

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

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

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

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 CUYAHOGA COUNTY, OHIO
 AUDIT REPORT
 FOR THE YEAR ENDED JUNE 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Board of Education
Richmond Heights Local School District
Richmond Heights, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Richmond Heights Local School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Richmond Heights Local School District, Cuyahoga County, Ohio, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Richmond Heights Local School District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016, on our consideration of the Richmond Heights Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Richmond Heights Local School District's internal control over financial reporting and compliance.



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

November 18, 2016

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Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited*

The discussion and analysis of Richmond Heights Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. 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 2016 are as follows:

- Governmental activities reflected an increase in net position from fiscal year 2015, mainly due to increases in revenues outpacing increases in expenses. The School District diligently monitors spending.
- The School District entered a school renovation and improvement lease purchase on October 21, 2015 for various capital improvements. The interest rate on the lease purchase is 2.94 percent and will mature on December 1, 2029.
- The School District is increasingly challenged by the negative impact of School District revenues caused by the great recession and the increasing negative impact from the growing number of students leaving for charter schools and other out-of-district options.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as an entity looks at all financial transactions and asks the question, "How did we do financially during the 2016 fiscal year?" The statement of net position and the statement of activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited*

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

In the statement of net position and the statement of activities, the School District is divided into two major activities:

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

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

Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited*

The School District as a Whole

The statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2016 compared to 2015:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and Other Assets	\$11,924,727	\$11,309,433	(\$3,421)	\$13,332	\$11,921,306	\$11,322,765
Capital Assets, Net	1,885,683	746,931	5,752	5,758	1,891,435	752,689
Total Assets	13,810,410	12,056,364	2,331	19,090	13,812,741	12,075,454
Deferred Outflows of Resources						
Pension	1,197,854	701,033	0	0	1,197,854	701,033
Liabilities						
Current and Other Liabilities	1,248,170	1,245,371	8,258	17,139	1,256,428	1,262,510
Long-Term Liabilities:						
Due Within One Year	185,532	85,224	0	0	185,532	85,224
Due in More than One Year:						
Net Pension Liability	12,453,494	12,326,464	0	0	12,453,494	12,326,464
Other Amounts	1,983,957	927,318	0	0	1,983,957	927,318
Total Liabilities	15,871,153	14,584,377	8,258	17,139	15,879,411	14,601,516
Deferred Inflows of Resources						
Property Taxes	5,646,303	6,685,297	0	0	5,646,303	6,685,297
Pension	1,979,090	2,220,198	0	0	1,979,090	2,220,198
Total Deferred Inflows of Resources	7,625,393	8,905,495	0	0	7,625,393	8,905,495
Net Position						
Net Investment in Capital Assets	12,864	47,808	5,752	5,758	18,616	53,566
Restricted						
Capital Projects	162,997	189,026	0	0	162,997	189,026
Other Purpose	133,314	64,135	0	0	133,314	64,135
Unrestricted (Deficit)	(8,797,457)	(11,033,444)	(11,679)	(3,807)	(8,809,136)	(11,037,251)
Total Net Position (Deficit)	(\$8,488,282)	(\$10,732,475)	(\$5,927)	\$1,951	(\$8,494,209)	(\$10,730,524)

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability.

Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited*

GASB 68 takes an earnings approach to pension accounting, however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective.

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability portion of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

Table 2 shows the changes in net position for fiscal year 2016 for both our Governmental activities and our Business-Type activities. Revenue and expense comparisons can be made between fiscal years 2015 and 2016.

Richmond Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Unaudited

Table 2
Change in Net Position

	Governmental		Business-Type		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for Services and Sales	\$186,303	\$204,950	\$114,336	\$82,721	\$300,639	\$287,671
Operating Grants and Contributions	1,019,602	757,948	349,340	309,713	1,368,942	1,067,661
Capital Grants	13,636	13,542	0	0	13,636	13,542
<i>Total Program Revenues</i>	<u>1,219,541</u>	<u>976,440</u>	<u>463,676</u>	<u>392,434</u>	<u>1,683,217</u>	<u>1,368,874</u>
General Revenues:						
Property Taxes	9,858,271	9,458,125	0	0	9,858,271	9,458,125
Grants and Entitlements	3,264,203	3,486,633	0	0	3,264,203	3,486,633
Investment Earnings	1,000	2,155	0	0	1,000	2,155
Gain on Sale of Capital Asset	333	0	0	0	333	0
Miscellaneous	348,689	60,179	0	0	348,689	60,179
<i>Total General Revenues</i>	<u>13,472,496</u>	<u>13,007,092</u>	<u>0</u>	<u>0</u>	<u>13,472,496</u>	<u>13,007,092</u>
Total Revenues	<u>14,692,037</u>	<u>13,983,532</u>	<u>463,676</u>	<u>392,434</u>	<u>15,155,713</u>	<u>14,375,966</u>
Program Expenses						
Instruction	7,430,583	7,193,757	0	0	7,430,583	7,193,757
Support Services:						
Pupils and Instructional Staff	869,546	706,196	0	0	869,546	706,196
Board of Education, Administration, Fiscal and Business	2,116,395	2,049,409	0	0	2,116,395	2,049,409
Operation and Maintenance of Plant	750,177	876,832	0	0	750,177	876,832
Pupil Transportation	872,802	926,596	0	0	872,802	926,596
Central	198,089	159,158	0	0	198,089	159,158
Operation of Non-Instructional Services	23,859	11,878	0	0	23,859	11,878
Enterprise Operations	0	0	472,554	444,640	472,554	444,640
Extracurricular Activities	123,562	149,479	0	0	123,562	149,479
Interest and Fiscal Charges	61,831	56,294	0	0	61,831	56,294
Total Program Expenses	<u>12,446,844</u>	<u>12,129,599</u>	<u>472,554</u>	<u>444,640</u>	<u>12,919,398</u>	<u>12,574,239</u>
Excess Revenues Over (Under) Expenses	2,245,193	1,853,933	(8,878)	(52,206)	2,236,315	1,801,727
Transfers	(1,000)	(253,743)	1,000	253,743	0	0
Change in Net Position	<u>2,244,193</u>	<u>1,600,190</u>	<u>(7,878)</u>	<u>201,537</u>	<u>2,236,315</u>	<u>1,801,727</u>
<i>Net Position (Deficit) Beginning of Year</i>	<u>(10,732,475)</u>	<u>(12,332,665)</u>	<u>1,951</u>	<u>(199,586)</u>	<u>(10,730,524)</u>	<u>(12,532,251)</u>
<i>Net Position (Deficit) End of Year</i>	<u>(\$8,488,282)</u>	<u>(\$10,732,475)</u>	<u>(\$5,927)</u>	<u>\$1,951</u>	<u>(\$8,494,209)</u>	<u>(\$10,730,524)</u>

