



**Dave Yost • Auditor of State**

**Richmond Heights Local School District  
Cuyahoga County, Ohio**

**Financial Forecast  
For the Fiscal Year Ending June 30, 2014**

**Local Government Services Section**



Richmond Heights Local School District  
Cuyahoga County

Table of Contents

Certification .....	3
Independent Accountant’s Report.....	5
Statement of Revenues, Expenditures and Changes in Fund Balance for the Fiscal Years Ended June 30, 2011 through 2013 Actual; Fiscal Year Ending June 30, 2014 Forecasted .....	7
Summary of Significant Forecast Assumptions and Accounting Policies .....	8

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# Dave Yost • Auditor of State

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

## CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.03, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Richmond Heights Local School District, Cuyahoga County, Ohio, and issued a report dated April 14, 2014. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating deficit of \$671,000 for the fiscal year ending June 30, 2014.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2015 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2014.

DAVE YOST  
Auditor of State

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Unice S. Smith  
Chief of Local Government Services

May 13, 2014

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# Dave Yost • Auditor of State

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

## Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Richmond Heights Local School District for the fiscal year ending June 30, 2014. The Richmond Heights Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2011, 2012, and 2013 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements for Accounting and Review services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that no material modifications that should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

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DAVE YOST  
Auditor of State

April 14, 2014

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**Richmond Heights Local School District**  
Cuyahoga County  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Fiscal Years Ended June 30, 2011 Through 2013 Actual;  
For the Fiscal Year Ending June 30, 2014 Forecasted  
General Fund

	Fiscal Year 2011 Actual	Fiscal Year 2012 Actual	Fiscal Year 2013 Actual	Fiscal Year 2014 Forecasted
<b>Revenues</b>				
General Property Tax	\$8,685,000	\$8,928,000	\$9,344,000	\$9,603,000
Tangible Personal Property Tax	27,000	13,000	2,000	6,000
Unrestricted Grants-in-Aid	1,229,000	1,215,000	1,281,000	1,293,000
Restricted Grants-in-Aid	72,000	76,000	87,000	79,000
Restricted Federal Grants-in-Aid - SFSF and Education Jobs	103,000	45,000	0	0
Property Tax Allocation	2,296,000	2,064,000	1,888,000	1,949,000
All Other Revenues	185,000	237,000	444,000	430,000
<i>Total Revenues</i>	<u>12,597,000</u>	<u>12,578,000</u>	<u>13,046,000</u>	<u>13,360,000</u>
<b>Other Financing Sources</b>				
Tax Anticipation Note	0	0	0	1,000,000
Advances In	0	0	9,000	138,000
Transfers In	0	0	0	2,000
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>9,000</u>	<u>1,140,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>12,597,000</u>	<u>12,578,000</u>	<u>13,055,000</u>	<u>14,500,000</u>
<b>Expenditures</b>				
Personal Services	5,395,000	5,432,000	5,493,000	5,627,000
Employees' Retirement/Insurance Benefits	1,965,000	2,068,000	2,305,000	2,535,000
Purchased Services	4,441,000	4,269,000	4,361,000	4,940,000
Supplies and Materials	246,000	333,000	292,000	293,000
Capital Outlay	27,000	87,000	40,000	159,000
Debt Service:				
Principal - House Bill 264 Loan	51,000	53,000	56,000	59,000
Principal - Tax Anticipation Notes	0	0	0	1,000,000
Interest	54,000	52,000	49,000	54,000
Other Objects	472,000	263,000	286,000	347,000
<i>Total Expenditures</i>	<u>12,651,000</u>	<u>12,557,000</u>	<u>12,882,000</u>	<u>15,014,000</u>
<b>Other Financing Uses</b>				
Transfers Out	34,000	35,000	35,000	167,000
Advances Out	76,000	27,000	169,000	79,000
<i>Total Other Financing Uses</i>	<u>110,000</u>	<u>62,000</u>	<u>204,000</u>	<u>246,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>12,761,000</u>	<u>12,619,000</u>	<u>13,086,000</u>	<u>15,260,000</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	(164,000)	(41,000)	(31,000)	(760,000)
Cash Balance July 1	487,000	323,000	282,000	251,000
Cash Balance (Deficit) June 30	323,000	282,000	251,000	(509,000)
<b>Encumbrances</b>				
Actual/Estimated Encumbrances June 30	182,000	234,000	162,000	162,000
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>\$141,000</u>	<u>\$48,000</u>	<u>\$89,000</u>	<u>(\$671,000)</u>

