash Flows from Operating Activities						
Cash Received from Customers	\$ 157,795	\$ 0	\$ 28,805	\$ 106,257	\$ 5,839	\$ 298,696
Cash Payments to Employees for Services	0	0	0	(84,157)	0	(84,157)
Cash Payments to Employee Benefits	0	0	0	(31,282)	0	(31,282)
Cash Payments for Goods and Services	(374,224)	(458)	(58,537)	(29,125)	(5,845)	(468,189)
Other Cash Payments	(516)	0	0	0	0	(516)
Net Cash Provided by (Used for)						
Operating Activities	<u>(216,945)</u>	<u>(458)</u>	<u>(29,732)</u>	<u>(38,307)</u>	<u>(6)</u>	<u>(285,448)</u>
Cash Flows from Noncapital Financing Activities						
Operating Grants Received	186,458	0	0	0	0	186,458
Advances In	0	0	49,294	0	0	49,294
Advances Out	0	0	(19,562)	0	0	(19,562)
Net Cash Provided by Noncapital						
Financing Activities	<u>186,458</u>	<u>0</u>	<u>29,732</u>	<u>0</u>	<u>0</u>	<u>216,190</u>
Net Decrease in Cash and Cash Equivalents	(30,487)	(458)	0	(38,307)	(6)	(69,258)
Cash and Cash Equivalents at Beginning of Year	92,310	458	0	118,308	192	211,268
Cash and Cash Equivalents at End of Year	<u>\$ 61,823</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 80,001</u>	<u>\$ 186</u>	<u>\$ 142,010</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities						
Operating Income (Loss)	\$ (217,994)	\$ (458)	\$ 3,332	\$ (33,873)	\$ 1,198	\$(247,795)
Adjustments:						
Depreciation	2,141	0	0	0	0	2,141
(Increase) Decrease in Assets:						
Accounts Receivable	1,103	0	0	0	0	1,103
Intergovernmental Receivable	0	0	(22,222)	0	0	(22,222)
Materials and Supplies Inventory	109	0	0	0	0	109
Inventory Held for Resale	149	0	0	0	0	149
Increase (Decrease) in Liabilities:						
Accounts Payable	(2,453)	0	0	98	0	(2,355)
Accrued Wages and Benefits	0	0	0	(2,145)	0	(2,145)
Compensated Absences Payable	0	0	0	(2,130)	0	(2,130)
Intergovernmental Payable	0	0	(10,842)	(257)	(1,204)	(12,303)
Total Adjustments	<u>1,049</u>	<u>0</u>	<u>(33,064)</u>	<u>(4,434)</u>	<u>(1,204)</u>	<u>(37,653)</u>
Net Cash Provided by (Used for)						
Operating Activities	<u>\$ (216,945)</u>	<u>\$ (458)</u>	<u>\$ (29,732)</u>	<u>\$ (38,307)</u>	<u>\$ (6)</u>	<u>\$(285,448)</u>

See accompanying notes to the basic financial statements.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2009**

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>7,506</u>
Total Assets	\$ <u>7,506</u>
<u>Liabilities</u>	
Due to Students	\$ <u>7,506</u>
Total Liabilities	\$ <u>7,506</u>

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, 2009**

NOTE 1: **DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Richmond Heights Local School District (the “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. The Board of Education controls the School District’s two instructional/support facilities staffed by 56 non-certified and 53 certified full-time teaching personnel who provide services to 1,052 students and other community members.

The 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 of the School District 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 the 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’s 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 school. These transactions are reported 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; or **(3)** 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 **(4)** the School District is obligated for the debt of the organization.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 1: **DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**
(Continued)

Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes for the organization. The School District does not have any component units.

The following entities which perform activities within the School District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities, nor are they fiscally dependent on the School District.

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

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

The School District participates in two jointly governed organizations. These organizations are the Northeast Ohio Network for Educational Technology and Ohio Schools Council Association, both jointly governed organizations. These organizations are discussed in Note 16 of the basic financial statements.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities and fund financial statements, which provide a more detailed level of financial information.

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

The Statement of Net Assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for five 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.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are grouped into the 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 liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

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

Proprietary Fund Types

Proprietary funds focus on the determination of operating income, changes in net assets, financial position, and cash flows and are classified as either enterprise or internal service. 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. These enterprise funds are used to account for food service operations, uniform school supplies operations, latchkey/summer camp operations, special services provided and fingerprinting services.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Fund Accounting** (Continued)

Fiduciary Fund Types

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

C. **Measurement Focus**

Government-wide Financial Statements

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

Fund Financial Statements

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

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Measurement Focus** (Continued)

Fund Financial Statements (Continued)

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

D. **Basis of Accounting**

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

Revenues – Exchange and Non-Exchange Transactions

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

Non-exchange 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 in which the taxes levied (see Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Basis of Accounting** (Continued)

Revenues – Exchange and Non-Exchange Transactions (Continued)

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 non-exchange 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 fiscal year-end: property taxes available as an advance, interest, tuition, grants, fees, and rentals.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. Equity in Pooled 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” on the financial statements.

During fiscal year 2009, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for on June 30, 2009.

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 2009 amounted to \$27,575, which includes \$14,150 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.

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

Inventories consist of purchased food and school supplies held for resale, and materials and supplies held for consumption.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009
 (CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

G. Capital Assets

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

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

All reported capital assets except land and construction in progress 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>	Governmental Activities <u>Estimated Lives</u>	Business-Type Activities <u>Estimated Lives</u>
Land Improvement	20 years	N/A
Buildings and Improvements	10–30 years	N/A
Furniture and Equipment	5–20 years	12 years
Vehicles	15 years	N/A

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

H. **Interfund Balances**

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

I. **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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

The entire compensated absence liability is reported on the government-wide financial statements. On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund or funds from which the employees who have accumulated the leave are paid.

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for 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, 2009
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

K. Net Assets

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

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

L. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, budget stabilization, and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

M. 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, and extended daycare/preschool programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenue and expenses not meeting these definitions are reported as non-operating.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

N. **Interfund Activity**

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.

O. **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.

P. **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 appropriate 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.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

P. **Budgetary Data** (Continued)

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

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

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2009, the School District implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of this Statement did not result in any change to the School District's financial statements.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income to disclose the methods and significant assumptions employed to determine fair value.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES** (Continued)

The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' and auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the School District's financial statements.

NOTE 4: **ACCOUNTABILITY AND COMPLIANCE**

A. **Accountability**

Fund balances at June 30, 2009, included the following individual fund deficits:

Special Revenue Funds

Other Local Grants	\$ 100
District Managed Student Activity	127,241
Network Connectivity	1,836
State Grants	11,304
Title VI	421
Miscellaneous Federal Grants	213

The deficits in the Special Revenue funds are due to adjustments for accrued liabilities. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, rather than when accruals occur.

B. **Compliance**

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

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 4: ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Compliance (Continued)

<u>Fund</u>	Original Estimated Revenues Plus Carryover <u>Balance</u>	Original <u>Appropriations</u>	<u>Excess</u>
Governmental Funds			
<i>Special Revenue Funds:</i>			
Public School Support	\$ 83,463	\$ 117,999	\$ 34,536
Auxiliary Services	83,559	86,129	2,570
Title I	105,271	274,067	168,796
Miscellaneous Federal Grants	(6,841)	3,302	10,143
<i>Debt Service Fund:</i>			
Bond Retirement	51,889	52,215	326
Enterprise Fund			
Webcheck Services	6,192	18,500	12,308

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

<u>Fund</u>	Final Estimated Revenues Plus Carryover <u>Balance</u>	Final <u>Appropriations</u>	<u>Excess</u>
Governmental Funds			
<i>Special Revenue Funds:</i>			
Public School Support	\$ 100,705	\$ 119,680	\$ 18,975
Other Grants	11,901	12,405	504
District Managed Student Activity	90,000	93,041	3,041
Auxiliary Services	86,967	90,129	3,162
Network Connectivity	12,413	14,658	2,245
Miscellaneous Federal Grants	(7,147)	3,302	10,449
<i>Debt Service Fund:</i>			
Bond Retirement	51,889	52,215	326
<i>Capital Projects Fund:</i>			
Permanent Improvement	196,976	212,204	15,228
Enterprise Funds			
Food Service	388,859	397,920	9,061
Special Services	76,800	78,099	1,299

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

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 5: BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances 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 as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the General Fund.

	Net Change in Fund Balance
GAAP Basis	\$ 192,539
Net Adjustments for Revenue Accruals	465,999
Advances In	69,489
Net Adjustments for Expenditure Accruals	(409,915)
Advances Out	(90,666)
Adjustments for Encumbrances	(247,775)
Budget Basis	\$ (20,329)

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 6: **DEPOSITS AND INVESTMENTS**

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

Active deposits 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 of Education 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 can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
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, \$108,891 of the School District's bank balance of \$358,891 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.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

Deposits (Continued)

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 105 percent of the deposits being secured.

Investments

As of June 30, 2009, the School District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Maturity</u>
STAROhio	<u>\$ 785,558</u>	58.10 days

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 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 STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy regarding credit risk other than statutory guidelines which limit investment choices.

Custodial Credit Risk

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

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. At June 30, 2009, the School District invested in only STAROhio.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 7: PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Property tax revenue received during calendar 2009 represents collections of calendar 2008 taxes. Real property tax payments received in calendar 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, 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 a remainder payable by June 20. Under certain circumstances, State statute permits alternate payments dates to be established.