Governmental Activities

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

Richmond Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Unaudited

During fiscal year 2016, property tax collections increased over the prior fiscal year. The School District's grants and entitlements decreased slightly due to a decrease in State funding for schools, which are revenues from the State of Ohio, from decreases in enrollment. Operating grants and contributions increased over the prior fiscal year due to the receipt of additional grant revenues.

Overall expenses increased due to the School District spending more on instructional supplies and materials.

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 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Instruction	\$7,430,583	\$6,577,356	\$7,193,757	\$6,425,165
Support Services:				
Pupils and Instructional Staff	869,546	605,547	706,196	586,845
Board of Education, Administration, Fiscal and Business	2,116,395	2,112,238	2,049,409	2,044,905
Operation and Maintenance of Plant	750,177	726,494	876,832	850,376
Pupil Transportation	872,802	850,330	926,596	908,500
Central	198,089	195,144	159,158	156,678
Operating of Non-Instructional Services	23,859	(4,043)	11,878	1,320
Extracurricular Activities	123,562	102,406	149,479	123,076
Interest and Fiscal Charges	61,831	61,831	56,294	56,294
Total	<u>\$12,446,844</u>	<u>\$11,227,303</u>	<u>\$12,129,599</u>	<u>\$11,153,159</u>

Business-Type Activities

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

Overall business-type activities net position decreased due to operating costs in the food service, latchkey and web check services funds outpacing revenues for this fiscal year. In June of 2011, the School District subcontracted the Latchkey Program to Step by Step Learning Centers. Step by Step continues to utilize the School District facilities on a rental basis back to the Richmond Heights Board of Education.

The School District's Funds

Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. The general fund had total revenues of \$13,807,641 and expenditures of \$12,207,220. The general fund had an increase in fund balance due mainly to an increase in property taxes and miscellaneous revenues. The increase in property taxes can be attributed to more timely collection. In addition, the School District monitored spending closely to keep expenses down. Other governmental funds had an increase in fund balance due to increases in grant monies available for expenditure during the year.

Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited*

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 2016, the School District amended its general fund budget several times.

For the general fund, the final budget basis revenue estimate was lower than actual revenues which can be attributed to very conservative estimates for all line items. Intergovernmental revenue specifically was budgeted much lower than the actual amount due to higher than expected State funding received. The final budget appropriations were higher than actual expenditures due to the School District closely monitoring expenditures to keep costs low.

Capital Assets and Debt

Capital Assets

Table 4 shows fiscal 2016 balances compared to 2015:

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$311,214	\$311,214	\$0	\$0	\$311,214	\$311,214
Buildings and Improvements	1,166,882	106,050	0	0	1,166,882	106,050
Furniture and Equipment	51,110	0	5,752	5,758	56,862	5,758
Vehicles	356,477	329,667	0	0	356,477	329,667
Totals	<u>\$1,885,683</u>	<u>\$746,931</u>	<u>\$5,752</u>	<u>\$5,758</u>	<u>\$1,891,435</u>	<u>\$752,689</u>

For fiscal year 2016, an Ohio law required school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2016, this amounted to \$126,470. See Note 11 to the basic financial statements for additional information on capital assets and Note 16 for additional information regarding required set-asides.

Debt

At June 30, 2016, the School District had energy conservation notes and a school renovation and improvement lease purchase with outstanding balances of \$632,819 and \$1,240,000 respectively. More information on the notes can be found in Note 14 to the basic financial statements.

Richmond Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited*

School District Outlook

The Board of Education and administration are aware of their limited financial resources. Through careful planning, limiting spending, as well as staff reductions, the School District has been able to maintain a stable budget and will continue to do so in the future. The School District continues to research ways to increase revenues. The current five year forecast shows an increase in fund balance for each year due to these reductions.

The School District has committed itself to financial reporting excellence. Richmond Heights Local School District continues its commitment to continuous improvement in financial reporting to our community.

Contacting the School District Fiscal Management

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

Richmond Heights Local School District

Statement of Net Position

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,062,252	\$53,975	\$2,116,227
Accounts Receivable	4,632	2,359	6,991
Intergovernmental Receivable	275,934	15,245	291,179
Internal Balances	75,000	(75,000)	0
Property Taxes Receivable	9,506,909	0	9,506,909
Nondepreciable Capital Assets	311,214	0	311,214
Depreciable Capital Assets, Net	1,574,469	5,752	1,580,221
<i>Total Assets</i>	13,810,410	2,331	13,812,741
Deferred Outflows of Resources			
Pension	1,197,854	0	1,197,854
Liabilities			
Accounts Payable	108,139	7,938	116,077
Accrued Wages and Benefits	959,504	0	959,504
Intergovernmental Payable	167,745	320	168,065
Accrued Interest Payable	12,782	0	12,782
Long-Term Liabilities:			
Due Within One Year	185,532	0	185,532
Due In More Than One Year			
Net Pension Liability (See Note 19)	12,453,494	0	12,453,494
Other Amounts Due in More Than One Year	1,983,957	0	1,983,957
<i>Total Liabilities</i>	15,871,153	8,258	15,879,411
Deferred Inflows of Resources			
Property Taxes	5,646,303	0	5,646,303
Pension	1,979,090	0	1,979,090
<i>Total Deferred Inflows of Resources</i>	7,625,393	0	7,625,393
Net Position			
Net Investment in Capital Assets	12,864	5,752	18,616
Restricted for:			
Capital Projects	162,997	0	162,997
Other Purposes	133,314	0	133,314
Unrestricted (Deficit)	(8,797,457)	(11,679)	(8,809,136)
<i>Total Net Position</i>	(\$8,488,282)	(\$5,927)	(\$8,494,209)