See accompanying summary of significant forecast assumptions and accounting policies  
See accountant's report

**Richmond Heights Local School District**  
Cuyahoga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2014

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**Note 1 - The School District**

The Richmond Heights Local School District (the School District) is located in Cuyahoga County and includes all of the City of Richmond Heights. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates two instructional/administrative buildings. The School District is staffed by 40 non-certified and 70 certificated personnel to provide services to approximately 827 students and other community members.

**Note 2 - Nature of the Forecast**

This financial forecast presents, to the best of the Richmond Heights Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of April 14, 2014, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

**Note 3 - Nature of the Presentation**

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund revenues received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require the general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the school district fiscal stabilization funds and education jobs funds are included in the general fund.

**Note 4 - Summary of Significant Accounting Policies**

**Basis of Accounting**

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**Richmond Heights Local School District**  
Cuyahoga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2014

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**Fund Accounting**

The School District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**Governmental Funds**

General Fund - The general fund is the operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specified restricted or committed revenues should be the foundation for a special revenue fund.

Debt Service Fund - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in the debt service funds.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent Funds - Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs - that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other organizations.

**Proprietary Funds**

Enterprise Funds - Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds - Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

**Richmond Heights Local School District**  
Cuyahoga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2014

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**Fiduciary Funds**

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations or other governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds.

**Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Budget - A budget of estimated cash receipts and disbursements is submitted to the Cuyahoga County Fiscal Officer, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

**Note 5 - General Operating Assumptions**

The Richmond Heights Local School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

**Richmond Heights Local School District**  
 Cuyahoga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2014

**Note 6 - Significant Assumptions for Revenues and Other Financing Sources**

**General and Tangible Personal Property Taxes**

Property taxes are applied to real property, public utility real and personal property and manufactured homes which are located within the School District. Tangible personal property used in businesses was taxed in calendar years prior to 2011. Property taxes are collected for, and distributed to, the School District by the county fiscal officer and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Cuyahoga County Fiscal Officer as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2014 (the collection year) for real and public utility property taxes represents collections of 2013 taxes (the tax year). First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "Property Tax Allocation".

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2015 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2014.

The property tax revenues for the general fund are generated from several levies. The levies being collected for the general fund, the year approved, first and last calendar year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved/ Renewed	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (Per \$1,000 of Assessed Valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	\$5.70
Continuing Operating	1976	1976	n/a	28.40
Continuing Operating	1977	1978	n/a	6.00
Continuing Operating	1980	1981	n/a	6.80
Continuing Operating	1984	1985	n/a	5.90
Continuing Operating	1988	1989	n/a	5.50
Continuing Operating	1993	1994	n/a	5.90
Continuing Operating	1997	1998	n/a	6.90
Continuing Operating	2003	2004	n/a	5.50
Continuing Operating	2009	2010	n/a	4.00
Continuing Operating	2012	2013	n/a	5.30
Total Tax Rate				\$85.90

**Richmond Heights Local School District**  
Cuyahoga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2014

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The School District also has a permanent improvement levy equal to \$2.00 per \$1,000 of assessed valuation. The School District's total tax rate is \$87.90 per \$1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy). State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is \$51.66 per \$1,000 of assessed valuation for collection year 2014, and the effective commercial and industrial real property tax rate is \$50.76 per \$1,000 of assessed valuation for collection year 2014.

Public utility personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Tangible personal property used in businesses was taxed in calendar years prior to 2011. No tangible personal property taxes have been levied after calendar year 2010. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax - General property tax revenue includes real estate taxes and public utility property taxes. The School District anticipates an increase of \$259,000 from the prior fiscal year due to the new current expense continuing operating levy, based upon information provided by the Cuyahoga County Fiscal Officer and a review of historical and current fiscal year tax settlements at the School District.