Public utility property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008, and are collected in 2009 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Cuyahoga County. The County Auditor 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, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 7: **PROPERTY TAXES** (Continued)

Accrued property taxes receivable represent real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2009, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the late settlement of tangible personal property taxes and the amount of real property taxes available as an advance at June 30 was levied to finance current year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2009, was \$955,147 in the General Fund and \$11,170 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2008, was \$1,507,374 in the General Fund and \$17,626 in the Permanent Improvement Capital Projects Fund.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008		2009	
	<u>Second-Half Collections</u>		<u>First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 254,150,190	97.46%	\$ 256,962,710	98.02%
Public Utility Personal	2,016,310	0.77%	2,117,440	0.81%
Tangible Personal Property	<u>4,620,462</u>	<u>1.77%</u>	<u>3,057,688</u>	<u>1.17%</u>
	<u>\$ 260,786,962</u>	<u>100.00%</u>	<u>\$ 262,137,838</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$ 78.60		\$ 78.60	

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 8: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	Balance at 6/30/2008	Additions	Deletions	Balance at 6/30/2009
<u>Governmental Activities</u>				
<i>Capital Assets, not Being Depreciated:</i>				
Land	\$ 311,214	\$ 0	\$ 0	\$ 311,214
<i>Total Capital Assets, not Being Depreciated</i>	<u>311,214</u>	<u>0</u>	<u>0</u>	<u>311,214</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings and Improvements	6,244,248	0	0	6,244,248
Furniture and Equipment	847,528	102,942	0	950,470
Vehicles	811,246	0	0	811,246
<i>Total Capital Assets being Depreciated</i>	<u>7,903,022</u>	<u>102,942</u>	<u>0</u>	<u>8,005,964</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(5,961,316)	(35,394)	0	(5,996,710)
Furniture and Equipment	(648,316)	(108,671)	0	(756,987)
Vehicles	(479,164)	(37,601)	0	(516,765)
Total Accumulated Depreciation	<u>(7,088,796)</u>	<u>*(181,666)</u>	<u>0</u>	<u>(7,270,462)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>814,226</u>	<u>(78,724)</u>	<u>0</u>	<u>735,502</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,125,440</u>	<u>\$ (78,724)</u>	<u>\$ 0</u>	<u>\$ 1,046,716</u>
<u>Business-Type Activities</u>				
Furniture and Equipment	\$ 76,587	\$ 0	\$ 0	\$ 76,587
Less Accumulated Depreciation	(64,259)	(2,141)	0	(66,400)
Business-Type Activities Capital Assets, Net	<u>\$ 12,328</u>	<u>\$ (2,141)</u>	<u>\$ 0</u>	<u>\$ 10,187</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 67,417
Supporting Services:	
Pupils	3,475
Instructional Staff	5,305
Administration	5,158
Fiscal	1,482
Operation and Maintenance of Plant	51,244
Pupil Transportation	40,752
Central	4,370
Operation of Non-Instructional Services	1,313
Extracurricular Activities	1,150
Total Depreciation Expense	<u>\$ 181,666</u>

All depreciation expense for business-type activities was charged to the Food Service Fund.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 9: **RECEIVABLES**

Receivables at June 30, 2009, consisted of taxes, accounts (rent and tuition), and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

NOTE 10: **CONTINGENCIES**

A. **Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

B. **Litigation**

The School District is a party to various legal proceedings. The School Board is of the opinion that legal proceedings will not have a material effect, if any, on the financial condition of the School District.

NOTE 11: **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, 2009, the School District contracted with the following insurance companies:

<u>Company</u>	<u>Type of Coverage</u>	<u>Limit</u>	<u>Deductible</u>
Indiana Insurance Company	Auto Liability	\$ 1,000,000	N/A
	Uninsured Motorist	50,000	N/A
	Comprehensive General Liability:		
	General Liability	1,000,000	N/A
	Personal Injury	1,000,000	N/A
	General Aggregate	2,000,000	N/A
	Errors and Omissions	1,000,000	\$ 2,500
	Property Coverage:		
	Blanket Building and Contents	23,259,023	2,500

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 11: **RISK MANAGEMENT** (Continued)

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

NOTE 12: **PENSION PLANS**

A. **School Employees Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report can be obtained by contacting SERS, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free 1-800-878-5853. It is also posted on SERS' website at www.ohsers.org under *Employer/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 at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (the Pension Trust Fund, the Death Benefits Fund, the Medicare Part B Fund, and the Health Care Fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09 percent. The remaining 4.91 percent of the 14.00 percent employer contribution rate is allocated to the Health Care Fund and the Medicare Part B Plan funds. The School District's required pension contributions to SERS for the years ended June 30, 2009, 2008, and 2007 were \$149,932, \$173,103, and \$212,600, respectively; 14.5 percent has been contributed for fiscal year 2009 and 100 percent for fiscal year 2008 and 2007.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 12: **PENSION PLANS** (Continued)

B. 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 may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3771 or by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. Defined Contribution and Combined Plan members will transfer to the Defined Benefit plan during their fifth year of membership unless they permanently select the Defined Contribution or Combined Plan.

The Defined Benefit Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who had **(i)** five years of service credit and attained age 60; **(ii)** 25 years of service credit and attained age 55; or **(iii)** 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit” the retirement allowance is based on years of credited service and final average salary, which is the average of the members’ three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent with an additional one-tenth of a percent added to the calculation for every year over 31 years until 100 percent of the final average salary is reached. For members with 35 or more years of Ohio contributing services, the first 30 years will be calculated at 2.5 percent. Under the “money-purchase benefit calculation”, members’ lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. The total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. Benefits are increased annually by 3 percent of the original base amount.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 12: **PENSION PLANS** (Continued)

B. State Teachers Retirement System (Continued)

The Defined Contribution Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. Benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the Defined Contribution Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the members' designated beneficiary is entitled to receive the members' account balance.

The Combined Plan offers features of the Defined Contribution Plan and the Defined Benefit Plan. Member contributions are allocated to investments selected by the member, and employer contributions are used to fund a defined benefit payment. Plan members' defined benefit is determined by multiplying 1 percent of the members' final average salary by the members' years of service credit. The defined benefit portion of the Combined Plan payment is payable to members on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Funding Policy - For fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent. Member and employer contributions were established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers provided by Chapter 3307 of the Ohio Revised Code. Of the 14 percent contributed by the District, 13 percent was the portion used to fund pension obligations.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 12: **PENSION PLANS** (Continued)

B. **State Teachers Retirement System** (Continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$514,851, \$629,044, and \$691,187, respectively; 85.34 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the Defined Contribution and Combined Plan participants for fiscal year 2009 were \$978 made by the School District and \$13,089 made by the plan members.

NOTE 13: **POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

A. **School Employees Retirement System**

Plan Description - SERS administers two post-employment benefit plans, the Medicare Part B Plan and the Health Care Plan as permitted by Ohio Revised Code Sections 3309.69 and 3309.375. The Medicare Part B Plan reimburses for Medicare Part B premiums paid by eligible retirees and beneficiaries. The Health Care Plan provides health care and prescription drug plans administered by two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Retirement Board establishes rules for premiums paid by retirees for health care coverage and varies depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - The Medicare Part B Plan reimburses premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. The reimbursement amount is limited by statute to the lesser of January 1, 1999 Medicare Part B premiums or the current premium. The Medicare Part B premium for calendar year 2009 (most recent information available) was \$96.40. SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2008, the actuarially required allocation was .66 percent of covered payroll. For the fiscal years ended June 30, 2009, 2008, and 2007, the School District's contributions to Medicare Part B were \$12,371, \$12,472, and \$8,986, respectively. 14.5 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employers' 14 percent

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 13: **POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**
(Continued)

A. **School Employees Retirement System** (Continued)

contribution to the Health Care Fund. At June 30, 2009, the health care allocation is 4.16 percent.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800.

Active employee members do not make contributions to the post-employment benefit plans. 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.

For fiscal years ended June 30, 2009, 2008, and 2007, the School District's contributions to the Health Care Plan, including the surcharge, were \$68,616, \$78,992, and \$57,088, respectively. 14.5 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. **State Teachers Retirement System**

Plan Description - Ohio law authorizes STRS to offer a cost-sharing, multiple employer health care plan to eligible retirees who participated in the Defined Benefit or Combined plans. The School District contributes to 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. 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 may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009
 (CONTINUED)**

NOTE 13: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
 (Continued)

B. State Teachers Retirement System

Funding Policy - Under Ohio law funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care. For the fiscal years ended June 30, 2009, 2008, and 2007, the School District's contributions to post-employment health care were \$39,604, \$48,388, and \$53,145, respectively; 85.34 percent has been contributed for 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 14: OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

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

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 14: OTHER EMPLOYEE BENEFITS

B. Insurance Benefits

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

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

NOTE 15: LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2009 consist of the following:

	Principal Outstanding <u>06/30/2008</u>	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding <u>06/30/2009</u>	Amounts Due in <u>One Year</u>
<u>Governmental Activities</u>					
Energy Conservation Notes 2009 - 5.584%	\$ 0	\$ 1,051,507	\$ (22,857)	\$ 1,028,650	\$ 47,646
Capital Lease	99,321	83,527	(62,133)	120,715	66,935
Compensated Absences	<u>654,291</u>	<u>327,146</u>	<u>(407,069)</u>	<u>574,368</u>	<u>9,899</u>
Total Governmental Activities	<u>\$ 753,612</u>	<u>\$ 1,462,180</u>	<u>\$ (492,059)</u>	<u>\$ 1,723,733</u>	<u>\$ 124,480</u>
<u>Business-Type Activities</u>					
Compensated Absences	<u>\$ 8,121</u>	<u>\$ 4,061</u>	<u>\$ (6,191)</u>	<u>\$ 5,991</u>	<u>\$ 0</u>

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

The capital leases will be paid from the General Fund. Compensated absences will be paid from the General Fund, the Title I Special Revenue Fund, and the Latchkey/Summer Compensation Fund.