See accompanying notes to the basic financial statements

Richmond Heights Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2016

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants
Governmental Activities				
Instruction:				
Regular	\$4,748,650	\$76,000	\$33,969	\$0
Special	2,621,923	33,875	696,895	0
Vocational	60,010	845	11,643	0
Support Services:				
Pupils	649,188	23,393	74,867	0
Instructional Staff	220,358	1,334	164,405	0
Board of Education	295,040	4,157	0	0
Administration	1,183,945	0	0	0
Fiscal	602,111	0	0	0
Business	35,299	0	0	0
Operation and Maintenance of Plant	750,177	10,047	0	13,636
Pupil Transportation	872,802	13,783	8,689	0
Central	198,089	2,945	0	0
Operation of Non-Instructional Services	23,859	0	27,902	0
Extracurricular Activities	123,562	19,924	1,232	0
Interest and Fiscal Charges	61,831	0	0	0
<i>Total Governmental Activities</i>	<u>12,446,844</u>	<u>186,303</u>	<u>1,019,602</u>	<u>13,636</u>
Business-Type Activities				
Food Service	451,287	110,496	349,340	0
Latchkey	17,127	0	0	0
Web Check Services	4,140	3,840	0	0
<i>Total Business-Type Activities</i>	<u>472,554</u>	<u>114,336</u>	<u>349,340</u>	<u>0</u>
<i>Totals</i>	<u>\$12,919,398</u>	<u>\$300,639</u>	<u>\$1,368,942</u>	<u>\$13,636</u>

General Revenues

Property Taxes Levied for:

 General Purposes

 Capital Projects

Grants and Entitlements not

 Restricted to Specific Programs

Investment Earnings

Gain on Sale of Capital Asset

Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$4,638,681)	\$0	(\$4,638,681)
(1,891,153)	0	(1,891,153)
(47,522)	0	(47,522)
(550,928)	0	(550,928)
(54,619)	0	(54,619)
(290,883)	0	(290,883)
(1,183,945)	0	(1,183,945)
(602,111)	0	(602,111)
(35,299)	0	(35,299)
(726,494)	0	(726,494)
(850,330)	0	(850,330)
(195,144)	0	(195,144)
4,043	0	4,043
(102,406)	0	(102,406)
(61,831)	0	(61,831)
(11,227,303)	0	(11,227,303)
0	8,549	8,549
0	(17,127)	(17,127)
0	(300)	(300)
0	(8,878)	(8,878)
(11,227,303)	(8,878)	(11,236,181)
9,750,210	0	9,750,210
108,061	0	108,061
3,264,203	0	3,264,203
1,000	0	1,000
333	0	333
348,689	0	348,689
13,472,496	0	13,472,496
(1,000)	1,000	0
13,471,496	1,000	13,472,496
2,244,193	(7,878)	2,236,315
(10,732,475)	1,951	(10,730,524)
(\$8,488,282)	(\$5,927)	(\$8,494,209)

See accompanying notes to the basic financial statements

Richmond Heights Local School District

Balance Sheet

Governmental Funds

June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,792,560	\$269,692	\$2,062,252
Accounts Receivable	4,632	0	4,632
Intergovernmental Receivable	86,070	189,864	275,934
Interfund Receivable	215,193	0	215,193
Property Taxes Receivable	9,397,982	108,927	9,506,909
<i>Total Assets</i>	<u>\$11,496,437</u>	<u>\$568,483</u>	<u>\$12,064,920</u>
Liabilities			
Accounts Payable	\$81,151	\$26,988	\$108,139
Accrued Wages and Benefits	938,971	20,533	959,504
Intergovernmental Payable	163,896	3,849	167,745
Interfund Payable	0	140,193	140,193
<i>Total Liabilities</i>	<u>1,184,018</u>	<u>191,563</u>	<u>1,375,581</u>
Deferred Inflows of Resources			
Unavailable Revenue	954,556	61,433	1,015,989
Property Taxes	5,577,209	69,094	5,646,303
<i>Total Deferred Inflows of Resources</i>	<u>6,531,765</u>	<u>130,527</u>	<u>6,662,292</u>
Fund Balanc+A68es			
Restricted	0	246,393	246,393
Committed	654,154	0	654,154
Assigned	1,107,089	0	1,107,089
Unassigned (Deficit)	2,019,411	0	2,019,411
<i>Total Fund Balances</i>	<u>3,780,654</u>	<u>246,393</u>	<u>4,027,047</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$11,496,437</u>	<u>\$568,483</u>	<u>\$12,064,920</u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2016

Total Governmental Fund Balances	\$4,027,047
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,885,683
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In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.	(12,782)
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Other long-term assets such as delinquent property taxes and grants, are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds:

Delinquent Property Taxes	878,216
Grants	137,773

Total	1,015,989
-------	-----------

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

Energy Conservation Notes	(632,819)
School Renovation and Improvement Lease Purchase	(1,240,000)
Compensated Absences	(296,670)

Total	(2,169,489)
-------	-------------

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

Deferred Outflows - Pension	1,197,854
Net Pension Liability	(12,453,494)
Deferred Inflows - Pension	(1,979,090)

Total	(13,234,730)
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<i>Net Position of Governmental Activities</i>	<u><u>(\$8,488,282)</u></u>
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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, 2016