Tangible Personal Property Tax – Tangible personal property tax was levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the assessment rate on personal property began a phase out of the tax. No tangible personal property taxes were levied or collected in calendar year 2011 from general business taxpayers and no tangible personal property tax on telephone property was collected in 2012. The School District, based on the last year of collections before the phase out period, lost approximately \$1,112,000, annually. The State of Ohio reimbursed the School District for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Property Tax Allocation below).

**Unrestricted Grants-in-Aid**

In fiscal year 2011, Ohio school districts received their funding under the Ohio Evidence-Based Model (OEBM) that was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount was the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation

**Richmond Heights Local School District**  
Cuyahoga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2014

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were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 22 mills for fiscal year 2011, 21 mills for 2012 and 2013, and 20 mills for 2014 and thereafter.

The State Department of Education, Division of School Finance calculated the annual funding, including the adequacy amount, and distributes a prorated share bi-monthly to the School District. In transitioning to the Ohio Evidence-Based Model, the gifted, enrichment, technology service support components and the charge off amount were phased in over a five year period. In addition, school districts were guaranteed 98 percent for 2011 of the total amount received from the 2009 fiscal year's State Foundation aid.

In fiscal year 2011, approximately six percent of the adequacy funding was provided from a State Fiscal Stabilization grant received by the State of Ohio under the American Recovery and Reinvestment Act (Restricted Federal Grants-in-Aid) for the Richmond Heights Local School District.

Beginning in fiscal year 2012, the administration of Governor John Kasich proposed to move away from the Ohio Evidence Based Model to a new funding method. However, since a new funding mechanism was not formulated at that time, the administration decided to fund school districts in fiscal years 2012 and 2013 based on a transitional approach until a new formula could be devised. This transitional approach was referred to as the Bridge formula. The Bridge formula divides the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding was then multiplied by the fiscal year 2012 and 2013 ADM. The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 21 mills of property taxes for fiscal years 2012 and 2013. In addition to this adjustment, each school district's fiscal year 2012 and 2013 funding was further adjusted so that the district received at least the total funding it received in fiscal year 2011 after subtracting the state fiscal stabilization funds from total funding, as well as to provide financial incentives for high performing districts.

In fiscal year 2014, the State General Assembly adopted a new funding method to replace the Bridge Formula. The new foundation formula includes a base amount of funding per pupil, known as the Opportunity Grant, and also provides additional funding for a number of different services designed to serve the needs of various populations of students. The Opportunity Grant is calculated using a per pupil amount times the Average Daily Membership (ADM). For fiscal year 2014, the ADM count continues to use the current fiscal year count taken during the first full week of October. This amount is then multiplied by the State Share Index, which factors in the property wealth and the income of residents of the school district. These calculations are a multi-step process and are reflected on the School finance Payment Report (SFPR). School districts are guaranteed to the amount received for fiscal year 2013 (including transportation aid and funding for career technical education) and no school district will receive an increase greater than 6.25 percent for fiscal year 2014. Based on the most current foundation settlement, the Richmond Heights Local School District estimates \$1,249,000 in foundation funding.

Beginning in fiscal year 2013, the School District began receiving additional unrestricted grants-in-aid revenue due to casino revenue. The first three casinos opened in Ohio in calendar year 2012, with one more casino opening in 2013. Of the casino revenue collected by the State, 34 percent is distributed to school districts, based on student population. The School District anticipates casino revenue of \$44,000, for a total unrestricted grants-in-aid amount of \$1,293,000.

**Richmond Heights Local School District**  
Cuyahoga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2014

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**Restricted Grants-in-Aid**

In past fiscal years, restricted grants-in-aid consisted of career technologies, bus purchase and catastrophic aid special education monies. Catastrophic aid is a supplemental payment to the School District for special education students in categories two through five whose educational and related expenses exceed \$27,375 and for special education students in category six whose educational and related expenses exceed \$32,850. For fiscal year 2014, the School District anticipates \$12,000 in career technologies monies and \$67,000 in economic disadvantaged funding monies.

**Restricted Federal Grants-in-Aid**

In fiscal year 2011, restricted federal grants-in-aid consisted of State Fiscal Stabilization Funds and the Education Jobs grant monies. In 2010, Ohio was allocated \$845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education is distributed to school districts as part of the foundation settlement payments twice a month. These funds have limited restrictions on their use. Richmond Heights Local School District received \$103,000 for fiscal year 2011, which was used for payment of instructional materials and supplies. SFSF has not been reauthorized by the Federal government.