The School District's overall legal debt margin was \$22,563,755 with an unvoted debt margin of \$262,138 at June 30, 2009.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 16: **JOINTLY GOVERNED ORGANIZATION**

A. **Northeast Ohio Network for Education 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 school district's control is limited to its representative 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 \$41,445 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.

B. **Ohio Schools Council Association**

The Ohio Schools Council Association (the Council) is a jointly governed organization among 121 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each school district supports the Council by paying an annual participation fee. Each school district member 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 September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2009, the School District paid \$788 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 16: **JOINTLY GOVERNED ORGANIZATION** (Continued)

B. **Ohio Schools Council Association** (Continued)

The Council provides participating school districts the ability to purchase natural gas at reduced prices, if the school districts will commit to participating for a twelve year period. There are currently 137 school districts in this program, including the Richmond Heights Local School District. 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). School districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and school districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The School District participates in the Council's electric purchasing program. The Council provides 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates, if the school district will commit to participating in either a thirty-six month (Cleveland Electric Illuminating Company) or a forty-four month (Ohio Edison and Toledo Edison) program beginning either May 1, 2005 or January 1, 2006, and ending December 31, 2008. Each month, the Council invoices participants based on estimated usage that was determined when the program was established. Each September, these estimated payments are compared to their actual usage for the year (July to June). Refund checks are issued to school districts that consumed less than their projected usage of electrical energy and school that over-consumed are invoiced.

NOTE 17: **SET ASIDE REQUIREMENTS**

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

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 17: **SET ASIDE REQUIREMENTS** (Continued)

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

	Textbooks Instructional Materials <u>Reserve</u>	Capital Improvements <u>Reserve</u>	Budget <u>Stabilization</u>
Set-Aside Reserve Balance as of June 30, 2008	\$ (104,416)	\$ 0	\$ 0
Current Year Set-Aside Requirements	163,314	163,314	269,783
Offsets	0	(130,377)	0
Qualifying Disbursements	<u>(124,029)</u>	<u>(184,718)</u>	<u>0</u>
Total	<u>\$ (65,131)</u>	<u>\$ (151,781)</u>	<u>\$ 269,783</u>
 Set-Aside Balances Carried Forward to Future Fiscal Years	 <u>\$ (65,131)</u>	 <u>\$ 0</u>	 <u>\$ 269,783</u>
 Set-Aside Reserve Balance as of June 30, 2009	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 269,783</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbooks set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

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**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 18: INTERFUND TRANSACTIONS

Interfund balances at June 30, 2009, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 240,706	\$ 0
Special Revenue Funds		
Public School Support	0	25,781
Other Grants	0	100
District Managed Student Activities	0	125,502
Schoolnet	0	1,836
State Grants	0	11,304
Title V	0	676
Drug Free Schools	0	1,000
Miscellaneous Federal Grants	0	213
Total Special Revenue Funds	0	166,412
Capital Projects Fund		
Permanent Improvement Fund	0	25,000
Enterprise Funds		
Rotary Special Services	0	49,294
Total All Funds	\$ 240,706	\$ 240,706

Interfund payables in the Special Revenue funds are due to the timing of the receipt of grant monies received by the various funds. The Capital Projects payable is due to the start of improvement projects before the permanent improvement tax levy collections began. Interfund payables exist in the Enterprise Fund due to the timing of the receipt of various revenue sources. All balances are expected to be paid next fiscal year.

Transfers made during the year ended June 30, 2009, were as follows:

	Transfers To		
<u>Transfer From</u>	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Major Fund			
General	\$ 0	\$ 54,298	\$ 54,298
Nonmajor Special Revenue Fund			
Public School Support	2,409	0	2,409
Total	\$ 2,409	\$ 54,298	\$ 56,707

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 18: **INTERFUND TRANSACTIONS** (Continued)

The General Fund transfer in from the Public School Support Fund was for graduating fees from prior graduating classes not used and the remaining transfers are to move unrestricted balances to support programs and projects accounted for in other funds.

NOTE 19: **CAPITAL LEASES**

The School District entered into capital leases for copiers in fiscal year 2009 and a sub service building in fiscal year 2001. As a part of the bus service building agreement, Fifth Third Bank, as lessor, provided \$400,000 for the construction. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, *Accounting for Leases*. The leased equipment is reported as a group in governmental activities at a cost of \$483,527; accumulated depreciation through June 30, 2009 amounted to \$376,705 leaving a book value of \$106,822. The agreements provide for minimum, annual lease payments as follows:

	<u>Governmental Activities</u>
2010	\$ 71,447
2011	18,757
2012	18,757
2013	18,757
2014	<u>1,563</u>
Total Minimum Lease Payments	129,281
Less: Amounts Representing Interest	<u>(8,566)</u>
Present Value of Minimum Lease Payments	<u>\$ 120,715</u>

NOTE 20: **SUBSEQUENT EVENTS**

The School District passed a 4 mill continuing levy on the November 3, 2009 ballot. It is estimated that the School District should receive approximately \$1,036,000 annually from this levy and should begin collections from the levy during fiscal year 2010.

NOTE 21: **CHANGE IN FUND CLASSIFICATION**

During fiscal year 2009 the School District reclassified the Webcheck Service Fund (deficit balance of \$1,012) from an Internal Service Fund to an Enterprise Fund to better reflect the fee based nature of the revenue source.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of the Richmond Heights Local School District's ("the District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

- Total assets increased \$401,532, an increase of \$323,408 in governmental activities and an increase of \$78,124 in business-type activities.
- General revenues accounted for \$12,674,867, or 95.2 percent, of all revenues for all governmental activities. Program specific revenues in the form of charges for services, sales, operating grants and contributions accounted for \$635,111, or 4.8 percent, of total revenues of \$13,309,978.
- Total program expenses were \$12,986,570 in governmental activities and \$521,649 in business-type activities.

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 the School District as an entire operating entity. The statements begin at a summary level and expand to detailed financial activities.

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

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about 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 2008 fiscal year?" The Statement of Net Assets and Statement of Activities answer this question. These statements include all assets and all liabilities 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 assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. Changes to the School District's net assets are a direct result of property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated educational programs, state funding, student enrollment, and general inflation.

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

- Governmental Activities - Most of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and general administration.
- Business-type Activities - These services are provided on a fee basis to recover all of the expenses of the goods or services provided. The School District's business-type activities are food service, adult continuing education, and extended daycare/preschool.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 62. 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.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
Unaudited

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

The School District as a Whole

The Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

Table 1 - Net Assets (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and Other Assets	\$ 10,465,823	\$ 11,050,421	\$ 284,089	\$ 136,760	\$ 10,749,912	\$ 11,187,181
Capital Assets, Net	1,125,440	1,166,059	12,328	13,740	1,137,768	1,179,799
Total Assets	\$ 11,591,263	\$ 12,216,480	\$ 296,417	\$ 150,500	\$ 11,887,680	\$ 12,366,980
Liabilities						
Current and Other Liabilities	\$ 7,976,909	\$ 8,779,296	\$ 90,592	\$ 23,052	\$ 8,067,501	\$ 8,802,348
Long-Term Liabilities:						
Due Within One Year	87,642	103,783	0	0	87,642	103,783
Due in More Than One Year	665,970	796,067	8,121	7,868	674,091	803,935
Total Liabilities	\$ 8,730,521	\$ 9,679,146	\$ 98,713	\$ 30,920	\$ 8,829,234	\$ 9,710,066
Net Assets						
Invested in Capital Assets, Net of Related Debt	1,026,119	978,182	12,328	15,808	1,038,447	993,990
Restricted						
Capital Projects	20,853	59,968	0	0	20,853	59,968
Other Purposes	83,544	58,016	0	0	83,544	58,016
Unrestricted	1,730,226	1,441,168	185,376	103,772	1,915,602	1,544,940
Total Net Assets	\$ 2,860,742	\$ 2,537,334	\$ 197,704	\$ 119,580	\$ 3,058,446	\$ 2,656,914

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
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Unaudited

Total assets of governmental activities decreased \$625,217. The majority of the decrease is attributable to cash decreasing due to cash basis expenditures exceeding cash basis receipts for the fiscal year.

Total liabilities for governmental activities decreased by \$948,625. This decrease was predominantly due to decreases in deferred revenue and long-term liabilities.

The net impact for governmental activities was an increase of net assets by \$323,408.

Table 2 shows the changes in net assets for fiscal year 2008 for both governmental activities and business-type activities. Revenue and expense comparisons can be made between the years 2007 and 2008.