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$9,700,091	\$107,440	\$9,807,531
Intergovernmental	3,592,938	656,697	4,249,635
Interest	0	1,000	1,000
Tuition and Fees	110,944	0	110,944
Extracurricular Activities	24,325	18,989	43,314
Rentals	32,045	0	32,045
Contributions and Donations	0	49,901	49,901
Miscellaneous	347,298	1,391	348,689
<i>Total Revenues</i>	<u>13,807,641</u>	<u>835,418</u>	<u>14,643,059</u>
Expenditures			
Current:			
Instruction:			
Regular	4,807,372	26,428	4,833,800
Special	2,401,051	299,115	2,700,166
Vocational	60,010	0	60,010
Support Services:			
Pupils	623,579	64,092	687,671
Instructional Staff	95,121	134,421	229,542
Board of Education	295,040	0	295,040
Administration	1,179,006	63,536	1,242,542
Fiscal	600,974	0	600,974
Business	34,889	0	34,889
Operation and Maintenance of Plant	717,092	0	717,092
Pupil Transportation	983,826	7,191	991,017
Central	206,183	0	206,183
Operation of Non-Instructional Services	0	23,094	23,094
Extracurricular Activities	66,337	63,606	129,943
Capital Outlay	0	1,399,450	1,399,450
Debt Service:			
Principal Retirement	76,304	0	76,304
Interest and Fiscal Charges	60,436	0	60,436
<i>Total Expenditures</i>	<u>12,207,220</u>	<u>2,080,933</u>	<u>14,288,153</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,600,421</u>	<u>(1,245,515)</u>	<u>354,906</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Asset	0	333	333
Bond Proceeds	0	1,250,000	1,250,000
Transfers In	0	54,142	54,142
Transfers Out	(55,142)	0	(55,142)
<i>Total Other Financing Sources (Uses)</i>	<u>(55,142)</u>	<u>1,304,475</u>	<u>1,249,333</u>
<i>Net Change in Fund Balances</i>	1,545,279	58,960	1,604,239
<i>Fund Balances Beginning of Year</i>	<u>2,235,375</u>	<u>187,433</u>	<u>2,422,808</u>
<i>Fund Balances End of Year</i>	<u>\$3,780,654</u>	<u>\$246,393</u>	<u>\$4,027,047</u>

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, 2016*

Net Change in Fund Balances - Total Governmental Funds	\$1,604,239
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*Amounts reported for governmental activities in the
statement of activities are different because:*

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

Capital Asset Additions	1,258,515
Current Year Depreciation	<u>(119,763)</u>

Total	1,138,752
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Property Taxes	50,740
Grants	<u>(2,095)</u>

Total	48,645
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Repayment of note and lease purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	76,304
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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.	16,749
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In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.	(1,395)
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Other financing sources in the governmental funds, such as the school renovation and improvement lease, increase long-term liabilities in the statement of net position.	(1,250,000)
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	705,507
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Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	<u>(94,608)</u>
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<i>Change in Net Position of Governmental Activities</i>	<u><u>\$2,244,193</u></u>
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See accompanying notes to the basic financial statements

Richmond Heights Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Revised Budget	Actual	
Revenues				
Property Taxes	\$9,739,893	\$9,022,058	\$8,936,288	(\$85,770)
Intergovernmental	3,236,149	3,424,311	3,592,938	168,627
Tuition and Fees	115,113	110,388	111,127	739
Extracurricular Activities	86	82	83	1
Rentals	33,298	31,931	32,145	214
Miscellaneous	343,702	342,888	343,015	127
<i>Total Revenues</i>	<u>13,468,241</u>	<u>12,931,658</u>	<u>13,015,596</u>	<u>83,938</u>
Expenditures				
Current:				
Instruction:				
Regular	4,996,279	4,996,279	4,878,640	117,639
Special	2,456,488	2,456,488	2,372,552	83,936
Vocational	66,430	66,430	64,537	1,893
Support Services:				
Pupils	650,821	650,821	615,711	35,110
Instructional Staff	92,334	92,334	87,508	4,826
Board of Education	360,872	404,739	404,739	0
Administration	1,241,120	1,197,253	1,182,546	14,707
Fiscal	643,257	643,257	630,968	12,289
Business	46,176	46,176	41,111	5,065
Operation and Maintenance of Plant	770,785	770,785	741,917	28,868
Pupil Transportation	1,066,877	1,066,877	1,009,127	57,750
Central	247,266	247,266	217,068	30,198
Extracurricular Activities	68,671	68,671	65,387	3,284
Debt Service:				
Principal Retirement	80,137	80,137	76,304	3,833
Interest and Fiscal Charges	63,472	63,472	60,436	3,036
<i>Total Expenditures</i>	<u>12,850,985</u>	<u>12,850,985</u>	<u>12,448,551</u>	<u>402,434</u>
<i>Excess of Revenues Over Expenditures</i>	<u>617,256</u>	<u>80,673</u>	<u>567,045</u>	<u>486,372</u>
Other Financing Sources (Uses)				
Advances In	400,000	400,000	400,000	0
Advances Out	(215,193)	(215,193)	(215,193)	0
Transfers Out	(340,142)	(340,142)	(340,142)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(155,335)</u>	<u>(155,335)</u>	<u>(155,335)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	461,921	(74,662)	411,710	486,372
<i>Fund Balance Beginning of Year</i>	338,832	338,832	338,832	0
Prior Year Encumbrances Appropriated	89,081	89,081	89,081	0
<i>Fund Balance End of Year</i>	<u>\$889,834</u>	<u>\$353,251</u>	<u>\$839,623</u>	<u>\$486,372</u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District

Statement of Fund Net Position

Enterprise Funds

June 30, 2016

	<u>Food Service</u>	<u>Web Check Services</u>	<u>Total Enterprise Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$52,811	\$1,164	\$53,975
Accounts Receivable	2,359	0	2,359
Intergovernmental Receivable	15,245	0	15,245
<i>Total Current Assets</i>	70,415	1,164	71,579
Depreciable Capital Assets, Net	5,752	0	5,752
<i>Total Assets</i>	76,167	1,164	77,331
Liabilities			
<i>Current Liabilities:</i>			
Accounts Payable	7,938	0	7,938
Intergovernmental Payable	0	320	320
Interfund Payable	75,000	0	75,000
<i>Total Liabilities</i>	82,938	320	83,258
Net Position			
Investment in Capital Assets	5,752	0	5,752
Unrestricted (Deficit)	(12,523)	844	(11,679)
<i>Total Net Position</i>	(\$6,771)	\$844	(\$5,927)

See accompanying notes to the basic financial statements

Richmond Heights Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Enterprise Funds
For the Fiscal Year Ended June 30, 2016*