In 2010, Congress passed, and the President has signed, legislation that provides \$10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs grant was to be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. These funds had limited restrictions on their use. The Richmond Heights Local School District received \$45,000 in fiscal year 2012, and chose to use these funds for salaries for teachers. There are no restricted Federal grants-in-aid monies forecast for fiscal year 2014.

**Property Tax Allocation**

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value of reductions through 2013. Beginning in fiscal year 2013, the reimbursements are gradually phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For fiscal year 2014, the School District anticipates receiving \$620,000 of reimbursement for the tangible personal property tax phase-out. This is consistent with the amount received in fiscal year 2013.



**Richmond Heights Local School District**  
 Cuyahoga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2014

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecasted Fiscal Year 2014	Variance
Homestead and Rollback Tangible Personal Property	\$1,184,000	\$1,194,000	\$1,268,000	\$1,329,000	\$61,000
Loss Reimbursement	1,112,000	870,000	620,000	620,000	0
<b>Totals</b>	<b>\$2,296,000</b>	<b>\$2,064,000</b>	<b>\$1,888,000</b>	<b>\$1,949,000</b>	<b>\$61,000</b>

**All Other Revenues**

All other revenues include tuition, interest, student class fees, rentals, sale of capital assets, payment in lieu of taxes, refund of prior year expenditures and other revenue.

Tuition revenue is anticipated to be consistent with the prior fiscal year due to the overall number of students remaining the same as the prior fiscal year.

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. Interest revenue is expected to remain consistent with the prior fiscal year.

Student class fees are expected to remain in line with the previous fiscal year amount.

Refund of prior year expenditures for the forecasted fiscal year was based on the amount received to date for refunds and nothing more is anticipated.

Other miscellaneous revenues is expected to decrease slightly for fiscal year 2014.

All other revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecast Fiscal Year 2014	Variance
Open Enrollment and Other Tuition	\$140,000	\$165,000	\$290,000	\$290,000	\$0
Interest on Investments	3,000	2,000	2,000	2,000	0
Student Class Fees	35,000	43,000	44,000	44,000	0
Rentals	0	14,000	29,000	25,000	(4,000)
Sale of Capital Assets	0	5,000	9,000	3,000	(6,000)
Refund of Prior Year Expenditures	0	4,000	62,000	60,000	(2,000)
Other Revenue	7,000	4,000	8,000	6,000	(2,000)
<b>Totals</b>	<b>\$185,000</b>	<b>\$237,000</b>	<b>\$444,000</b>	<b>\$430,000</b>	<b>(\$14,000)</b>

**Richmond Heights Local School District**  
 Cuyahoga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2014

**Other Financing Sources**

Proceeds from Sale of Notes – During fiscal year 2014, the School District issued \$1,000,000 in tax anticipation notes at an interest rate of .99 percent.

Advances In – During fiscal year 2013, the general fund received repayment for an advance of \$9,000 from the public school support fund. During fiscal year 2014, the general fund anticipates advances in of \$138,000 from the funds that received advances from the general fund in prior fiscal years.

Transfers In – During fiscal year 2014, the general fund anticipates transfers in of \$2,000 from funds that are no longer active and are being closed out.

**Note 7 - Significant Assumptions for Expenditures and Other Financing Uses**

**Personal Services**

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors and board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. All employees receive their compensation on a semi-monthly basis. Administrative and non-bargaining unit salaries are set by the Board of Education.

Staffing levels for the prior two fiscal years and the forecast period are displayed in the following chart.

The amounts represent full time equivalents.

	2012	2013	2014
General Fund:			
Certified	52.0	62.5	64.5
Classified	43.0	46.0	40.0
Total General Fund	95.0	108.5	104.5
Other Funds:			
Certified	2.0	4.5	5.5
Classified	0.0	0.0	0.0
Total Other Funds	2.0	4.5	5.5
Totals	97.0	113.0	110.0

In fiscal year 2013, the School District hired ten intervention specialists and one psychologist. In fiscal year 2012 and prior years, the School District paid the Cuyahoga County Educational Service Center for these services.