Table 2 - Change in Net Assets (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues:						
Charges for Services	\$ 324,946	\$ 415,974	\$ 426,044	\$ 344,707	\$ 750,990	\$ 760,681
Operating Grants and Contributions	276,147	268,163	173,729	134,122	449,876	402,285
Capital Grants and Contributions	34,018	0	0	0	34,018	0
Total Program Revenues	635,111	684,137	599,773	478,829	1,234,884	1,162,966
General Revenues:						
Property Taxes	9,584,300	9,455,918	0	0	9,584,300	9,455,918
Grants and Entitlements	2,983,649	2,565,314	0	0	2,983,649	2,565,314
Investment Earnings	77,080	164,974	0	0	77,080	164,974
Miscellaneous	29,838	12,865	0	0	29,838	12,865
Total General Revenues	12,674,867	12,199,071	0	0	12,674,867	12,199,071
Total Revenues	13,309,978	12,883,208	599,773	478,829	13,909,751	13,362,037
Program Expenses						
Instruction	7,356,797	7,237,562	0	0	7,356,797	7,237,562
Support Services:						
Pupil and Instructional Staff	924,189	795,122	0	0	924,189	795,122
Board of Education, Administration, Fiscal, and Business	1,910,943	1,994,832	0	0	1,910,943	1,994,832
Operation and Maintenance of Plant	1,219,266	1,600,296	0	0	1,219,266	1,600,296
Pupil Transportation	1,059,974	1,044,167	0	0	1,059,974	1,044,167
Central	181,023	206,730	0	0	181,023	206,730
Operation of Non-Instructional Services	0	1,000	0	0	0	1,000
Enterprise Operations	0	0	521,649	513,105	521,649	513,105
Extracurricular Activities	327,236	403,074	0	0	327,236	403,074
Interest and Fiscal Charges	7,142	9,681	0	0	7,142	9,681
Total Program Expenses	12,986,570	13,292,464	521,649	513,105	13,508,219	13,805,569
Excess of Revenues Over (Under) Expenses	323,408	(409,256)	78,124	(34,276)	401,532	(443,532)
Transfers	0	(105,462)	0	105,462	0	0
Change in Net Assets	323,408	(514,718)	78,124	71,186	401,532	(443,532)
Net Assets Beginning of Year	2,537,334	3,052,052	119,580	48,394	2,656,914	3,100,446
Net Assets End of Year	\$ 2,860,742	\$ 2,537,334	\$ 197,704	\$ 119,580	\$ 3,058,446	\$ 2,656,914

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
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Total net assets of governmental activities increased \$328,408. Property taxes increased \$128,382; grants and entitlements increased \$418,335, and there was an overall increase in revenues of \$426,770.

There was an overall decrease of \$305,894 in program expenses in governmental activities. The majority of this decrease was due to a decrease in both operation and maintenance of plant and extracurricular 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 its value 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.

Thus, the 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. Property taxes made up 72.0 percent of revenues for governmental activities for the School District in fiscal year 2008.

The largest program expense in governmental activities remains instructions, comprising 56.6 percent of total expenses. When combined with Board of Education, Administration, Fiscal, and Business Support, those categories make up 71.4 percent of expenses.

Management recognizes a continued loss of personal property tax revenue due to the continued phase-out of personal property tax and phase-in of public utility deregulation, as well as Board of Revision and Board of Tax Appeal decisions.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, (services supported by tax revenue and unrestricted State entitlements), the total cost of services and the net cost of services.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
Unaudited

Table 3 - Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Instruction	\$ 7,356,797	\$ 7,042,016	\$ 7,237,562	\$ 6,857,755
Supporting Services:				
Pupil and Instructional Staff	924,189	792,258	795,122	698,395
Board of Education, Administration, Fiscal, and Business	1,910,943	1,863,835	1,994,832	1,935,307
Operation and Maintenance of Plant	1,219,266	1,172,252	1,600,296	1,563,493
Pupil Transportation	1,059,974	1,033,169	1,044,167	1,019,228
Central	181,023	162,434	206,730	192,476
Operation of Non-Instructional Services	0	0	1,000	(332)
Extracurricular Activities	327,236	278,353	403,074	332,324
Interest and Fiscal Charges	7,142	7,142	9,681	9,681
Total Cost of Services	\$ 12,986,570	\$ 12,351,459	\$ 13,292,464	\$ 12,608,327

The dependence upon tax revenues for governmental activities is apparent. Over 95 percent of instruction activities are supported through taxes and other general revenues. The School District's community is responsible for the primary support of the School District's students.

Business-Type Activities

Business-type activities include the food service, uniform school supplies, and latchkey/summer school programs.

Overall, net assets increased \$78,124 in 2008. Business-type activities increased due to an increase of \$120,944 in program revenues to support the food service, special service, and latchkey/summer camp operational activities for the fiscal year.

The School District's Funds

Information about the School District's major funds start on page 67. These funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$11,744,381 and expenditures of \$12,369,944. The net change in fund balance for the year was a decrease of \$637,983. This change was due to a decrease in revenue.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2008, the School District amended its General Fund budget several times.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
Unaudited

For the General Fund, the original and final budget basis estimated revenues were \$12,922,690. Total actual revenues were \$11,878,145.

Final appropriations for the General Fund remained consistent with the original appropriations. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$12,333,226.

Capital Assets and Debt

Capital Assets

At the end of fiscal year 2008, the School District had \$1,137,768 invested in land, buildings and improvements, furniture and equipment, and vehicles, \$1,125,440 of which is in governmental activities. Table 4 shows fiscal year 2008 balances compared to 2007:

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 311,214	\$ 311,214	\$ 0	\$ 0	\$ 311,214	\$ 311,214
Buildings and Improvements	282,932	318,326	0	0	282,932	318,326
Furniture and Equipment	199,212	166,836	12,328	13,740	211,540	180,576
Vehicles	332,082	369,683	0	0	332,082	369,683
Totals	<u>\$ 1,125,440</u>	<u>\$ 1,166,059</u>	<u>\$ 12,328</u>	<u>\$ 13,740</u>	<u>\$ 1,137,768</u>	<u>\$ 1,179,799</u>

For fiscal year 2008, an Ohio law required school districts to set aside 3 percent of certain revenues for capital improvements and an additional three percent for textbooks. For fiscal year 2008, this amounted to \$176,454 for each set-aside. For fiscal year 2008, the School District has qualifying disbursements or offsets exceeding these requirements. See Note 8 to the basic financial statements for additional information on the School District's capital assets.

Debt

At June 30, 2008, the School District had no bonded debt outstanding. The School District had a balance of \$99,321 remaining on a capital lease. More information on the capital lease can be found in Notes 14 and Note 19 to the basic financial statements.

School District Outlook

The Board of Education and administration are aware of their limited financial resources. They are working within a five-year budget plan and actively pursuing additional funding through local levies. As of yet, no new monies have been generated since May 2003.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
Unaudited

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

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

Contacting the School District's Financial Management

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

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 528,581	\$ 181,076	\$ 709,657
Cash with Fiscal Agent	0	30,000	30,000
Accounts Receivable	1,389	1,103	2,492
Intergovernmental Receivable	17,186	90,058	107,244
Internal Balances	19,562	(19,562)	0
Materials and Supplies Inventory	0	164	164
Inventory Held for Resale	0	1,250	1,250
Property Taxes Receivable	9,899,105	0	9,899,105
Non-Depreciable Capital Assets	311,214	0	311,214
Depreciable Capital Assets, Net	814,226	12,328	826,554
Total Assets	<u>\$ 11,591,263</u>	<u>\$ 296,417</u>	<u>\$ 11,887,680</u>
<u>Liabilities</u>			
Accounts Payable	\$ 239,677	\$ 53,371	\$ 293,048
Accrued Wages and Benefits	844,585	6,112	850,697
Intergovernmental Payable	718,549	31,109	749,658
Deferred Revenue	6,174,098	0	6,174,098
Long-Term Liabilities:			
Due Within One Year	87,642	0	87,642
Due In More Than One Year	665,970	8,121	674,091
Total Liabilities	<u>8,730,521</u>	<u>98,713</u>	<u>8,829,234</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	1,026,119	12,328	1,038,447
Restricted for:			
Capital Projects	20,853	0	20,853
Special Revenue	83,544	0	83,544
Unrestricted	1,730,226	185,376	1,915,602
Total Net Assets	<u>\$ 2,860,742</u>	<u>\$ 197,704</u>	<u>\$ 3,058,446</u>