	Food Service	Latchkey	Web Check Services	Total Enterprise Funds
Operating Revenues				
Charges for Services	\$110,496	\$0	\$3,840	\$114,336
Operating Expenses				
Salaries	31,893	0	0	31,893
Purchased Services	244,299	16,708	4,140	265,147
Materials and Supplies	170,633	419	0	171,052
Depreciation	3,996	0	0	3,996
Other	466	0	0	466
<i>Total Operating Expenses</i>	451,287	17,127	4,140	472,554
<i>Operating Income (Loss)</i>	(340,791)	(17,127)	(300)	(358,218)
Non-Operating Revenues				
Federal and State Grants	349,340	0	0	349,340
<i>Income (Loss) Before Transfers</i>	8,549	(17,127)	(300)	(8,878)
Transfers In	0	0	1,000	1,000
<i>Change in Net Position</i>	8,549	(17,127)	700	(7,878)
<i>Net Position Beginning of Year</i>	(15,320)	17,127	144	1,951
<i>Net Position End of Year</i>	(\$6,771)	\$0	\$844	(\$5,927)

See accompanying notes to the basic financial statements

Richmond Heights Local School District

Statement of Cash Flows

Enterprise Funds

For the Fiscal Year Ended June 30, 2016

	Food Service	Latchkey	Web Check Services	Total Enterprise Funds
Increase in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$110,002	\$0	\$3,840	\$113,842
Cash Payments to Employees for Services	(31,893)	0	0	(31,893)
Cash Payments for Goods and Services	(423,473)	(17,421)	(4,186)	(445,080)
Other Cash Payments	(466)	0	0	(466)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(345,830)</u>	<u>(17,421)</u>	<u>(346)</u>	<u>(363,597)</u>
Cash Flows from Noncapital Financing Activities				
Federal and State Grants Received	344,293	0	0	344,293
Transfers In	0	0	1,000	1,000
Advances In	75,000	0	0	75,000
Advances Out	(52,000)	0	0	(52,000)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>367,293</u>	<u>0</u>	<u>1,000</u>	<u>368,293</u>
Cash Flows from Capital and Related Financing Activities				
Payments for Capital Acquisitions	(3,990)	0	0	(3,990)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	17,473	(17,421)	654	706
<i>Cash and Cash Equivalents Beginning of Year</i>	35,338	17,421	510	53,269
<i>Cash and Cash Equivalents End of Year</i>	<u>\$52,811</u>	<u>\$0</u>	<u>\$1,164</u>	<u>\$53,975</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	(\$340,791)	(\$17,127)	(\$300)	(\$358,218)
Adjustments:				
Depreciation	3,996	0	0	3,996
(Increase) in Accounts Receivable	(494)	0	0	(494)
Increase (Decrease) in Liabilities:				
Accounts Payable	(8,541)	(294)	0	(8,835)
Intergovernmental Payable	0	0	(46)	(46)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$345,830)</u>	<u>(\$17,421)</u>	<u>(\$346)</u>	<u>(\$363,597)</u>

See accompanying notes to the basic financial statements

Richmond Heights Local School District

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2016

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$209,212</u></u>
 Liabilities	
Due to Employees	\$200,000
Due to Students	<u><u>9,212</u></u>
 <i>Total Liabilities</i>	 <u><u>\$209,212</u></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, 2016

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and federal agencies. This Board of Education controls the School District's two instructional/support facilities staffed by 36 non-certified and 59 certificated full time teaching personnel who provide services to 767 students and other community members.

On March 17, 2014, the School District was declared to be in Fiscal Caution. The Ohio Department of Education (ODE) in consultation with the Auditor of State (AOS), developed guidelines to identify fiscal practices that could lead to financial crisis if uncorrected. Prior to declaring fiscal caution, ODE consulted with the school board. The school board was required to provide a written proposal to ODE to correct the fiscal deficiencies and ODE may go on-site to provide technical assistance.

Reporting Entity

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

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

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

The School District participates in two jointly governed organizations. These organizations are the Northeast Ohio Network for Educational Technology and Ohio Schools Council. These organizations are discussed in Note 15 of the basic financial statements.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Basis of Presentation

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

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

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

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

Fund Accounting

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

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

General Fund The general fund is the operating fund of the School District and is used to account and report for all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service; the School District has no internal service funds.

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

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

Latchkey Fund The latchkey fund accounts for and reports revenues generated from the charges for individuals participating in the program.

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

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

Measurement Focus

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

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 10). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 19.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 19).

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

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

Pensions

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

Budgetary Data

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

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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.

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."

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 rotary special revenue fund during fiscal year 2016 amounted to \$1,000.

Capital Assets

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

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

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

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

Interfund Balances

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Compensated Absences

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

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

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

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

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 judgements, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for the payment during the current fiscal year.

Net Position

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

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

Fund Balance

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or a School District official delegated that authority by resolution by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order, provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for public school support.

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

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

Operating Revenues and Expenses

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

Internal Activity

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

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

Estimates

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

Note 3 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2016, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” GASB Statement No. 79, “Certain External Investment Pools and Pool Participants.” And GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the School District’s financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The School Districts participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The School District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balances - budget (non-GAAP basis) and Actual, general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

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

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

Net Change in Fund Balance	
GAAP Basis	\$1,545,279
Net Adjustment for Revenue Accruals	(757,631)
Advances In	400,000
Net Adjustment for Expenditure Accruals	(847,494)
Advances Out	(215,193)
Perspective Difference:	
Public School Support	(797)
Adjustment for Encumbrances	287,546
Budget Basis	<u><u>\$411,710</u></u>

Note 5 – Fund Balances

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

Fund Balances	General	Other Governmental Funds	Total
<i>Restricted for:</i>			
Extracurricular Activities	\$0	\$14,887	\$14,887
Community Involvement	0	4,352	4,352
Technology Improvements	0	3,600	3,600
Teacher Education	0	52,744	52,744
Medicaid	0	17,543	17,543
Capital Improvements	0	153,267	153,267
<i>Total Restricted</i>	0	246,393	246,393
<i>Committed to:</i>			
Employee Benefits	654,154	0	654,154
<i>Assigned to:</i>			
Public School Support	13,766	0	13,766
Purchases on Order:			
Support Services	253,246	0	253,246
Fiscal Year 2017 Appropriations	840,077	0	840,077
<i>Total Assigned</i>	1,107,089	0	1,107,089
<i>Unassigned (Deficit)</i>	2,019,411	0	2,019,411
<i>Total Fund Balances</i>	\$3,780,654	\$246,393	\$4,027,047

Note 6 – Accountability

The food service enterprise fund ended the year with a deficit fund balance of \$6,771 as the result of operations. Management is currently analyzing their operations to determine appropriate steps to alleviate the deficit.