Certified (teaching) staff salaries are based on a negotiated contract that covered the period August 21, 2012 through February 28, 2013. The School District is currently in negotiations and the certified employees are still working under the contract that expired on February 28, 2013. The contract does not allow for base or step increases. Certified salaries are forecasted to increase due to a net increase of two general fund positions. The base salary increase, if any, that may come about from the negotiation process is unknown. Should the School District agree to a base salary increase, each one percent increase would increase certified salaries and benefits approximately \$45,000 and decrease the cash balance by the same amount.

**Richmond Heights Local School District**  
 Cuyahoga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2014

Classified salaries are based on a negotiated contract that covered the period August 21, 2012 through February 28, 2013. The School District is currently in negotiations and the classified employees are still working under the contract that expired on February 28, 2013. The contract does not allow for base or step increases. Classified salaries are forecasted to decrease due to a reduction in general fund classified staff positions. The base salary increase, if any, that may come about from the negotiation process is unknown. Should the School District agree to a base salary increase, each one percent increase would increase classified salaries and benefits approximately \$15,000 and decrease the cash balance by the same amount.

Substitutes are expected to remain fairly consistent with the prior fiscal year based on spending to date in the forecast period.

Supplemental salaries are based on a negotiated contract. Supplemental costs are expected to increase from the prior fiscal year amount which was unusually low. Supplemental salaries forecasted for fiscal year 2014 are in line with the amounts for fiscal years 2011 and 2012.

Overtime is forecasted to remain consistent with the prior fiscal year based on spending to date in the forecast period.

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS or SERS. Severance pay is calculated on a percentage of total accumulated and unused sick leave based on service years up to a maximum of 220 days times the current daily rate. Severance is payable within fifteen to thirty days from the date of retirement. Severance costs are anticipated to increase in fiscal year 2014 due to more employees retiring and receiving a severance payment.

Other salaries is comprised mainly of an insurance opt-out that is paid to staff. The amount forecasted is consistent with the prior fiscal year.

Presented below is a comparison of the past three fiscal years and the forecast period.

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecast Fiscal Year 2014	Variance
Certified Salaries	\$3,611,000	\$3,653,000	\$3,863,000	\$3,923,000	\$60,000
Classified Salaries	1,292,000	1,272,000	1,255,000	1,243,000	(12,000)
Substitute Salaries	231,000	247,000	190,000	187,000	(3,000)
Supplemental Contracts	150,000	149,000	114,000	143,000	29,000
Overtime	49,000	37,000	26,000	26,000	0
Severance Pay	28,000	49,000	22,000	83,000	61,000
Board Members	19,000	13,000	14,000	13,000	(1,000)
Other Salaries and Wages	15,000	12,000	9,000	9,000	0
Totals	<u>\$5,395,000</u>	<u>\$5,432,000</u>	<u>\$5,493,000</u>	<u>\$5,627,000</u>	<u>\$134,000</u>

**Employees' Retirement/Insurance Benefits**

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

**Richmond Heights Local School District**  
 Cuyahoga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2014

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund health care benefits for employees earnings less than a minimum salary amount. STRS payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimated and actual expenditures are prorated over the next calendar year. The School District pays the employee retirement contributions for the superintendent, treasurer and administrators.

STRS benefits are forecasted to increase due to a higher salaries estimate submitted to STRS by the School District for fiscal year 2014 and catch-up payments made in early fiscal year 2014 for prior year foundation shortages.

SERS benefits are forecasted to decrease due to a lower salaries estimate submitted to SERS by the School District for fiscal year 2014. In fiscal year 2013, the School District overpaid SERS by \$31,665.

In years past, employer contributions to SERS have been paid six months in arrears by Ohio school districts. On March 18, 2010, the SERS board decided to give the school districts two options. Option one is for the School District to pay the six month arrearage by June 30, 2010, to become current. Option two is for SERS to spread the six month arrearage amount over the next six years adding this to the current payment. Richmond Heights Local School District has chosen option two, which will increase their annual payment by \$17,818 per year. The total arrearage amount is \$106,908.