See accompanying notes to the basic financial statements.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<u>Governmental Activities</u>							
Instruction:							
Regular	\$ 5,473,133	\$ 134,234	\$ 50,511	\$ 0	\$ (5,288,388)	\$ 0	\$ (5,288,388)
Special	1,725,690	29,036	98,140	0	(1,598,514)	0	(1,598,514)
Vocational	157,974	2,860	0	0	(155,114)	0	(155,114)
Supporting Services:							
Pupil	652,697	32,336	126	0	(620,235)	0	(620,235)
Instructional Staff	271,492	3,125	96,344	0	(172,023)	0	(172,023)
Board of Education	244,398	4,425	0	0	(239,973)	0	(239,973)
Administration	1,134,488	22,225	10,851	0	(1,101,412)	0	(1,101,412)
Fiscal	425,954	7,685	0	0	(418,269)	0	(418,269)
Business	106,103	1,922	0	0	(104,181)	0	(104,181)
Operation and Maintenance of Plant	1,219,266	21,254	0	25,760	(1,172,252)	0	(1,172,252)
Pupil Transportation	1,059,974	18,547	0	8,258	(1,033,169)	0	(1,033,169)
Central	181,023	3,350	15,239	0	(162,434)	0	(162,434)
Extracurricular Activities	327,236	43,947	4,936	0	(278,353)	0	(278,353)
Interest and Fiscal Charges	7,142	0	0	0	(7,142)	0	(7,142)
Total Governmental Activities	<u>12,986,570</u>	<u>324,946</u>	<u>276,147</u>	<u>34,018</u>	<u>(12,351,459)</u>	<u>0</u>	<u>(12,351,459)</u>
<u>Business-Type Activities</u>							
Food Services	357,785	195,438	173,729	0	0	11,382	11,382
Special Services	34,429	94,083	0	0	0	59,654	59,654
Latchkey/Preschool	129,435	136,523	0	0	0	7,088	7,088
Total Business-Type Activities	<u>521,649</u>	<u>426,044</u>	<u>173,729</u>	<u>0</u>	<u>0</u>	<u>78,124</u>	<u>78,124</u>
Total Primary Government	<u>\$ 13,508,219</u>	<u>\$ 750,990</u>	<u>\$ 449,876</u>	<u>\$ 34,018</u>	<u>(12,351,459)</u>	<u>78,124</u>	<u>(12,273,335)</u>
<u>General Revenues</u>							
Property Taxes Levied for:							
General Purposes					9,457,042	0	9,457,042
Capital Projects					127,258	0	127,258
Grants and Entitlements not Restricted to Specific Programs					2,983,649	0	2,983,649
Investment Earnings					77,080	0	77,080
Miscellaneous					29,838	0	29,838
Total General Revenues					<u>12,674,867</u>	<u>0</u>	<u>12,674,867</u>
Change in Net Assets					323,408	78,124	401,532
Net Assets at Beginning of Year					<u>2,537,334</u>	<u>119,580</u>	<u>2,656,914</u>
Net Assets at End of Year					<u>\$ 2,860,742</u>	<u>\$ 197,704</u>	<u>\$ 3,058,446</u>

See accompanying notes to the basic financial statements.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 392,351	\$ 127,780	\$ 520,131
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	8,258	0	8,258
Property Taxes Receivable	9,768,837	130,268	9,899,105
Accounts Receivable	649	740	1,389
Intergovernmental Receivable	0	17,186	17,186
Interfund Receivable	<u>190,381</u>	<u>0</u>	<u>190,381</u>
Total Assets	<u>\$10,360,476</u>	<u>\$ 275,974</u>	<u>\$10,636,450</u>
<u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 213,175	\$ 26,502	\$ 239,677
Accrued Wages and Benefits	829,273	15,312	844,585
Interfund Payable	0	170,819	170,819
Intergovernmental Payable	713,396	3,949	717,345
Deferred Revenue	<u>8,261,463</u>	<u>112,642</u>	<u>8,374,105</u>
Total Liabilities	<u>10,017,307</u>	<u>329,224</u>	<u>10,346,531</u>
<u>Fund Balances</u>			
Reserved for:			
Encumbrances	160,256	29,251	189,507
Property Taxes	1,507,374	17,626	1,525,000
School Bus Purchase	8,258	0	8,258
Unreserved, Undesignated (Deficit) Reported in:			
General Fund	(1,332,719)	0	(1,332,719)
Special Revenue Funds	0	(74,901)	(74,901)
Capital Projects Funds	<u>0</u>	<u>(25,226)</u>	<u>(25,226)</u>
Total Fund Balances (Deficits)	<u>343,169</u>	<u>(53,250)</u>	<u>289,919</u>
Total Liabilities and Fund Balances	<u>\$10,360,476</u>	<u>\$ 275,974</u>	<u>\$10,636,450</u>

See accompanying notes to the basic financial statements.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008**

Total Governmental Fund Balances		\$ 289,919
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,125,440
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes		2,200,007
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		
Capital Leases	\$ (99,321)	
Compensated Absences	<u>(654,291)</u>	
Total		(753,612)
Internal Service funds are used by management to charge the costs of certain activities, such as fingerprinting, to individual funds. The assets and liabilities of the Internal Service Fund are included in Governmental Activities in the Statement of Net Assets		<u>(1,012)</u>
Net Assets of Governmental Activities		<u><u>\$ 2,860,742</u></u>

See accompanying notes to the basic financial statements.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property and Other Local Taxes	\$ 8,434,055	\$ 120,826	\$ 8,554,881
Intergovernmental	2,991,907	351,483	3,343,390
Interest	76,941	172	77,113
Tuition and Fees	220,371	8,369	228,740
Extracurricular Activities	781	83,721	84,502
Contributions and Donations	0	9,062	9,062
Charges for Services	0	9,772	9,772
Miscellaneous	20,326	9,512	29,838
Total Revenues	<u>11,744,381</u>	<u>592,917</u>	<u>12,337,298</u>
Expenditures			
Current:			
Instruction:			
Regular	5,226,216	131,965	5,358,181
Special	1,603,677	119,859	1,723,536
Vocational	157,974	0	157,974
Support Services:			
Pupil	657,706	30,132	687,838
Instructional Staff	141,961	98,225	240,186
Board of Education	244,398	0	244,398
Administration	1,164,513	11,760	1,176,273
Fiscal	418,618	0	418,618
Business	104,428	0	104,428
Operation and Maintenance of Plant	1,169,901	0	1,169,901
Pupil Transportation	1,023,409	0	1,023,409
Central	183,517	12,186	195,703
Extracurricular Activities	220,937	103,836	324,773
Capital Outlay	0	211,338	211,338
Debt Service:			
Principal Retirement	45,547	0	45,547
Interest and Fiscal Charges	7,142	0	7,142
Total Expenditures	<u>12,369,944</u>	<u>719,301</u>	<u>13,089,245</u>
Excess of Revenues (Under) Expenditures	<u>(625,563)</u>	<u>(126,384)</u>	<u>(751,947)</u>
Other Financing Sources (Uses)			
Transfers In	3,004	15,424	18,428
Transfers Out	<u>(15,424)</u>	<u>(3,004)</u>	<u>(18,428)</u>
Total Other Financing Sources (Uses)	<u>(12,420)</u>	<u>12,420</u>	<u>0</u>
Net Change in Fund Balances	<u>(637,983)</u>	<u>(113,964)</u>	<u>(751,947)</u>
Fund Balances at Beginning of Year	<u>981,152</u>	<u>60,714</u>	<u>1,041,866</u>
Fund Balances (Deficits) at End of Year	<u>\$ 343,169</u>	<u>\$ (53,250)</u>	<u>\$ 289,919</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, 2008**

Net Change in Fund Balances - Total Governmental Funds \$ (751,947)

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 is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	\$ 130,753	
Current Year Depreciation	<u>(171,372)</u>	
Total		(40,619)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	1,029,419	
Intergovernmental	<u>(58,671)</u>	
Total		970,748

Repayment of capital lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 45,547

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. 100,691

Internal Service funds are used by management to charge costs to certain activities, such as fingerprinting, to individual funds. The net revenue (expense) of Internal Service funds are reported in governmental activities. (1,012)

Change in Net Assets of Governmental Activities \$ 323,408

The notes to the financial statements are an integral part of this statement.

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, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$ 9,303,855	\$ 9,303,855	\$ 8,551,663	\$ (752,192)
Intergovernmental	3,254,831	3,254,831	2,991,907	(262,924)
Interest	83,709	83,709	76,941	(6,768)
Tuition and Fees	257,452	257,452	236,638	(20,814)
Extracurricular Activities	885	885	813	(72)
Miscellaneous	21,958	21,958	20,183	(1,775)
Total Revenues	<u>12,922,690</u>	<u>12,922,690</u>	<u>11,878,145</u>	<u>(1,044,545)</u>
Expenditures				
Current:				
Instruction:				
Regular	5,526,715	5,526,715	5,379,917	146,798
Special	1,336,928	1,336,928	1,321,431	15,497
Vocational	177,976	177,976	177,920	56
Support Services:				
Pupils	688,450	688,450	632,423	56,027
Instructional Staff	159,742	159,742	134,013	25,729
Board of Education	268,221	268,221	258,989	9,232
Administration	1,173,664	1,173,664	1,162,842	10,822
Fiscal	466,031	466,031	428,688	37,343
Business	101,638	101,638	101,466	172
Operation and Maintenance of Plant	1,196,024	1,196,024	1,194,042	1,982
Pupil Transportation	1,129,772	1,129,772	1,100,283	29,489
Central	209,980	209,980	209,221	759
Extracurricular Activities	241,724	241,724	231,991	9,733
Total Expenditures	<u>12,676,865</u>	<u>12,676,865</u>	<u>12,333,226</u>	<u>343,639</u>
Excess of Revenue (Under) Expenditures	<u>245,825</u>	<u>245,825</u>	<u>(455,081)</u>	<u>(700,906)</u>
Other Financing Sources (Uses)				
Advances In	62,230	62,230	57,200	(5,030)
Advances Out	(66,490)	(66,490)	(66,490)	0
Transfers In	3,508	3,508	3,004	(504)
Transfers Out	(15,424)	(15,424)	(15,424)	0
Total Other Financing Sources (Uses)	<u>(16,176)</u>	<u>(16,176)</u>	<u>(21,710)</u>	<u>(5,534)</u>
Net Change in Fund Balance	229,649	229,649	(476,791)	(706,440)
Fund Balance at Beginning of Year	151,066	151,066	151,066	0
Prior Year Encumbrances Appropriated	<u>471,747</u>	<u>471,747</u>	<u>471,747</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 852,462</u>	<u>\$ 852,462</u>	<u>\$ 146,022</u>	<u>\$ (706,440)</u>