Note 7 – Deposits and Investments

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

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

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

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
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, \$2,343,069 of the School District's bank balance of \$2,593,069 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Richmond Heights Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 8 - Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

Litigation

The School District is party to various legal proceedings. The School District management is of the opinion that ultimate settlement of such claims not covered by insurance will not result in a material adverse effect on the School District's financial position.

Note 9 - Receivables

Receivables at June 30, 2016, consisted of accounts, taxes, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
<i>Governmental Activities:</i>	
Title I Grant	\$108,291
School Employee Retirement System	86,070
Title VI-B Grant	75,728
Title VI-R Grant	5,845
Total	<u>\$275,934</u>
<i>Business-type Activity:</i>	
Federal Food Program	<u>\$15,245</u>

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

Note 10 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - unavailable revenue.

The amount available as an advance at June 30, 2016 was \$2,952,287 in the general fund and \$30,103 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2015 was \$2,188,489 in the general fund and \$22,144 in the permanent improvement capital projects fund.

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

Richmond Heights Local School District

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For the Fiscal Year Ended June 30, 2016*

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$208,144,760	98.57 %	\$199,250,790	98.48 %
Public Utility Personal	3,014,320	1.43	3,074,930	1.52
Total	\$211,159,080	100.00 %	\$202,325,720	100.00 %
Tax rate per \$1,000 of assessed valuation	\$87.90		\$87.90	

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance 6/30/2015	Additions	Deletions	Balance 6/30/2016
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$311,214	\$0	\$0	\$311,214
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	6,244,248	1,117,120	0	7,361,368
Furniture and Equipment	1,073,786	57,870	0	1,131,656
Vehicles	1,026,594	83,525	(2,500)	1,107,619
<i>Total Capital Assets, being depreciated</i>	<u>8,344,628</u>	<u>1,258,515</u>	<u>(2,500)</u>	<u>9,600,643</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(6,138,198)	(56,288)	0	(6,194,486)
Furniture and Equipment	(1,073,786)	(6,760)	0	(1,080,546)
Vehicles	(696,927)	(56,715)	2,500	(751,142)
Total Accumulated Depreciation	<u>(7,908,911)</u>	<u>(119,763) *</u>	<u>2,500</u>	<u>(8,026,174)</u>
Total Capital Assets, being depreciated, net	<u>435,717</u>	<u>1,138,752</u>	<u>0</u>	<u>1,574,469</u>
Governmental Activities Capital Assets, Net	<u>\$746,931</u>	<u>\$1,138,752</u>	<u>\$0</u>	<u>\$1,885,683</u>

Richmond Heights Local School District

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For the Fiscal Year Ended June 30, 2016*

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$15,714
Special	1,320
Support Services:	
Pupils	2,026
Instructional Staff	3,467
Administration	3,432
Fiscal	864
Business	379
Operation and Maintenance of Plant	49,928
Pupil Transportation	37,360
Central	3,838
Operation of Non-Instructional Services	765
Extracurricular Activities	670
Total Depreciation	\$119,763

Capital asset activity for business-type activities for the fiscal year ended June 30, 2016, was as follows:

	Balance 6/30/2015	Additions	Deletions	Balance 6/30/2016
Business-Type Activities				
Furniture and Equipment	\$92,413	\$3,990	\$0	\$96,403
Less Accumulated Depreciation	(86,655)	(3,996)	0	(90,651)
Business-Type Activities Capital Asset, Net	\$5,758	(\$6)	\$0	\$5,752

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

Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. At June 30, 2016, the School District contracted with Ohio Schools Council for the following coverage:

Type of Coverage	Limit	Deductible
Auto Liability	\$15,000,000	N/A
Uninsured Motorist	100,000	N/A
Comprehensive General Liability		
General Liability	15,000,000	N/A
Personal Injury	15,000,000	N/A
General Aggregate	15,000,000	N/A
Errors and Omissions	15,000,000	5,000
Property Coverage		
Blanket Building and Contents	34,380,328	2,500

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

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

Note 13 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. All administrators and confidential employees receive 1.25 days per month. Non-certified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment.

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

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

Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance through Met Life. Certificated employees and classified employees receive \$50,000 term life and accidental death and dismemberment coverage. Administrative employees receive \$200,000 coverage. The Treasurer receives \$100,000 coverage.

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

Note 14 - Long-Term Obligations

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

	Principal Outstanding 6/30/2015	Additions	(Reductions)	Principal Outstanding 6/30/2016	Amount Due in One Year
Governmental Activities:					
Energy Conservation Notes 2009 - 5.584%	\$699,123	\$0	(\$66,304)	\$632,819	\$70,058
School Renovation and Improvement Lease Purchase	0	1,250,000	(10,000)	1,240,000	75,000
Compensated Absences	313,419	2,171	(18,920)	296,670	40,474
Net Pension Liability:					
SERS	2,653,858	0	(97,526)	2,556,332	0
STRS	9,672,606	224,556	0	9,897,162	0
Total Net Pension Liability	12,326,464	224,556	(97,526)	12,453,494	0
Total Governmental Activities	<u>\$13,339,006</u>	<u>\$1,476,727</u>	<u>(\$192,750)</u>	<u>\$14,622,983</u>	<u>\$185,532</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 general fund. The notes were issued for a 15 year period with a final maturity date of September 15, 2023.