Hospitalization, prescription, vision, dental and life insurance costs are based on monthly premiums set by the Lake County Health Consortium. Health care premiums are currently set for a twelve month period from July 1, 2013 to June 30, 2014. All funds are charged for the number of employees participating in the program and the type (single or family) of coverage provided to each employee. The health care program includes medical/surgical, prescription drug, vision and dental care. The monthly payments for health care benefits are as follows:

**Single Rates:**

	<u>Medical/Rx</u>	<u>Dental</u>	<u>Vision</u>	<u>Total</u>
July 1, 2012 to June 30, 2013	\$529.06	\$39.54	\$6.90	\$575.50
July 1, 2013 to June 30, 2014	539.04	36.78	6.90	582.72

**Family Rates:**

	<u>Medical/Rx</u>	<u>Dental</u>	<u>Vision</u>	<u>Total</u>
July 1, 2012 to June 30, 2013	\$1,349.08	\$100.72	\$14.88	\$1,464.68
July 1, 2013 to June 30, 2014	1,374.40	93.68	14.88	1,482.96

Full time employees of the School District contribute 5 percent of the premium for health insurance. Part time employees of the School District hired prior to August 21, 2012, contribute 5 percent for single coverage plus an additional 50 percent of the cost difference between family and single for family coverage. Part time employees hired on or after August 21, 2012 are ineligible for Board paid insurances. Health care costs for fiscal year 2014 are forecasted to increase due to an increase in health insurance premiums. The increase in health care is also due to a slightly higher percentage being charged to the general fund than in the prior fiscal year.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in August. The School District chooses

**Richmond Heights Local School District**  
 Cuyahoga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2014

to split their premium between May and August. The forecasted amount for fiscal year 2014 remained consistent with the prior fiscal year. The School District paid 55 percent of the calendar year 2012 premium in August 2013. The first payment for calendar year 2013's premium will be paid in May 2014. Medicare is based on a percentage of wages for all employees hired after April 1, 1986.

Unemployment benefits increased in fiscal year 2014 due to the School District paying off large amounts of unpaid unemployment billings from prior fiscal years.

Other benefits include tuition reimbursement and uniform reimbursement. Other benefits are expected to increase due to more employees receiving tuition reimbursement in fiscal year 2014.

Presented below is a comparison of the past three fiscal years and the forecast period:

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecast Fiscal Year 2014	Variance
Employer's Retirement	\$884,000	\$845,000	\$918,000	\$1,007,000	\$89,000
Health Care/Life Insurance	970,000	1,095,000	1,257,000	1,329,000	72,000
Workers' Compensation	24,000	27,000	25,000	25,000	0
Medicare	74,000	82,000	76,000	77,000	1,000
Unemployment	6,000	2,000	22,000	87,000	65,000
Other Benefits	7,000	17,000	7,000	10,000	3,000
Totals	<u>\$1,965,000</u>	<u>\$2,068,000</u>	<u>\$2,305,000</u>	<u>\$2,535,000</u>	<u>\$230,000</u>

**Purchased Services**

Presented below are the purchased services expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecast Fiscal Year 2014	Variance
Professional and Technical Services	\$1,952,000	\$2,083,000	\$1,725,000	\$2,019,000	\$294,000
Property Services	82,000	85,000	97,000	96,000	(1,000)
Travel and Meeting Expenses	4,000	5,000	3,000	7,000	4,000
Communication Cost	61,000	70,000	70,000	60,000	(10,000)
Utility Services	250,000	169,000	195,000	242,000	47,000
Tuition Payments	1,951,000	1,740,000	2,130,000	2,368,000	238,000
Pupil Transportation	141,000	117,000	141,000	148,000	7,000
Totals	<u>\$4,441,000</u>	<u>\$4,269,000</u>	<u>\$4,361,000</u>	<u>\$4,940,000</u>	<u>\$579,000</u>

Professional and technical services are anticipated to increase in fiscal year 2014 due to additional expenditures in instructional services for Educational Service Center costs that were from fiscal year 2013 paid in fiscal year 2014. Property services are expected to remain consistent with the prior fiscal year. Utility services are increasing due to an increase in consumption. Tuition payments are anticipated to increase as more students are anticipated to leave the School District to attend community schools.