See accompanying notes to the basic financial statements.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Food Service	Uniform School Supplies	Special Services	Latchkey/ Summer Camp	Total Enterprise Funds	Internal Service Fund
Assets						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 62,310	\$ 458	\$ 0	\$ 118,308	\$ 181,076	\$ 192
Cash with Fiscal Agent	30,000	0	0	0	30,000	0
Accounts Receivable	1,103	0	0	0	1,103	0
Intergovernmental Receivable	0	0	90,058	0	90,058	0
Materials and Supplies Inventory	164	0	0	0	164	0
Inventory Held for Resale	1,250	0	0	0	1,250	0
Total Current Assets	94,827	458	90,058	118,308	303,651	192
Capital Assets, Net	12,328	0	0	0	12,328	0
Total Assets	\$ 107,155	\$ 458	\$ 90,058	\$ 118,308	\$ 315,979	\$ 192
Liabilities						
Current Liabilities:						
Accounts Payable	\$ 53,371	\$ 0	\$ 0	\$ 0	\$ 53,371	\$ 0
Accrued Wages	0	0	0	6,112	6,112	0
Intergovernmental Payable	0	0	10,842	20,267	31,109	1,204
Interfund Payable	0	0	19,562	0	19,562	0
Total Current Liabilities	53,371	0	30,404	26,379	110,154	1,204
Long-Term Liabilities:						
Compensated Absences Payable	0	0	0	8,121	8,121	0
Total Long-Term Liabilities	0	0	0	8,121	8,121	0
Total Liabilities	53,371	0	30,404	34,500	118,275	1,204
Net Assets						
Invested in Capital Assets	12,328	0	0	0	12,328	0
Unrestricted (Deficit)	41,456	458	59,654	83,808	185,376	(1,012)
Total Net Assets	\$ 53,784	\$ 458	\$ 59,654	\$ 83,808	\$ 197,704	\$ (1,012)

See accompanying notes to the basic financial statements.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Food Service	Uniform School Supplies	Special Services	Latchkey/ Summer Camp	Total Enterprise Funds	Internal Service Fund
<u>Operating Revenues</u>						
Tuition	\$ 0	\$ 0	\$ 94,083	\$ 135,573	\$ 229,656	\$ 0
Sales	195,438	0	0	950	196,388	0
Charges for Services	0	0	0	0	0	1,932
Total Operating Revenues	<u>195,438</u>	<u>0</u>	<u>94,083</u>	<u>136,523</u>	<u>426,044</u>	<u>1,932</u>
<u>Operating Expenses</u>						
Salaries	0	0	0	66,655	66,655	0
Fringe Benefits	0	0	0	54,806	54,806	0
Purchased Services	217,834	0	10,842	1,348	230,024	2,944
Materials and Supplies	133,715	0	23,587	2,399	159,701	0
Cost of Sales	3,521	0	0	4,227	7,748	0
Depreciation	2,141	0	0	0	2,141	0
Other	574	0	0	0	574	0
Total Operating Expenses	<u>357,785</u>	<u>0</u>	<u>34,429</u>	<u>129,435</u>	<u>521,649</u>	<u>2,944</u>
Operating Income (Loss)	(162,347)	0	59,654	7,088	(95,605)	(1,012)
<u>Non-Operating Revenues</u>						
Grants	173,729	0	0	0	173,729	0
Total Non-Operating Revenues	<u>173,729</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>173,729</u>	<u>0</u>
Changes in Net Assets	11,382	0	59,654	7,088	78,124	(1,012)
Net Assets at Beginning of Year	42,402	458	0	76,720	119,580	0
Net Assets at End of Year	<u>\$ 53,784</u>	<u>\$ 458</u>	<u>\$ 59,654</u>	<u>\$ 83,808</u>	<u>\$ 197,704</u>	<u>\$ (1,012)</u>

See accompanying notes to the basic financial statements.

RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Food Service	Uniform School Supplies	Special Services	Latchkey/ Summer Camp	Total Enterprise Funds	Internal Service Fund
<i>Increase in Cash and Cash Equivalents</i>						
Cash Flows from Operating Activities						
Cash Received from Customers	\$ 194,335	\$ 0	\$ 4,025	\$ 136,523	\$ 334,883	\$ 1,932
Cash Payments to Employees for Services	0	0	0	(66,954)	(66,954)	0
Cash Payments to Employee Benefits	0	0	0	(38,881)	(38,881)	0
Cash Payments for Goods and Services	(301,609)	0	(23,587)	(16,589)	(341,785)	(1,740)
Other Cash Payments	(574)	0	0	0	(574)	0
Net Cash Provided by (Used for) Operating Activities	<u>(107,848)</u>	<u>0</u>	<u>(19,562)</u>	<u>14,099</u>	<u>(113,311)</u>	<u>192</u>
Cash Flows from Noncapital Financing Activities						
Operating Grants Received	173,729	0	0	0	173,729	0
Transfers In	0	0	0	0	0	0
Advances In	0	0	19,562	0	19,562	0
Advances Out	(11,400)	0	0	0	(11,400)	0
Net Cash Provided by Noncapital Financing Activities	<u>162,329</u>	<u>0</u>	<u>19,562</u>	<u>0</u>	<u>181,891</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities						
Payments for Capital Acquisition	(729)	0	0	0	(729)	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(729)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(729)</u>	<u>0</u>
Net Increase in Cash and Cash Equivalents	53,752	0	0	14,099	67,851	192
Cash and Cash Equivalents at Beginning of Year*	38,558	458	0	104,209	143,225	0
Cash and Cash Equivalents at End of Year	<u>\$ 92,310</u>	<u>\$ 458</u>	<u>\$ 0</u>	<u>\$ 118,308</u>	<u>\$ 211,076</u>	<u>\$ 192</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities						
Operating Income (Loss)	\$ (162,347)	\$ 0	\$ 59,654	\$ 7,088	\$ (95,605)	\$ (1,012)
Adjustments:						
Depreciation	2,141	0	0	0	2,141	0
(Increase) Decrease in Assets:						
Accounts Receivable	(1,103)	0	0	0	(1,103)	0
Intergovernmental Receivable	0	0	(90,058)	0	(90,058)	0
Materials and Supplies Inventory	1,934	0	0	0	1,934	0
Inventory Held for Resale	1,587	0	0	0	1,587	0
Increase (Decrease) in Liabilities:						
Accounts Payable	49,940	0	0	(8,615)	41,325	0
Accrued Wages and Benefits	0	0	0	(299)	(299)	0
Compensated Absences Payable	0	0	0	253	253	0
Intergovernmental Payable	0	0	10,842	15,672	26,514	1,204
Total Adjustments	<u>54,499</u>	<u>0</u>	<u>(79,216)</u>	<u>7,011</u>	<u>(17,706)</u>	<u>1,204</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (107,848)</u>	<u>\$ 0</u>	<u>\$ (19,562)</u>	<u>\$ 14,099</u>	<u>\$ (113,311)</u>	<u>\$ 192</u>

*Includes Cash with fiscal agent.

See accompanying notes to the basic financial statements.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2008**

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>7,287</u>
Total Assets	\$ <u>7,287</u>
<u>Liabilities</u>	
Due to Students	\$ <u>7,287</u>
Total Liabilities	\$ <u>7,287</u>

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, 2008**

NOTE 1: **DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Richmond Heights Local School District (the “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. The Board of Education controls the School District’s two instructional/support facilities staffed by 56 non-certified and 65 certified full-time teaching personnel who provide services to 1,063 students and other community members.

The 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 of the School District 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 the 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’s 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 school. These transactions are reported 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; or **(3)** 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 **(4)** the School District is obligated for the debt of the organization.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 1: **DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**
(Continued)

Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes for the organization. The School District does not have any component units.

The following entities which perform activities within the School District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities, nor are they fiscally dependent on the School District.

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

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

The School District participates in two jointly governed organizations. These organizations are the Lakeshore Northeast Ohio Computer Association and the Ohio Schools Council Association, both jointly governed organizations. These organizations are discussed in Note 15 of the basic financial statements.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities and fund financial statements, which provide a more detailed level of financial information.

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

The Statement of Net Assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for four 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.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are grouped into the 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 liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

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

Proprietary Fund Types

Proprietary funds focus on the determination of operating income, changes in net assets, financial position, and cash flows and are classified as either enterprise or internal service. Proprietary funds are classified as either enterprise or internal service.

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. These funds are used to account for food service operations, uniform school supplies, operations, and the latchkey/summer camp operations.

Internal Service Fund - The School District's internal service fund account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis. The internal service fund reports on accounting for fingerprinting employees and license renewals for the School District.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. Fund Accounting (Continued)

Fiduciary Fund Types

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

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Measurement Focus** (Continued)

Fund Financial Statements (Continued)

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

D. **Basis of Accounting**

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

Revenues – Exchange and Non-Exchange Transactions

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

Non-exchange 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 in which the taxes levied (see Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Basis of Accounting** (Continued)

Revenues – Exchange and Non-Exchange Transactions (Continued)

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 non-exchange 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 fiscal year-end: property taxes available as an advance, interest, tuition, grants, fees, and rentals.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Equity in Pooled 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” on the financial statements.