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

Richmond Heights Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Annual base rent requirements to retire the lease purchase obligations outstanding at June 30, 2016 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2017	\$75,000	\$35,353	\$110,353
2018	75,000	33,148	108,148
2019	80,000	30,870	110,870
2020	80,000	28,518	108,518
2021	80,000	26,166	106,166
2022 - 2026	445,000	92,977	537,977
2027 - 2030	405,000	24,330	429,330
Total	<u>\$1,240,000</u>	<u>\$271,362</u>	<u>\$1,511,362</u>

The Energy Conservation Notes will be paid from the bond retirement debt service fund. The school renovation and improvement lease purchase obligation will be paid from the building capital project fund. Compensated absences will be paid from the general fund and title I special revenue fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

The School District's overall legal debt margin was \$16,336,496 with an unvoted debt margin of \$202,326 at June 30, 2016. Principal and interest requirements to retire the energy conservation notes are as follows:

Fiscal Year Ended June 30	Energy Conservation Bonds	
	Principal	Interest
2017	\$70,058	\$34,372
2018	74,024	30,405
2019	78,215	26,215
2020	82,644	21,786
2021	87,323	17,106
2022 - 2024	<u>240,555</u>	<u>20,518</u>
Total	<u>\$632,819</u>	<u>\$150,402</u>

Note 15 - Jointly Governed Organizations

Northeast Ohio Network for Educational Technology

The Northeast Ohio Network for Educational Technology (NEONET) is the computer service organization or Data Acquisition Site (DAS) used by the School District. NEONET is a jointly governed organization among twenty-nine school districts, three career centers, and the Summit and Medina County Educational Service Centers. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Board of Directors consists of member district superintendents and treasurers. The manager/director is a permanent, non-voting member of the Board of Directors. Each participant's degree of control is limited to its representation on the board. The Board of Directors exercises total control over the

Richmond Heights Local School District

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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 \$53,581 in payments to NEONET. Financial information can be obtained by writing to the Summit County Educational Service Center, 420 Washington Avenue, Suite 200, Cuyahoga Falls, OH 44221.

Ohio Schools Council

The Ohio Schools' Council Association (Council) is a jointly governed organization among 200 members. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly from September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. The degree of control exercised by any participant is limited to its representation on the Governing Board. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. In fiscal year 2016, the School District paid \$4,181 to the Council. Financial information can be obtained by contacting William J. Zelei, the Executive Director of the Ohio Schools' Council at 6393 OakTree Blvd, Suite 377, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Compass Energy is the supplier and program manager for the period from October 1, 2010 through March 31, 2016. There are currently 154 participants in the Program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Note 16 - Set-Asides

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

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

	Capital Improvements
Set-aside balance June 30, 2015	\$0
Current year set-aside requirement	126,470
Current year offsets	(99,481)
Qualifying disbursements	(225,989)
Totals	<u>(\$199,000)</u>
Set-aside balance carried forward to future fiscal years	<u>\$0</u>
Set-aside balance June 30, 2016	<u><u>\$0</u></u>

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

Note 17 - Interfund Transactions

Interfund Transfers

Interfund transfers for the year ended June 30, 2016, consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u>
	General Fund
Governmental Funds:	
Other Governmental Funds	\$54,142
Enterprise Funds:	
Web Check Services	1,000
<i>Total All Funds</i>	<u><u>\$55,142</u></u>

The general fund transfers to the other governmental funds were to the bond retirement fund for the payment of debt and to various special revenue funds to support programs in those funds. The general fund transfers to the enterprise fund was to support services provided in that fund.

Richmond Heights Local School District

Notes to the Basic Financial Statements

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Interfund Balances

Interfund balances at June 30, 2016, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental Funds:		
General Fund	\$215,193	\$0
Other Governmental Funds	<u>0</u>	<u>140,193</u>
<i>Total Governmental Funds</i>	<u>215,193</u>	<u>140,193</u>
Enterprise Fund:		
Food Service	<u>0</u>	<u>75,000</u>
<i>Total All Funds</i>	<u><u>\$215,193</u></u>	<u><u>\$215,193</u></u>

Interfund payables in the special revenue funds are due to the timing of the receipt of grant monies received by the various funds. The capital projects payable is due to the timing of the receipt of various revenue sources before the start of improvement projects. Interfund payables exist in the enterprise funds due to the timing of the receipt of various revenue sources.

Note 18 - Encumbrances

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

Governmental Funds:		Proprietary Funds:	
General	\$287,546	Food Service	<u>\$8,483</u>
Other Governmental	<u>126,244</u>		
	<u><u>\$413,790</u></u>		

Note 19 – Defined Benefit Pension Plans

Net Pension Liability

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

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-

Richmond Heights Local School District

*Notes to the Basic Financial Statements
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term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

Richmond Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$187,482 for fiscal year 2016. Of this amount \$12,860 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing, multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or

Richmond Heights Local School District

*Notes to the Basic Financial Statements
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after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$518,025 for fiscal year 2016. Of this amount \$91,679 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.05243800%	0.03976657%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.04480000%</u>	<u>0.03581118%</u>	
Change in Proportionate Share	<u>-0.00763800%</u>	<u>-0.00395539%</u>	
Proportionate Share of the Net			
Pension Liability	\$2,556,332	\$9,897,162	\$12,453,494
Pension Expense	\$52,968	\$129,689	\$182,657

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At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$41,161	\$451,186	\$492,347
School District contributions subsequent to the measurement date	187,482	518,025	705,507
Total Deferred Outflows of Resources	\$228,643	\$969,211	\$1,197,854
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	(\$88,049)	(\$88,049)
Net difference between projected and actual earnings on pension plan investments	84,700	711,793	796,493
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	341,380	929,266	1,270,646
Total Deferred Inflows of Resources	\$426,080	\$1,553,010	\$1,979,090

\$705,507 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	(\$139,826)	(\$392,944)	(\$532,770)
2018	(139,826)	(392,944)	(532,770)
2019	(140,021)	(392,944)	(532,965)
2020	34,754	77,008	111,762
Total	(\$384,919)	(\$1,101,824)	(\$1,486,743)

Actuarial Assumptions - SERS

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute.

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$3,544,713	\$2,556,332	\$1,724,033

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

Asset Class	Target Allocation	10 Year Expected Nominal Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$13,747,906	\$9,897,162	\$6,640,785

Note 20 - Postemployment Benefits

School Employee Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Richmond Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. 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 2016, the School District's surcharge obligation was \$17,869.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$30,020, and \$48,828, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to postemployment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to postemployment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$42,913, respectively. The full amount has been contributed for 2016, 2015 and 2014.

Note 21 – Subsequent Event

On July 7, 2016, the School District issued \$686,000 in energy conservation refunding notes. The notes were issued for a 7 year period with an interest rate of 1.95 percent.