**Richmond Heights Local School District**  
 Cuyahoga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2014

**Supplies and Materials**

Presented below are the supplies and materials expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2011	Actual Fiscal Year 2012	Actual Fiscal Year 2013	Forecast Fiscal Year 2014	Variance
General Supplies, Library Books and Periodicals	\$107,000	\$86,000	\$96,000	\$114,000	\$18,000
Operations, Maintenance and Repair	26,000	23,000	31,000	20,000	(11,000)
Transportation	82,000	88,000	142,000	94,000	(48,000)
Textbooks	31,000	136,000	23,000	65,000	42,000
Totals	<u>\$246,000</u>	<u>\$333,000</u>	<u>\$292,000</u>	<u>\$293,000</u>	<u>\$1,000</u>

General supplies, library books and periodicals are forecasted to increase due to the need to replenish supplies that are consumed on a daily basis. Operations, maintenance and repair of facilities and transportation are anticipated to decrease due to decreases in fuel costs and busing. Textbook expenditures are anticipated to increase due to the need to replace outdated materials.

**Capital Outlay**

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. The School District is forecasting increases in equipment expenditures. The School District is using the permanent improvement fund for the remainder of its capital expenditures during the fiscal year.

**Debt**

During fiscal year 2014, the School District issued \$1,000,000 in tax anticipation notes at .99 percent during the current fiscal year. The School District paid \$8,000 in interest on these notes during fiscal year 2014.

In fiscal year 2009, the School District issued \$1,052,000 in energy conservation notes to improve electrical and plumbing fixtures throughout the school buildings. During fiscal year 2014, the School District paid \$59,000 in principal and \$46,000 in interest on the energy conservation notes.

**Other Objects**

Other object expenditures consist of auditor and treasurer fees, membership dues and fees, insurance and awards. Other objects expenditures are forecasted in the amount of \$347,000 for fiscal year 2014.

**Transfers Out**

For fiscal year 2014, \$167,000 in transfers are anticipated to be made to various special revenue and capital projects funds to help pay expenditures.

**Richmond Heights Local School District**  
 Cuyahoga County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2014

**Advances Out**

For fiscal year 2014, \$79,000 in advances are anticipated to be made to various special revenue and capital projects funds to cover deficits at fiscal year-end. The advances are forecast not to be repaid. The Board of Education will be passing a resolution to that effect.

**Note 8 - Encumbrances**

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. Encumbrances for purchased services, supplies and materials, capital outlay and other objects for the fiscal year 2014 are anticipated to be in line with the previous fiscal year.

**Note 9 – Capital Acquisition and Improvements Set-Aside**

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for the acquisition and construction of capital improvements. Amounts not spent by year-end 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 set aside amount for fiscal year 2014 is forecasted to be \$134,000. The School District anticipates annual qualified expenditures and offsets to exceed the required set-aside amount in fiscal year 2014 due to the permanent improvement tax levy. Therefore, no reserve amount is forecasted.

**Note 10 - Levies**

In the past ten years, the School District has placed several levies on the ballot. The type of levy, rate, term, and election results of past levy attempts are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Tax Year Expiration Date</u>	<u>Election Results</u>
February 2003	Continuing Operating	6.9 Mills	Continuing	n/a	Failed
May 2003	Continuing Operating	5.5 Mills	Continuing	n/a	Passed
May 2005	Capital Improvement Limited	2 Mills	5 years	2010	Passed
November 2006	Bond Issue Combination	18.07 Mills	28 years	2034	Failed
May 2007	Operating	6 Mills	Continuing	n/a	Failed
November 2007	Operating	8.5 Mills	Continuing	n/a	Failed
November 2007	Permanent Improvement	3 Mills	Continuing	n/a	Failed
March 2008	Emergency Operating	6.5 Mills	5 years	2013	Failed
November 2008	Operating	6.5 Mills	Continuing	n/a	Failed
November 2009	Operating	4 Mills	Continuing	n/a	Passed
November 2010	Permanent Improvement	2 Mills	5 years	2015	Passed
November 2012	Continuing Operating	5.3 Mills	Continuing	n/a	Passed

**Richmond Heights Local School District**  
Cuyahoga County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2014

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**Note 11 - Pending Litigation**

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.





# Dave Yost • Auditor of State

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 13, 2014**