During fiscal year 2008, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for on June 30, 2008.

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 2008 amounted to \$76,941, which includes \$6,556 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.

F. **Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Inventories consist of purchased food and school supplies held for resale, and materials and supplies held for consumption.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

G. Capital Assets

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

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

All reported capital assets except land and construction in progress 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>	Governmental Activities <u>Estimated Lives</u>	Business-Type Activities <u>Estimated Lives</u>
Land Improvement	20 years	N/A
Buildings and Improvements	10–30 years	N/A
Furniture and Equipment	5–20 years	12 years
Vehicles	15 years	N/A

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

H. Interfund Balances

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

I. 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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

The entire compensated absence liability is reported on the government-wide financial statements. On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund or funds from which the employees who have accumulated the leave are paid.

J. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for 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, 2008
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

K. Net Assets

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

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

L. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

M. 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, and extended daycare/preschool programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenue and expenses not meeting these definitions are reported as non-operating.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

N. **Interfund Activity**

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.

O. **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.

P. **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 appropriate 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.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

P. **Budgetary Data** (Continued)

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

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

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2008, the School District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and GASB Statement No. 50, *Pension Disclosures*.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The implementation of this Statement did not result in any change to the financial statements. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and STRS post-employment health care plans in the amounts of \$49,573 and \$5,705, respectively, which are the same as the previously reported liabilities.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES** (Continued)

GASB Statement No. 48 addressed how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The Statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this Statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this Statement did not result in any change to the financial statements.

NOTE 4: **ACCOUNTABILITY AND COMPLIANCE**

A. **Accountability**

Fund balances at June 30, 2008, included the following individual fund deficits:

Special Revenue Funds

District Managed Activity	\$ 107,710
Network Connectivity	1,275
State Grants	11,304
Title I	9,685
Title VI	2,223

Capital Projects Fund

Permanent Improvement	4,597
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The deficits in the Special Revenue funds are due to adjustments for accrued liabilities. The deficit in the Capital Project Fund is due to an interfund payable to the General Fund. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, rather than when accruals occur.

B. **Compliance**

Contrary to ORC Section 5705.39, the Network Connectivity Fund and the Miscellaneous State Grants Special Revenue Fund had original appropriations in excess of original estimated resources plus carryover balances in the amounts of \$587 and \$11,304, respectively.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 4: **ACCOUNTABILITY AND COMPLIANCE** (Continued)

B. **Compliance** (Continued)

Contrary to ORC Section 5705.10, the Miscellaneous State Grants Special Revenue Fund had a negative cash balance of \$11,304.

Contrary to ORC Section 5705.39, the Network Connectivity Fund and the Miscellaneous State Grants Special Revenue funds had final appropriations in excess of final estimated resources plus carryover balances in the amounts of \$587 and \$11,304, respectively.

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

NOTE 5: **BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances 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 as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP).

The following table summarizes 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, 2008
(CONTINUED)**

NOTE 5: **BUDGETARY BASIS OF ACCOUNTING** (Continued)

	Net Change in Fund Balance
GAAP Basis	\$ (637,983)
Net Adjustments for Revenue Accruals	133,764
Advances In	57,200
Net Adjustments for Expenditure Accruals	302,609
Advances Out	(66,490)
Adjustments for Encumbrances	<u>(265,891)</u>
Budget Basis	<u>\$ (476,791)</u>

NOTE 6: **DEPOSITS AND INVESTMENTS**

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

Active deposits 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 of Education 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 can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
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, \$61,329 of the School District's bank balance of \$322,161 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.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (CONTINUED)**

NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

Deposits (Continued)

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 105 percent of the deposits being secured.

Investments

As of June 30, 2008, the School District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Maturity</u>
STAROhio	<u>\$ 711,119</u>	53.80 days

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 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 STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy regarding credit risk other than statutory guidelines which limit investment choices.

Custodial Credit Risk

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

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. At June 30, 2008, the School District invested in only STAROhio.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 7: **PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Property tax revenue received during calendar 2008 represents collections of calendar 2007 taxes. Real property tax payments received in calendar 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 a remainder payable by June 20. Under certain circumstances, State statute permits alternate payments dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in 2008 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. The tangible personal property tax is being phased out - the assessment percentage for all property, including inventory, for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however, this year the settlement was late.

The School District receives property taxes from Cuyahoga County. The County Auditor 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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 7: **PROPERTY TAXES** (Continued)

Accrued property taxes receivable represent real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the late settlement of tangible personal property taxes and the amount of real property taxes available as an advance at June 30 was levied to finance current year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008, was \$1,507,374 in the General Fund and \$17,626 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2007, was \$1,624,982 in the General Fund and \$19,018 in the Permanent Improvement Capital Projects Fund.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007		2008	
	<u>Second-Half Collections</u>		<u>First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 251,598,230	93.91%	\$ 254,150,190	97.46%
Public Utility Personal	3,380,520	1.26%	2,016,310	0.77%
Tangible Personal Property	<u>12,942,809</u>	<u>4.83%</u>	<u>4,620,462</u>	<u>1.77%</u>
	<u>\$ 267,921,559</u>	<u>100.00%</u>	<u>\$ 260,786,962</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$ 78.60		\$ 78.60	

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 8: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

	Balance at 6/30/2007	Additions	Deletions	Balance at 6/30/2008
<u>Governmental Activities</u>				
<i>Capital Assets, not Being Depreciated:</i>				
Land	\$ 311,214	\$ 0	\$ 0	\$ 311,214
<i>Total Capital Assets, not Being Depreciated</i>	<u>311,214</u>	<u>0</u>	<u>0</u>	<u>311,214</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings and Improvements	6,244,248	0	0	6,244,248
Furniture and Equipment	716,775	130,753	0	847,528
Vehicles	811,246	0	0	811,246
<i>Total Capital Assets being Depreciated</i>	<u>7,772,269</u>	<u>130,753</u>	<u>0</u>	<u>7,903,022</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(5,925,922)	(35,394)	0	(5,961,316)
Furniture and Equipment	(549,939)	(98,377)	0	(648,316)
Vehicles	(441,563)	(37,601)	0	(479,164)
Total Accumulated Depreciation	<u>(6,917,424)</u>	<u>*(171,372)</u>	<u>0</u>	<u>(7,088,796)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>854,845</u>	<u>(40,619)</u>	<u>0</u>	<u>814,226</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,166,059</u>	<u>\$ (40,619)</u>	<u>\$ 0</u>	<u>\$ 1,125,440</u>
<u>Business-Type Activities</u>				
Furniture and Equipment	\$ 75,858	\$ 729	\$ 0	\$ 76,587
Less Accumulated Depreciation	<u>(62,118)</u>	<u>(2,141)</u>	<u>0</u>	<u>(64,259)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 13,740</u>	<u>\$ (1,412)</u>	<u>\$ 0</u>	<u>\$ 12,328</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$ 60,574
Supporting Services:		
Pupils		3,475
Instructional Staff		5,305
Administration		5,158
Fiscal		1,482
Operation and Maintenance of Plant		47,840
Pupil Transportation		40,705
Central		4,370
Operation of Non-Instructional Services		1,313
Extracurricular Activities		1,150
Total Depreciation Expense		<u>\$ 171,372</u>

All depreciation expense for business-type activities was charged to the Food Service Fund.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 9: **RECEIVABLES**

Receivables at June 30, 2008, consisted of taxes, accounts (rent and tuition), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Title I	\$ 16,316
Title VI	313
Miscellaneous Federal Grants	<u>557</u>
Total Governmental Activities	<u>\$ 17,186</u>

NOTE 10: **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, 2008, the School District contracted with the following insurance companies:

<u>Company</u>	<u>Type of Coverage</u>	<u>Limit</u>	<u>Deductible</u>
Indiana Insurance Company	Auto Liability	\$ 1,000,000	N/A
	Uninsured Motorist	50,000	N/A
	Comprehensive General Liability:		
	General Liability	1,000,000	N/A
	Personal Injury	1,000,000	N/A
	General Aggregate	2,000,000	N/A
	Errors and Omissions	1,000,000	\$ 2,500
	Property Coverage:		
	Blanket Building and Contents	23,259,023	2,500

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

The School District pays 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, 2008
(CONTINUED)**

NOTE 11: **PENSION PLANS**

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$173,103, \$212,600 and \$201,790 respectively; 58.29 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. 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 plan. 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 may 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.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 11: **PENSION PLANS** (Continued)

B. State Teachers Retirement System (Continued)

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 times 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 DC Plan and the DB 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 or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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 - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 11: **PENSION PLANS** (Continued)

B. State Teachers Retirement System (Continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$629,044, \$691,187, and \$587,978 respectively; 88.21 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$978 made by the School District and \$13,089 made by the plan members.

NOTE 12: **POST-EMPLOYMENT BENEFITS**

A. School Employers Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

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 401h. For 2008, 4.18 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 2008, this amount was \$28,504.