Required Supplementary Information

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

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.04480000%	0.05243800%	0.05243800%
School District's Proportionate Share of the Net Pension Liability	\$2,556,332	\$2,653,858	\$3,118,320
School District's Covered Payroll	\$1,318,035	\$1,559,061	\$1,233,489
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	193.95%	170.22%	252.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

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

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

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.03581118%	0.03976657%	0.03976657%
School District's Proportionate Share of the Net Pension Liability	\$9,897,162	\$9,672,606	\$11,521,945
School District's Covered Payroll	\$2,940,064	\$4,079,585	\$4,171,315
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	336.63%	237.10%	276.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$187,482	\$173,717	\$216,086	\$170,715
Contributions in Relation to the Contractually Required Contribution	<u>(187,482)</u>	<u>(173,717)</u>	<u>(216,086)</u>	<u>(170,715)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$1,339,157	\$1,318,036	\$1,559,061	\$1,233,489
Contributions as a Percentage of Covered Payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$228,915	\$193,779	\$227,176	\$162,303	\$185,575	\$212,600
<u>(228,915)</u>	<u>(193,779)</u>	<u>(227,176)</u>	<u>(162,303)</u>	<u>(185,575)</u>	<u>(212,600)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,701,969	\$1,541,600	\$1,677,817	\$1,649,417	\$1,889,771	\$1,990,637
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$518,025	\$411,609	\$530,346	\$542,271
Contributions in Relation to the Contractually Required Contribution	<u>(518,025)</u>	<u>(411,609)</u>	<u>(530,346)</u>	<u>(542,271)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$3,700,179	\$2,940,064	\$4,079,585	\$4,171,315
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
\$522,260	\$484,653	\$495,646	\$495,394	\$629,044	\$691,187
(522,260)	(484,653)	(495,646)	(495,394)	(629,044)	(691,187)
\$0	\$0	\$0	\$0	\$0	\$0
\$4,017,385	\$3,728,100	\$3,812,662	\$3,810,723	\$4,838,800	\$5,316,823
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor Number	Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture					
<i>Passed through Ohio Department of Education</i>					
Child Nutrition Cluster:					
National School Breakfast Program	10.553	044594-05PU-11	\$ 123,639	\$ 123,639	\$ 0
National School Lunch Program	10.555	044594-LLP4-11	215,036	215,036	24,401
Total Child Nutrition Cluster			<u>338,675</u>	<u>338,675</u>	<u>24,401</u>
Total U.S. Department of Agriculture			<u>338,675</u>	<u>338,675</u>	<u>24,401</u>
U.S. Department of Education					
<i>Passed through Ohio Department of Education</i>					
Title I - Grants to Local Education Agencies	84.010		<u>316,093</u>	<u>355,289</u>	<u>0</u>
Special Education Cluster:					
Special Education Grants to States	84.027	044594-6BSF-11	<u>146,665</u>	<u>173,401</u>	<u>0</u>
Total Special Education Cluster			<u>146,665</u>	<u>173,401</u>	<u>0</u>
Improving Teacher Quality State Grants - Title II, Part A	84.367	044594-TRS1-11	<u>27,090</u>	<u>29,077</u>	<u>0</u>
Total U.S. Department of Education			<u>489,848</u>	<u>557,767</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 828,523</u>	<u>\$ 896,442</u>	<u>\$ 24,401</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JUNE 30, 2016**

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Richmond Heights Local School District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

The District did not use the de minimus rate of 10 percent for indirect costs charged to the federal grants.

NOTE 2: NONCASH SUPPORT

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

NOTE3: TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amount from 2015 to 2016 program.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2014 to 2015</u>
Improving Teacher Quality State Grant	84.367	\$ 75

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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**

To the Members of Board of Education
Richmond Heights Local School District
Richmond Heights, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Richmond Heights Local School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 18, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Richmond Heights Local School District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we considered a significant deficiency as item **2016-001**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Richmond Heights Local School District's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of This Report

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



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

November 18, 2016

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

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

To the Members of Board of Education
Richmond Heights Local School District
Richmond Heights, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on Compliance for Each Major Federal Program

We have audited the Richmond Heights Local School District, Cuyahoga County, Ohio's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Richmond Heights Local School District's major federal programs for the year ended June 30, 2016. The Richmond Heights Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Richmond Heights Local School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Richmond Heights Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Richmond Heights Local School District, Cuyahoga County, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

James G. Zupka, CPA, Inc.

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

November 18, 2016

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

2016(i)	Type of Financial Statement Opinion	Unmodified
2016(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2016(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
2016(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2016(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2016(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2016(v)	Type of Major Program's Compliance Opinion	Unmodified
2016(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2016(vii)	Major Programs (list): Title I - Grants to Local Education Agencies - CFDA #84.010 Child Nutrition Cluster: National School Breakfast Program - CFDA #10.553 National School Lunch Program - CFDA #10.555	
2016(viii)	Dollar Threshold: Type A\B Program	Type A: \$750,000 or more Type B: All others
2016(ix)	Low Risk Auditee?	No

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016
(CONTINUED)**

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

2016-001 - Significant Deficiency - Capital Assets

Condition/Criteria

During our review of capital assets, we noted the following:

1. The District does not maintain a comprehensive listing of capital assets with related depreciation.
2. The District does not utilize a formal asset disposal form.
3. The District did not record approximately \$8,000 of capital asset additions for Food Services.
4. The District inadvertently reported \$27,500 of capital assets additions which should have been recorded as repairs expense.

Cause/Effect

The lack of proper controls over capital assets can result in errors and irregularities that may go undetected and decrease the reliability of financial data at year end.

Recommendation

We recommend the District maintain an up-to-date listing of all capital assets with related depreciation. The listing should also identify which assets were purchased using Federal funds. This listing should periodically be reviewed in order to verify that the assets still exist. The District should also maintain a list of assets below the capitalization threshold which were purchased with Federal funds in order to keep track of all Federally funded assets. In addition, the District should utilize a formal Asset Disposal Form to properly reflect assets during the year.

Client Response/Corrective Action Plan

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
 JUNE 30, 2015**

Number	Finding Summary	Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain
2016-001	Capital Assets	No	See Finding 2016-001.

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