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

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 12: **POSTEMPLOYMENT BENEFITS** (Continued)

A. School Employers Retirement System (Continued)

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$78,992, \$57,088 and \$56,362 respectively; 58.29 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$12,472, \$8,986, and \$8,872 respectively; 58.29 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description – The School District contributes to 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. 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 may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$48,388, \$53,145, and \$45,210 respectively; 88.21 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 13: **OTHER EMPLOYEE BENEFITS**

A. **Compensated Absences**

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

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

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

B. **Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance through Sun Life. Certificated employees and classified employees receive \$40,000 term life and accidental death and dismemberment coverage. Administrative employees receive \$200,000 coverage.

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

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 14: LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2008 consist of the following:

	Principal Outstanding 06/30/2007	Additions	Reductions	Principal Outstanding 06/30/2008	Amounts Due in One Year
<u>Governmental Activities</u>					
Capital Lease	\$ 144,868	\$ 0	\$ (45,547)	\$ 99,321	\$ 48,236
Compensated Absences	754,982	0	(100,691)	654,291	39,406
Total Governmental Activities	<u>\$ 899,850</u>	<u>\$ 0</u>	<u>\$ (146,238)</u>	<u>\$ 753,612</u>	<u>\$ 87,642</u>
<u>Business-Type Activities</u>					
Compensated Absences	<u>\$ 7,868</u>	<u>\$ 253</u>	<u>\$ 0</u>	<u>\$ 8,121</u>	<u>\$ 0</u>

The capital leases will be paid from the General Fund. Compensated absences will be paid from the General fund, the Title I Special Revenue Fund, and the Latchkey/Summer Camp Fund.

The School District's overall legal debt margin was \$23,470,827 with an unvoted debt margin of \$260,787 at June 30, 2008.

NOTE 15: JOINTLY GOVERNED ORGANIZATION

Lakeshore Northeast Ohio Computer Association

The Lakeshore Northeast Ohio Computer Association (LNOCA) is a jointly governed computer service bureau owned and operated by seventeen public school districts. The primary function of LNOCA is to provide data services to the seventeen member districts. Major areas of services provided by LNOCA include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting, and grade reporting. Each school district is represented on the LNOCA Board of Directors by its superintendent. Each year, the Board of Directors elects a Chairman, a Vice Chairman, and a Recording Director. Each school district supports LNOCA based upon a per student charge dependent upon the software package used. The School District paid \$33,951 for fiscal year 2008. The Cuyahoga County Educational Service Center serves as the fiscal agent of LNOCA. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 5700 West Canal Road, Valley View, Ohio 44125.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 15: **JOINTLY GOVERNED ORGANIZATION** (Continued)

B. Ohio Schools Council Association

The Ohio Schools Council Association (the Council) is a jointly governed organization among 121 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each school district supports the Council by paying an annual participation fee. Each school district member 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 September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2008, the School District paid \$44,906 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The Council provides participating school districts the ability to purchase natural gas at reduced prices, if the school districts will commit to participating for a twelve year period. There are currently 137 school districts in this program, including the Richmond Heights Local School District. 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). School districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and school districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The School District participates in the Council's electric purchasing program. The Council provides 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates, if the school district will commit to participating in either a thirty-six month (Cleveland Electric Illuminating Company) or a forty-four month (Ohio Edison and Toledo Edison) program beginning either May 1, 2005 or January 1, 2006, and ending December 31, 2008. Each month, the Council invoices participants based on estimated usage that was determined when the

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 15: **JOINTLY GOVERNED ORGANIZATION** (Continued)

B. **Ohio Schools Council Association** (Continued)

program was established. Each September, these estimated payments are compared to their actual usage for the year (July to June). Refund checks are issued to school districts that consumed less than their projected usage of electrical energy and school that over-consumed are invoiced.

NOTE 16: **SET ASIDE REQUIREMENTS**

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of June 30, 2007	\$ (115,811)	\$ 0
Current Year Set-Aside Requirements	176,454	176,454
Qualifying Disbursements	<u>(165,059)</u>	<u>(318,313)</u>
Total	<u>\$ (104,416)</u>	<u>\$ (141,859)</u>
Set-Aside Balances Carried Forward to Future Fiscal Years	<u>\$ (104,416)</u>	<u>\$ 0</u>
Set-Aside Reserve Balance as of June 30, 2008	<u>\$ 0</u>	<u>\$ 0</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbooks set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 17: INTERFUND TRANSACTIONS

Interfund balances at June 30, 2008, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 190,381	\$ 0
Special Revenue Funds		
Public School Support	0	25,781
District Managed Student Activities	0	95,522
State Grants	0	11,304
Title I	0	8,483
Title V	0	3,262
Title VI-R	0	1,000
Miscellaneous Federal Grants	0	467
Total Special Revenue Funds	0	145,819
Capital Projects Fund		
Permanent Improvement Fund	0	25,000
Enterprise Funds		
Rotary Special Services	0	19,562
Total All Funds	\$ 190,381	\$ 190,381

Interfund payables in the Special Revenue funds are due to the timing of the receipt of grant monies received by the various funds. The Capital Projects payable is due to the start of improvement projects before the permanent improvement tax levy collections began. Interfund payables exist in the Enterprise Fund due to the timing of the receipt of various revenue sources. All balances are expected to be paid next fiscal year.

Transfers made during the year ended June 30, 2008, were as follows:

<u>Transfer From</u>	<u>Transfers To</u>		
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Major Fund			
General	\$ 0	\$ 15,424	\$ 15,424
Nonmajor Special Revenue Fund			
Public School Support	3,004	0	3,004
Total	\$ 3,004	\$ 15,424	\$ 18,428

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (CONTINUED)**

NOTE 17: **INTERFUND TRANSACTIONS** (Continued)

The General Fund transfer in from the Public School Support Fund was for graduating fees from prior graduating classes not used and the remaining transfers are to move unrestricted balances to support programs and projects accounted for in other funds.

NOTE 18: **CONTINGENCIES**

A. **Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. **Litigation**

The School District is a party to various legal proceedings. The Board of Education is of the opinion that legal proceedings will not have a material effect, if any, on the financial condition of the School District.

NOTE 19: **CAPITAL LEASES**

The School District entered into capital leases for a bus service building in fiscal year 2001. As a part of the agreement, Fifth Third Bank, as lessor, provided \$400,000 for the construction. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, *Accounting for Leases*. The leased equipment is reported as a group in governmental activities at a cost of \$400,000; accumulated depreciation through June 30, 2008, amounted to \$320,000, leaving a book value of \$80,000. The agreements provide for minimum annual lease payments as follows:

	<u>Governmental Activities</u>
2009	\$ 52,689
2010	<u>52,690</u>
Total Minimum Lease Payments	105,379
Less: Amounts Representing Interest	<u>(6,058)</u>
Present Value of Minimum Lease Payments	<u>\$ 99,321</u>

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

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**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**

Richmond Heights Local School District
Richmond Heights, Ohio 44143

We have audited 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, (the School District) as of and for the years ended June 30, 2009 and June 30, 2008, which collectively comprise the Richmond Heights Local School District, Ohio's basic financial statements and have issued our report thereon dated April 30, 2010 . We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance 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 are required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings as **Item 2009-001**.

We noted certain matters that we reported to the Richmond Heights Local School District, Ohio in a separate letter dated April 30, 2010.

The Richmond Heights Local School District, Ohio's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Richmond Heights Local School District, Ohio's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.



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

April 30, 2010

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

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

FINDING NUMBER 2009-001

Filing Annual Reports

Ohio Revised Code § 117.38 requires the District to file its GAAP-basis financial reports with the Auditor of State within 150 days of the fiscal year end. Also, the District must publish that the financial report is available for public inspection at the office of the chief financial officer in a local newspaper.

It was noted the financial reports for fiscal year 2008 and 2009 had not been filed with the Auditor of State and that there was insufficient evidence provided that the District published notification that the reports were available for public inspection.

Recommendation

We recommend the District file their annual reports with the Auditor of State and publish the availability of the annual reports for public inspection in compliance with ORC code section 117.38.

Auditee Response

Richmond Heights Board of Education requested of the Auditor of State's Office, a waiver to the filing and penalty of the late filing of the 2008 and 2009 financial reports. The request was granted and the penalty waived.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Finding Summary</u>	<u>Corrected</u>	<u>Explanation</u>
2007-1	Proper encumbering	Partially Corrected	Repeated as a Management Comment
2007-2	Appropriations exceed Estimated Resources	Yes	
2007-3	Filing Annual Reports	No	Repeated as Finding 2009-1 in this Report

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

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Ohio Society of Certified Public Accountants

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

Richmond Heights Local School District
Richmond Heights, Ohio

To the Board of Education:

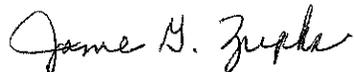
Ohio Revised Code Section 117.53 states, “the Auditor of State shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The Auditor of State shall 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 adopted an 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 that the Board adopted an anti-harassment policy at its meeting on
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - a) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - b) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - c) A procedure for reporting prohibited incidents;
 - d) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - e) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974", 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - f) A procedure for documenting any prohibited incident that is reported;
 - g) A procedure for responding to and investigating any reported incident;
 - h) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
 - i) A disciplinary procedures for any student guilty of harassment, intimidation, ro bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
 - j) A requirement that the District Administration semi-annually provide the President of the District Board a written summary of all reported incidents and post the summary on its web site, if the District has a web site, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974", 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



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

April 30, 2010



Mary Taylor, CPA
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 29, 2010**